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KKR & CO. INC.

FORM 10-Q
(Quarterly Report)

Filed 08/02/19 for the Period Ending 06/30/19

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

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

Form 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended June 30, 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

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

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 August 1, 2019, there were 545,623,520 shares of Class A common stock of the registrant outstanding.

KKR & CO. INC.

FORM 10-Q

For the Quarter Ended June 30, 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 our Annual Report on Form 10-K for the year ended December 31, 2018 (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 (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." KKR Management Holdings L.P., KKR Fund Holdings L.P. and KKR International Holdings L.P. are together referred to in this report as the "KKR Group Partnerships." Each KKR Group Partnership has an identical number of partner interests and, when held together, one Class A partner interest in each of the KKR Group Partnerships together represents one "KKR Group Partnership Unit." In connection with 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., the KKR Group Partnerships have outstanding preferred units 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 the "Class B Stockholder" are to KKR Management LLC, the holder of the sole share of our Class B common stock, and 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 the KKR Group Partnerships and are net of amounts that have been allocated to our principals and other employees and non-employee operating consultants in respect of the carried interest from KKR's business as part of our "carry pool" and certain minority interests. References to "principals" are to our senior employees and non-employee operating consultants who hold interests in KKR's business through KKR Holdings L.P. ("KKR Holdings") and references to our "senior principals" are to our senior employees who hold interests in the Class B Stockholder.

References to "non-employee operating consultants" include employees of KKR Capstone, who are not employees of KKR. KKR Capstone refers to a group of entities that are owned and controlled by their senior management. KKR Capstone is not a subsidiary or affiliate of KKR. KKR Capstone operates under several consulting agreements with KKR and uses the "KKR" name under license from KKR. KKR is in the process of evaluating a potential acquisition of KKR Capstone.

In this report, the term "GAAP" refers to accounting principles generally accepted in the United States of America.

We disclose certain financial measures in this report that are calculated and presented using methodologies other than in accordance with GAAP. We believe that providing these performance measures on a supplemental basis to our GAAP results is helpful to stockholders in assessing the overall performance of KKR's businesses. These financial measures should not be considered as a substitute for similar financial measures calculated in accordance with GAAP, if available. We caution readers that these non-GAAP financial measures may differ from the calculations of other investment managers, and as a result, may not be comparable to similar measures presented by other investment managers. Reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP, where applicable, are included within Note 14 "Segment Reporting" to our condensed consolidated financial statements and under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Segment and Other Operating and Performance Measures" and "—Segment Balance Sheet."

This report uses the terms assets under management ("AUM"), fee paying assets under management ("FPAUM"), after-tax distributable earnings, fee related earnings ("FRE"), capital invested, syndicated capital, and book value. You should note that our calculations of these financial measures and other financial measures may differ from the calculations of other investment managers and, as a result, our financial measures may not be comparable to similar measures presented by other investment managers. These and other financial measures are defined in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Segment and Other Operating and Performance Measures" and "Management's Discussion and Analysis of Financial Condition and Results of Operation—Segment Balance Sheet."

References to our "funds" or our "vehicles" refer to investment funds, vehicles and accounts advised, sponsored or managed by one or more subsidiaries of KKR, including 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 manager with which we have formed a strategic partnership where we have acquired a non-controlling interest.

Unless otherwise indicated, references in this report to our fully exchanged and diluted 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 not held by us are exchangeable pursuant to the terms of the exchange agreement described in our Annual 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 (i) shares of Class A common stock available for issuance pursuant to the Equity Incentive Plans for which equity awards have not yet been granted and (ii) shares of Class A common stock that we have the option to issue in connection with our acquisition of additional interests in Marshall Wace LLP (together with its affiliates, "Marshall Wace").

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 Data)

	June 30, 2019	December 31, 2018
Assets		
Cash and Cash Equivalents	$ 2,143,057	$ 1,751,287
Cash and Cash Equivalents Held at Consolidated Entities	955,764	693,860
Restricted Cash and Cash Equivalents	91,737	196,365
Investments	51,243,090	44,907,982
Due from Affiliates	675,950	657,189
Other Assets	2,414,467	2,536,692
Total Assets	$ 57,524,065	$ 50,743,375
Liabilities and Equity		
Debt Obligations	$ 25,685,785	$ 22,341,192
Due to Affiliates	276,440	275,584
Accounts Payable, Accrued Expenses and Other Liabilities	3,279,777	2,743,990
Total Liabilities	29,242,002	25,360,766
Commitments and Contingencies		
Redeemable Noncontrolling Interests	—	1,122,641
Stockholders' Equity [1]		
Series A and B Preferred Stock, $0.01 par value. 13,800,000 and 6,200,000 shares, respectively, issued and outstanding as of June 30, 2019 and December 31, 2018.	482,554	482,554
Class A Common Stock, $0.01 par value. 3,500,000,000 shares authorized, 545,623,520 and 534,857,237 shares, issued and outstanding as of June 30, 2019 and December 31, 2018, respectively.	5,456	5,349
Class B Common Stock, $0.01 par value. 1 share authorized, 1 share issued and outstanding as of June 30, 2019 and December 31, 2018.	—	—
Class C Common Stock, $0.01 par value. 499,999,999 shares authorized, 296,961,596 and 299,081,239 shares, issued and outstanding as of June 30, 2019 and December 31, 2018, respectively.	2,970	2,991
Additional Paid-In Capital	8,252,018	8,106,408
Retained Earnings	1,172,754	91,953
Accumulated Other Comprehensive Income (Loss)	(40,274)	(39,645)
Total KKR & Co. Inc. Stockholders' Equity	9,875,478	8,649,610
Noncontrolling Interests	18,406,585	15,610,358
Total Equity	28,282,063	24,259,968
Total Liabilities and Equity	$ 57,524,065	$ 50,743,375

(1) See Note 1 "Organization."

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") as of June 30, 2019 and December 31, 2018. 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.

	June 30, 2019		
	Consolidated CFEs	**Consolidated KKR Funds and Other Entities**	**Total**
Assets			
Cash and Cash Equivalents Held at Consolidated Entities	$ 647,451	$ 164,376	$ 811,827
Restricted Cash and Cash Equivalents	—	55,214	55,214
Investments	16,140,219	17,467,075	33,607,294
Due from Affiliates	—	11,852	11,852
Other Assets	98,469	249,929	348,398
Total Assets	$ 16,886,139	$ 17,948,446	$ 34,834,585
Liabilities			
Debt Obligations	$ 15,510,266	$ 1,264,011	$ 16,774,277
Accounts Payable, Accrued Expenses and Other Liabilities	573,956	56,499	630,455
Total Liabilities	$ 16,084,222	$ 1,320,510	$ 17,404,732

	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.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(Amounts in Thousands, Except Share Data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Revenues				
Fees and Other	$ 519,441	$ 413,846	$ 891,989	$ 808,240
Capital Allocation-Based Income	660,423	557,774	1,475,355	635,986
Total Revenues	1,179,864	971,620	2,367,344	1,444,226
Expenses				
Compensation and Benefits	608,967	472,500	1,153,529	770,636
Occupancy and Related Charges	17,193	15,322	31,883	29,537
General, Administrative and Other	182,651	187,228	352,166	311,478
Total Expenses	808,811	675,050	1,537,578	1,111,651
Investment Income (Loss)				
Net Gains (Losses) from Investment Activities	1,037,985	1,116,587	2,241,863	1,589,387
Dividend Income	17,130	66,344	39,755	99,408
Interest Income	365,727	351,705	724,238	649,961
Interest Expense	(264,766)	(203,850)	(513,854)	(423,440)
Total Investment Income (Loss)	1,156,076	1,330,786	2,492,002	1,915,316
Income (Loss) Before Taxes	1,527,129	1,627,356	3,321,768	2,247,891
Income Tax Expense (Benefit)	165,399	60,960	332,992	78,601
Net Income (Loss)	1,361,730	1,566,396	2,988,776	2,169,290
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	—	(18,016)	—	7,658
Net Income (Loss) Attributable to Noncontrolling Interests	838,996	895,690	1,756,723	1,294,467
Net Income (Loss) Attributable to KKR & Co. Inc.	522,734	688,722	1,232,053	867,165
Series A Preferred Stock Dividends	5,822	5,822	11,644	11,644
Series B Preferred Stock Dividends	2,519	2,519	5,038	5,038
Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	$ 514,393	$ 680,381	$ 1,215,371	$ 850,483
Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock				
Basic	$ 0.94	$ 1.33	$ 2.25	$ 1.71
Diluted	$ 0.93	$ 1.24	$ 2.20	$ 1.57
Weighted Average Shares of Class A Common Stock Outstanding				
Basic	544,528,863	510,586,631	539,240,051	499,208,944
Diluted	554,643,810	548,745,498	552,374,508	542,367,320

See notes to financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Net Income (Loss)	$ 1,361,730	$ 1,566,396	$ 2,988,776	$ 2,169,290
Other Comprehensive Income (Loss), Net of Tax:				
Foreign Currency Translation Adjustments	(2,039)	(27,537)	327	(23,913)
Comprehensive Income (Loss)	1,359,691	1,538,859	2,989,103	2,145,377
Less: Comprehensive Income (Loss) Attributable to Redeemable Noncontrolling Interests	—	(18,016)	—	7,658
Less: Comprehensive Income (Loss) Attributable to Noncontrolling Interests	837,111	881,741	1,757,470	1,279,791
Comprehensive Income (Loss) Attributable to KKR & Co. Inc.	$ 522,580	$ 675,134	$ 1,231,633	$ 857,928

See notes to financial statements.

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

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

	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 April 1, 2018	489,242,042	$ 6,933,430	$ (15,245)	$ 6,918,185	$ 332,988	$ 149,566	$ 13,677,569	$ 21,078,308	$ 690,630
Net Income (Loss)		680,381		680,381	5,822	2,519	895,690	1,584,412	(18,016)
Other Comprehensive Income (Loss)- Foreign Currency Translation (Net of Tax)			(13,588)	(13,588)			(13,949)	(27,537)	
Changes in Consolidation				—			370,307	370,307	
Exchange of KKR Holdings L.P. Units and Other Securities to KKR & Co. L.P. Common Units	29,654,792	456,249	(1,866)	454,383			(454,383)	—	
Tax Effects Resulting from Exchange of KKR Holdings L.P. Units and Other		2,243	—	2,243				2,243	
Net Delivery of Common Units - Equity Incentive Plans	7,652,340	(53,439)		(53,439)				(53,439)	
Equity-Based and Other Non-Cash Compensation		58,198		58,198			29,247	87,445	
Unit Repurchases	(2,207,300)	(52,212)		(52,212)				(52,212)	
Capital Contributions				—			1,139,999	1,139,999	292,501
Capital Distributions (1)		(84,321)		(84,321)	(5,822)	(2,519)	(711,821)	(804,483)	(2,968)
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) $0.17 per common unit, $0.421875 per Series A preferred unit, and $0.406250 per Series B preferred unit.

	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, 2018	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

(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.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED) (Continued)

(Amounts in Thousands, Except Share Data)

The statements below represent KKR & Co. Inc. as a corporation subsequent to the Conversion for the three and six months ended June 30, 2019:

	Three Months Ended June 30, 2019		Six Months Ended June 30, 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	5,339	533,922,902	5,349	534,857,237
Exchange of KKR Holdings Units	17	1,683,689	21	2,119,643
Repurchases of Class A Common Stock	—	—	(14)	(1,370,289)
Net Delivery of Class A Common Stock	65	6,516,929	65	6,516,929
Class A Common Stock Issued in Connection with the Purchase of an Investment	35	3,500,000	35	3,500,000
End of Period	5,456	545,623,520	5,456	545,623,520
Class B Common Stock				
Beginning of Period	—	1	—	1
End of Period	—	1	—	1
Class C Common Stock				
Beginning of Period	2,987	298,645,285	2,991	299,081,239
Cancellation of Class C Common Stock	(17)	(1,683,689)	(21)	(2,119,643)
End of Period	2,970	296,961,596	2,970	296,961,596
Additional Paid-In Capital				
Beginning of Period	8,145,133		8,106,408	
Exchange of KKR Holdings Units	29,849		36,986	
Tax Effects Resulting from Exchange of KKR Holdings Units and Other	(738)		4,517	
Net Delivery of Class A Common Stock	(53,479)		(53,479)	
Repurchases of Class A Common Stock	—		(28,552)	
Equity-Based Compensation	48,611		103,496	
Class A Common Stock Issued in Connection with the Purchase of an Investment	82,642		82,642	
End of Period	8,252,018		8,252,018	
Retained Earnings				
Beginning of Period	726,312		91,953	
Net Income (Loss) Attributable to KKR & Co. Inc.	522,734		1,232,053	
Series A Preferred Stock Dividends ($0.421875 and $0.843750 per share for the three and six months ended June 30, 2019, respectively)	(5,822)		(11,644)	
Series B Preferred Stock Dividends ($0.406250 and $0.812500 per share for the three and six months ended June 30, 2019, respectively)	(2,519)		(5,038)	
Common Stock Dividends ($0.125 and $0.250 per share for the three and six months ended June 30, 2019, respectively)	(67,951)		(134,570)	
End of Period	1,172,754		1,172,754	
Accumulated Other Comprehensive Income (Loss)				
Beginning of Period	(39,954)		(39,645)	
Foreign Currency Translation (net of tax)	(154)		(420)	
Exchange of KKR Holdings Units	(166)		(209)	
End of Period	(40,274)		(40,274)	
Total KKR & Co. Inc. Stockholders' Equity	9,875,478		9,875,478	
Noncontrolling Interests (See Note 15 "Equity")	18,406,585		18,406,585	
Total Equity	$ 28,282,063		$ 28,282,063	

See notes to financial statements.

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

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Operating Activities		
Net Income (Loss)	$ 2,988,776	$ 2,169,290
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Equity-Based and Other Non-Cash Compensation	148,950	180,844
Net Realized (Gains) Losses on Investments	(203,958)	(185,164)
Change in Unrealized (Gains) Losses on Investments	(2,037,905)	(1,404,223)
Capital Allocation-Based Income	(1,475,355)	(635,986)
Other Non-Cash Amounts	8,753	29,942
Cash Flows Due to Changes in Operating Assets and Liabilities:		
Change in Consolidation and Other	(137,498)	—
Change in Due from / to Affiliates	(34,611)	(128,841)
Change in Other Assets	385,864	437,096
Change in Accounts Payable, Accrued Expenses and Other Liabilities	502,264	373,360
Investments Purchased	(15,312,092)	(20,677,349)
Proceeds from Investments	12,052,968	15,302,724
Net Cash Provided (Used) by Operating Activities	(3,113,844)	(4,538,307)
Investing Activities		
Purchases of Fixed Assets	(144,037)	(45,188)
Development of Oil and Natural Gas Properties	(1,077)	—
Proceeds from Sale of Oil and Natural Gas Properties	—	26,630
Net Cash Provided (Used) by Investing Activities	(145,114)	(18,558)
Financing Activities		
Preferred Stock Dividends	(16,682)	(16,682)
Common Stock Dividends	(134,570)	(167,078)
Distributions to Redeemable Noncontrolling Interests	—	(5,502)
Contributions from Redeemable Noncontrolling Interests	—	349,451
Distributions to Noncontrolling Interests	(1,621,295)	(1,550,955)
Contributions from Noncontrolling Interests	2,650,908	2,410,722
Net Delivery of Class A Common Stock (Equity Incentive Plans)	(53,414)	(53,439)
Repurchases of Class A Common Stock	(28,566)	(52,212)
Proceeds from Debt Obligations	8,463,555	8,932,645
Repayment of Debt Obligations	(5,418,043)	(5,708,987)
Financing Costs Paid	(36,268)	(22,884)
Net Cash Provided (Used) by Financing Activities	3,805,625	4,115,079
Effect of exchange rate changes on cash, cash equivalents and restricted cash	2,379	(11,938)
Net Increase/(Decrease) in Cash, Cash Equivalents and Restricted Cash	549,046	(453,724)
Cash, Cash Equivalents and Restricted Cash, Beginning of Period	2,641,512	3,735,361
Cash, Cash Equivalents and Restricted Cash, End of Period	$ 3,190,558	$ 3,281,637

See notes to financial statements.

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

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Supplemental Disclosures of Cash Flow Information		
Payments for Interest	$ 484,215	$ 380,413
Payments for Income Taxes	$ 94,748	$ 36,476
Payments for Operating Lease Liabilities	$ 24,923	$ —
Supplemental Disclosures of Non-Cash Investing and Financing Activities		
Equity-Based and Other Non-Cash Contributions	$ 148,950	$ 187,936
Class A Common Stock Issued in Connection with the Purchase of an Investment	$ 82,677	$ —
Debt Obligations - Net Gains (Losses), Translation and Other	$ (333,691)	$ 373,625
Tax Effects Resulting from Exchange of KKR Holdings L.P. Units and Other	$ 4,517	$ 6,465
Gain on Sale of Oil and Natural Gas Properties	$ —	$ 15,224
Change in Consolidation and Other		
Investments	$ (1,014,813)	$ (3,054,090)
Due From Affiliates	$ 1,642	$ —
Other Assets	$ (19,703)	$ (114,770)
Debt Obligations	$ —	$ (4,049,685)
Accounts Payable, Accrued Expenses and Other Liabilities	$ (47,731)	$ 197,874
Noncontrolling Interests	$ —	$ 370,307
Redeemable Noncontrolling Interests	$ (1,122,641)	$ —
Gain on Asset Contribution	$ —	$ 312,644

	June 30, 2019	December 31, 2018
Reconciliation to the Condensed Consolidated Statements of Financial Condition		
Cash and Cash Equivalents	$ 2,143,057	$ 1,751,287
Cash and Cash Equivalents Held at Consolidated Entities	955,764	693,860
Restricted Cash and Cash Equivalents	91,737	196,365
Cash, Cash Equivalents and Restricted Cash, End of Period	$ 3,190,558	$ 2,641,512

See notes to financial statements.

KKR & CO. INC.
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)
(All Amounts in Thousands, Except Unit and 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 condensed consolidated financial statements for the three and six months ended June 30, 2018, 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 condensed 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 June 30, 2019, KKR & Co. Inc. held approximately 64.8% of the KKR Group Partnership Units and KKR Holdings held approximately 35.2% 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.

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 December 31, 2018 consolidated balance sheet data was derived from audited financial statements included in KKR's Annual Report on Form 10-K for the year ended December 31, 2018, filed with the Securities and Exchange Commission (the "SEC") on February 15, 2019, 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 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, real assets, credit, investments of consolidated CFEs, equity method, carried interest 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 as a component of Net Gains (Losses) from Investment Activities in the consolidated statements of operations. Security and loan transactions are recorded on a trade date basis. Further disclosure on investments is presented in Note 4 "Investments."

The following describes the types of securities held within each investment class.

Private Equity - Consists primarily of equity investments in operating businesses, including growth equity investments.

Credit - Consists primarily of investments in below investment grade corporate debt securities (primarily high yield bonds and syndicated bank loans), originated, distressed and opportunistic debt, 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 producing 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 estate 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 funds in consolidation. Accordingly, the unrealized gains and losses resulting from changes in fair value of the investments and other financial instruments held by the consolidated investment funds are reflected as a component of Net Gains (Losses) from Investment Activities in the consolidated statements of operations.

Certain energy investments are made through consolidated investment funds, including investments in working and royalty interests in oil and natural gas producing properties as well as investments in operating companies that operate in the energy industry. Since these investments are held through consolidated investment funds, such investments are reflected at fair value as of the end of the reporting period.

Investments in operating companies that are held through KKR's consolidated investment funds are generally classified within private equity investments and investments in working and royalty interests in oil and natural gas producing properties are generally classified as real asset investments.

Energy Investments held by KKR

Certain energy investments are made by KKR in working and royalty interests in oil and natural gas producing properties and not through investment funds. Oil and natural gas producing activities are accounted for under the successful efforts method of accounting and such working interests are consolidated based on the proportion of the working interests held by KKR. Accordingly, KKR reflects its proportionate share of the underlying consolidated statements of financial condition and consolidated statements of operations of the consolidated working interests on a gross basis and changes in the value of these working interests are not reflected as unrealized gains and losses in the consolidated statements of operations. Under the successful efforts method, exploration costs, other than the costs of drilling exploratory wells, are charged to expense as incurred. Costs that are associated with the drilling of successful exploration wells are capitalized if proved reserves are found. Lease acquisition costs are capitalized when incurred. Costs associated with the drilling of exploratory wells that do not find proved reserves, geological and geophysical costs and costs of certain nonproducing leasehold costs are charged to expense as incurred.

Expenditures for repairs and maintenance, including workovers, are charged to expense as incurred.

The capitalized costs of producing oil and natural gas properties are depleted on a field-by-field basis using the units-of production method based on the ratio of current production to estimated total net proved oil, natural gas and natural gas liquid reserves. Proved developed reserves are used in computing depletion rates for drilling and development costs and total proved reserves are used for depletion rates of leasehold costs.

Estimated dismantlement and abandonment costs for oil and natural gas properties, net of salvage value, are capitalized at their estimated net present value and amortized on a unit-of-production basis over the remaining life of the related proved developed reserves.

Whenever events or changes in circumstances indicate that the carrying amounts of oil and natural gas properties may not be recoverable, KKR evaluates oil and natural gas properties and related equipment and facilities for impairment on a field-by-field basis. The determination of recoverability is made based upon estimated undiscounted future net cash flows. The amount of impairment loss, if any, is determined by comparing the fair value, as determined by a discounted cash flow analysis, with the carrying value of the related asset. Any impairment in value is recognized when incurred and is recorded in General, Administrative, and Other expense in the consolidated statements of operations.

Fair Value Option

For certain investments and other financial instruments, KKR has elected the fair value option. Such election is irrevocable and is applied on a financial instrument by financial instrument basis at initial recognition. KKR has elected the fair value option for certain private equity, real assets, credit, investments of consolidated CFEs, equity method - 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 June 30, 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 instruments generally have bid and ask prices that can be observed in the marketplace. Bid prices reflect the highest price that KKR and others are willing to pay for an instrument. Ask prices represent the lowest price that KKR and others are willing to accept for an instrument. For financial assets and liabilities whose inputs are based on bid-ask prices obtained from third party pricing services, fair value may not always be a predetermined point in the bid-ask range. KKR's policy is generally to allow for mid-market pricing and adjusting to the point within the bid-ask range that meets KKR's best estimate of fair value.

Investments and Debt Obligations of Consolidated CLO Vehicles: Investments of consolidated CLO vehicles are reported within Investments of Consolidated CFEs and are valued using the same valuation methodology as described above for credit investments. Under ASU 2014-13, KKR measures CLO debt obligations on the basis of the fair value of the financial assets of the CLO.

Securities Indexed to Publicly-Listed Securities: The securities are typically valued using standard convertible security pricing models. The key inputs into these models that require some amount of judgment are the credit spreads utilized and the volatility assumed. To the extent the company being valued has other outstanding debt securities that are publicly-traded, the implied credit spread on the company's other outstanding debt securities would be utilized in the valuation. To the extent the company being valued does not have other outstanding debt securities that are publicly-traded, the credit spread will be estimated based on the implied credit spreads observed in comparable publicly-traded debt securities. In certain cases, an additional spread will be added to reflect an illiquidity discount due to the fact that the security being valued is not publicly-traded. The volatility assumption is based upon the historically observed volatility of the underlying equity security into which the convertible debt security is convertible and/or the volatility implied by the prices of options on the underlying equity security.

Restricted Equity Securities: The valuation of certain equity securities is based on an observable price for an identical security adjusted for the effect of a restriction.

Derivatives: The valuation incorporates observable inputs comprising yield curves, foreign currency rates and credit spreads.

Level III Valuation Methodologies

Investments and financial instruments categorized as Level III consist primarily of the following:

Private Equity Investments: KKR generally employs two valuation methodologies when determining the fair value of a private equity investment. The first methodology is typically a market comparables analysis that considers key financial inputs and recent public and private transactions and other available measures. The second methodology utilized is typically a discounted cash flow analysis, which incorporates significant assumptions and judgments. Estimates of key inputs used in this methodology include the weighted average cost of capital for the investment and assumed inputs used to calculate terminal values, such as exit EBITDA multiples. 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 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 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.

Other Investments: With respect to other investments including equity method investments for which the fair value election has been made, KKR generally employs the same valuation methodologies as described above for private equity investments when valuing these other investments.

Investments and Debt Obligations of Consolidated CMBS Vehicles: Under ASU 2014-13, KKR measures CMBS investments, which are reported within Investments of Consolidated CFEs on the basis of the fair value of the financial liabilities of the CMBS. Debt obligations of consolidated CMBS vehicles are valued based on discounted cash flow analyses. The key input is the expected yield of each CMBS security using both observable and unobservable factors, which may include recently offered or completed trades and published yields of similar securities, security-specific characteristics (e.g. securities ratings issued by nationally recognized statistical rating organizations, credit support by other subordinate securities issued by the CMBS and coupon type) and other characteristics.

Key unobservable inputs that have a significant impact on KKR's Level III investment valuations as described above are included in Note 5 "Fair Value Measurements." KKR utilizes several unobservable pricing inputs and assumptions in determining the fair value of its Level III investments. These unobservable pricing inputs and assumptions may differ by investment and in the application of KKR's valuation methodologies. KKR's reported fair value estimates could vary materially if KKR had chosen to incorporate different unobservable pricing inputs and other assumptions or, for applicable investments, if KKR only used either the discounted cash flow methodology or the market comparables methodology instead of assigning a weighting to both methodologies.

Revenues

For the three and six months ended June 30, 2019 and 2018, respectively, revenues consisted of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Management Fees	$ 206,097	$ 171,172	$ 394,505	$ 358,899
Fee Credits	(91,862)	(34,847)	(195,339)	(63,900)
Transaction Fees	304,889	170,221	493,092	328,874
Monitoring Fees	26,424	25,363	52,075	42,949
Incentive Fees	—	233	—	14,038
Expense Reimbursements	42,741	50,576	86,801	70,787
Oil and Gas Revenue	12,275	13,853	25,450	28,360
Consulting Fees	18,877	17,275	35,405	28,233
Total Fees and Other	519,441	413,846	891,989	808,240
Carried Interest	551,443	491,176	1,245,826	553,923
General Partner Capital Interest	108,980	66,598	229,529	82,063
Total Capital Allocation-Based Income	660,423	557,774	1,475,355	635,986
Total Revenues	**$ 1,179,864**	**$ 971,620**	**$ 2,367,344**	**$ 1,444,226**

Fees and Other

Fees and Other, as detailed above, are accounted for as contracts with customers. Under the guidance for contracts with customers, 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 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) in our Capital Markets business line, a percentage of the overall transaction size and (ii) for Private Markets and Public Markets 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 (which is generally one year) 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.

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 as 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 producing 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.

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 income earned by KKR & Co. Inc. is subject to U.S. corporate income taxes.

See Note 11 "Income Taxes" for further information on the financial statement impact of the Conversion.

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

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.

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 June 30, 2019			Three Months Ended June 30, 2018		
	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total
Private Equity (1)	$ 24,498	$ 938,390	$ 962,888	$ 25,589	$ 496,927	$ 522,516
Credit (1)	(54,074)	29,923	(24,151)	(144,960)	(86,863)	(231,823)
Investments of Consolidated CFEs (1)	(3,141)	63,921	60,780	(51,536)	(36,514)	(88,050)
Real Assets (1)	17,097	(19,585)	(2,488)	10,393	146,213	156,606
Equity Method - Other (1)	47,217	85,439	132,656	(163,153)	218,160	55,007
Other Investments (1)	(9,969)	(32,651)	(42,620)	(73,901)	(107,867)	(181,768)
Foreign Exchange Forward Contracts and Options (2)	19,607	(1,777)	17,830	(7,319)	177,689	170,370
Securities Sold Short (2)	30,126	15,956	46,082	252,378	(11,457)	240,921
Other Derivatives (2)	—	(9,202)	(9,202)	—	11,259	11,259
Debt Obligations and Other (3)	2,816	(106,606)	(103,790)	307,293	154,256	461,549
Net Gains (Losses) From Investment Activities	**$ 74,177**	**$ 963,808**	**$ 1,037,985**	**$ 154,784**	**$ 961,803**	**$ 1,116,587**

	Six Months Ended June 30, 2019			Six Months Ended June 30, 2018		
	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total
Private Equity (1)	$ 93,066	$ 1,858,015	$ 1,951,081	$ 41,842	$ 655,296	$ 697,138
Credit (1)	(71,950)	38,592	(33,358)	(143,697)	(28,713)	(172,410)
Investments of Consolidated CFEs (1)	(13,671)	297,278	283,607	(78,052)	(84,917)	(162,969)
Real Assets (1)	46,644	69,996	116,640	23,350	205,510	228,860
Equity Method - Other (1)	67,350	242,345	309,695	(153,943)	353,764	199,821
Other Investments (1)	(8,519)	(63,012)	(71,531)	(318,100)	(21,502)	(339,602)
Foreign Exchange Forward Contracts and Options (2)	45,061	53,012	98,073	(39,933)	114,571	74,638
Securities Sold Short (2)	44,552	(64,816)	(20,264)	528,327	(41,331)	486,996
Other Derivatives (2)	1,465	(22,607)	(21,142)	3,642	3,036	6,678
Debt Obligations and Other (3)	(40)	(370,898)	(370,938)	321,728	248,509	570,237
Net Gains (Losses) From Investment Activities	**$ 203,958**	**$ 2,037,905**	**$ 2,241,863**	**$ 185,164**	**$ 1,404,223**	**$ 1,589,387**

(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:

	June 30, 2019	December 31, 2018
Private Equity	$ 10,193,053	$ 7,349,559
Credit	9,616,968	9,099,135
Investments of Consolidated CFEs	16,140,219	14,733,423
Real Assets	3,246,055	3,157,954
Equity Method - Other	4,442,897	4,212,874
Equity Method - Capital Allocation-Based Income	4,720,162	3,584,415
Other Investments	2,883,736	2,770,622
Total Investments	**$ 51,243,090**	**$ 44,907,982**

As of June 30, 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.

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:

	June 30, 2019			
	Level I	Level II	Level III	Total
Private Equity	$ 2,681,622	$ 113,539	$ 7,397,892	$ 10,193,053
Credit	—	1,772,106	7,844,862	9,616,968
Investments of Consolidated CFEs	—	14,051,562	2,088,657	16,140,219
Real Assets	—	—	3,246,055	3,246,055
Equity Method - Other	162,577	47,938	1,669,322	1,879,837
Other Investments	402,640	185,762	2,295,334	2,883,736
Total Investments	3,246,839	16,170,907	24,542,122	43,959,868
Foreign Exchange Contracts and Options	—	204,629	—	204,629
Other Derivatives	—	2,202	29,415 (1)	31,617
Total Assets	**$ 3,246,839**	**$ 16,377,738**	**$ 24,571,537**	**$ 44,196,114**

	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:

	June 30, 2019			
	Level I	Level II	Level III	Total
Securities Sold Short	$ 356,038	$ —	$ —	$ 356,038
Foreign Exchange Contracts and Options	—	18,235	—	18,235
Unfunded Revolver Commitments	—	—	67,722 (1)	67,722
Other Derivatives	—	32,001	17,200 (2)	49,201
Debt Obligations of Consolidated CFEs	—	13,587,963	1,922,303	15,510,266
Total Liabilities	**$ 356,038**	**$ 13,638,199**	**$ 2,007,225**	**$ 16,001,462**

	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 three and six months ended June 30, 2019 and 2018, respectively:

For the Three Months Ended June 30, 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	$ 6,831,546	$ 6,530,479	$ 2,083,735	$ 3,213,813	$ 1,650,179	$ 2,063,950	$ 22,373,702	$ 1,914,571
Transfers In / (Out) Due to Changes in Consolidation	—	—	—	—	—	—	—	—
Transfers In	7,956	—	—	—	26,520	—	34,476	—
Transfers Out	(435,694)	—	—	—	—	—	(435,694)	—
Asset Purchases / Debt Issuances	918,908	1,843,769	—	106,984	46,607	394,905	3,311,173	—
Sales / Paydowns	(149,516)	(535,789)	(24,039)	(72,254)	(104,379)	(133,217)	(1,019,194)	—
Settlements	—	16,526	—	—	—	—	16,526	(24,039)
Net Realized Gains (Losses)	14,663	(18,575)	—	17,097	(948)	(817)	11,420	—
Net Unrealized Gains (Losses)	210,029	15,097	28,961	(19,585)	51,343	(29,487)	256,358	31,771
Change in Other Comprehensive Income	—	(6,645)	—	—	—	—	(6,645)	—
Balance, End of Period	**$ 7,397,892**	**$ 7,844,862**	**$ 2,088,657**	**$ 3,246,055**	**$ 1,669,322**	**$ 2,295,334**	**$ 24,542,122**	**$ 1,922,303**
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	$ 209,924	$ 13,738	$ 28,961	$ (13,442)	$ 51,343	$ (29,487)	$ 261,037	$ 31,771

For the Three Months Ended June 30, 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	$ 3,088,411	$ 5,818,855	$ 5,258,399	$ 2,827,433	$ 1,085,725	$ 1,801,204	$ 19,880,027	$ 5,138,167
Transfers In / (Out) Due to Changes in Consolidation	928,217	—	(4,153,641)	—	—	—	(3,225,424)	(4,045,957)
Transfers In	—	—	—	—	—	—	—	—
Transfers Out	(52,568)	—	—	—	—	—	(52,568)	—
Asset Purchases / Debt Issuances	1,009,109	1,004,128	—	423,588	198,748	93,864	2,729,437	—
Sales / Paydowns	(94,971)	(573,980)	(14,286)	(102,386)	(7,170)	(107,696)	(900,489)	—
Settlements	—	3,325	—	—	—	—	3,325	(3,728)
Net Realized Gains (Losses)	21,078	(1,416)	13,000	(21,991)	(145,902)	(31,823)	(167,054)	—
Net Unrealized Gains (Losses)	173,446	(139,264)	1,042	163,376	122,164	(53,726)	267,038	2,864
Change in Other Comprehensive Income	—	(27,940)	—	—	—	—	(27,940)	—
Balance, End of Period	**$ 5,072,722**	**$ 6,083,708**	**$ 1,104,514**	**$ 3,290,020**	**$ 1,253,565**	**$ 1,701,823**	**$ 18,506,352**	**$ 1,091,346**
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	$ 193,140	$ (140,034)	$ 1,042	$ 133,924	$ (24,559)	$ (74,274)	$ 89,239	$ 2,864

Notes to Financial Statements (Continued)

For the Six Months Ended June 30, 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	7,956	—	—	—	26,520	—	34,476	—
Transfers Out	(491,723)	—	—	—	—	—	(491,723)	—
Asset Purchases / Debt Issuances	1,328,529	2,655,726	—	174,286	184,516	490,040	4,833,097	—
Sales / Paydowns	(249,119)	(1,563,852)	(62,334)	(202,825)	(145,505)	(160,650)	(2,384,285)	—
Settlements	—	37,341	—	—	—	—	37,341	(26,770)
Net Realized Gains (Losses)	83,231	(33,773)	—	46,644	10,678	1,304	108,084	—
Net Unrealized Gains (Losses)	590,435	(9,709)	68,446	69,996	90,091	(109,082)	700,177	72,290
Change in Other Comprehensive Income	—	(4,003)	—	—	—	—	(4,003)	—
Balance, End of Period	**$ 7,397,892**	**$ 7,844,862**	**$ 2,088,657**	**$ 3,246,055**	**$ 1,669,322**	**$ 2,295,334**	**$ 24,542,122**	**$ 1,922,303**
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	$ 652,596	$ (17,159)	$ 68,446	$ 77,835	$ 100,483	$ (108,834)	$ 773,367	$ 72,290

For the Six Months Ended June 30, 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	—	(4,153,641)	—	—	—	(3,225,424)	(4,045,957)
Transfers In	—	—	—	—	—	—	—	—
Transfers Out	(52,568)	—	—	—	—	—	(52,568)	—
Asset Purchases / Debt Issuances	1,736,735	1,894,241	—	964,486	200,785	158,621	4,954,868	—
Sales / Paydowns	(130,216)	(804,124)	(25,827)	(136,623)	(39,109)	(143,914)	(1,279,813)	—
Settlements	—	(50,500)	—	—	—	—	(50,500)	(15,269)
Net Realized Gains (Losses)	36,390	10,165	13,000	(13,637)	(136,554)	(22,931)	(113,567)	—
Net Unrealized Gains (Losses)	381,874	(61,549)	(82,108)	224,527	151,734	(49,964)	564,514	(85,664)
Change in Other Comprehensive Income	—	(43,462)	—	—	—	—	(43,462)	—
Balance, End of Period	**$ 5,072,722**	**$ 6,083,708**	**$ 1,104,514**	**$ 3,290,020**	**$ 1,253,565**	**$ 1,701,823**	**$ 18,506,352**	**$ 1,091,346**
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	$ 401,568	$ (53,280)	$ (82,108)	$ 195,075	$ 10,369	$ (63,832)	$ 407,792	$ (85,664)

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 and debt obligations that are measured and reported at fair value and categorized within Level III as of June 30, 2019:

	Fair Value June 30, 2019	Valuation Methodologies	Unobservable Input(s) (1)	Weighted Average (2)	Range	Impact to Valuation from an Increase in Input (3)
Private Equity	**$ 7,397,892**					
Private Equity	**$ 5,343,827**	Inputs to market comparables, discounted cash flow and transaction price	Illiquidity Discount	6.8%	5.0% - 15.0%	Decrease
			Weight Ascribed to Market Comparables	33.7%	0.0% - 50.0%	(4)
			Weight Ascribed to Discounted Cash Flow	64.8%	0.0% - 100.0%	(5)
			Weight Ascribed to Transaction Price	1.5%	0.0% - 75.0%	(6)
		Market comparables	Enterprise Value/LTM EBITDA Multiple	14.2x	6.3x - 22.3x	Increase
			Enterprise Value/Forward EBITDA Multiple	14.6x	7.7x - 20.0x	Increase
		Discounted cash flow	Weighted Average Cost of Capital	10.1%	6.8% - 15.7%	Decrease
			Enterprise Value/LTM EBITDA Exit Multiple	12.8x	5.8x - 15.0x	Increase
Growth Equity	**$ 2,054,065**	Inputs to market comparables, discounted cash flow and milestones	Illiquidity Discount	11.6%	5.0% - 30.0%	Decrease
			Weight Ascribed to Market Comparables	21.5%	0.0% - 100.0%	(4)
			Weight Ascribed to Discounted Cash Flow	2.6%	0.0% - 75.0%	(5)
			Weight Ascribed to Milestones	75.9%	0.0% - 100.0%	(6)
		Scenario Weighting	Base	62.9%	40.0% - 80.0%	Increase
			Downside	11.2%	0.0% - 30.0%	Decrease
			Upside	25.9%	0.0% - 45.0%	Increase
Credit	**$ 7,844,862**	Yield Analysis	Yield	7.4%	3.5% - 37.5%	Decrease
			Net Leverage	2.2x	0.1x - 14.2x	Decrease
			EBITDA Multiple	9.6x	0.8x - 21.0x	Increase
Investments of Consolidated CFEs	**$ 2,088,657** (9)					
Debt Obligations of Consolidated CFEs	**$ 1,922,303**	Discounted cash flow	Yield	4.5%	2.1% - 11.4%	Decrease
Real Assets	**$ 3,246,055** (10)					
Energy	**$ 1,644,574**	Discounted cash flow	Weighted Average Cost of Capital	11.0%	8.7% - 17.8%	Decrease
			Average Price Per BOE (8)	$42.99	$35.65 - $45.97	Increase
Real Estate	**$ 1,381,531**	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	6.0%	4.8% - 11.0%	Decrease
		Discounted cash flow	Unlevered Discount Rate	7.8%	4.9% - 18.0%	Decrease
Equity Method - Other	**$ 1,669,322**	Inputs to market comparables, discounted cash flow and transaction price	Illiquidity Discount	9.6%	5.0% - 15.0%	Decrease
			Weight Ascribed to Market Comparables	45.6%	0.0% - 100.0%	(4)
			Weight Ascribed to Discounted Cash Flow	38.5%	0.0% - 100.0%	(5)
			Weight Ascribed to Transaction Price	15.9%	0.0% - 100.0%	(6)
		Market comparables	Enterprise Value/LTM EBITDA Multiple	11.5x	6.3x - 15.6x	Increase
			Enterprise Value/Forward EBITDA Multiple	10.9x	9.3x - 13.3x	Increase
		Discounted cash flow	Weighted Average Cost of Capital	8.9%	5.8% - 14.1%	Decrease
			Enterprise Value/LTM EBITDA Exit Multiple	10.4x	6.0x - 12.5x	Increase

Notes to Financial Statements (Continued)

	Fair Value June 30, 2019		Valuation Methodologies	Unobservable Input(s) (1)	Weighted Average (2)	Range	Impact to Valuation from an Increase in Input (3)
Other Investments	$ 2,295,334	(11)	Inputs to market comparables, discounted cash flow and transaction price	Illiquidity Discount	10.0%	5.0% - 20.0%	Decrease
				Weight Ascribed to Market Comparables	37.5%	0.0% - 100.0%	(4)
				Weight Ascribed to Discounted Cash Flow	35.8%	0.0% - 100.0%	(5)
				Weight Ascribed to Transaction Price	26.7%	0.0% - 100.0%	(6)
			Market comparables	Enterprise Value/LTM EBITDA Multiple	10.2x	1.4x - 13.3x	Increase
				Enterprise Value/Forward EBITDA Multiple	9.4x	0.2x - 11.5x	Increase
			Discounted cash flow	Weighted Average Cost of Capital	16.4%	7.4% - 30.3%	Decrease
				Enterprise Value/LTM EBITDA Exit Multiple	9.0x	5.9x - 12.0x	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) KKR measures CMBS investments on the basis of the fair value of the financial liabilities of the CMBS vehicle. See Note 2 "Summary of Significant Accounting Policies."

(10) Includes one Infrastructure investment for $220.0 million that was valued using a discounted cash flow analysis. The significant inputs used in the discounted cash flow approach included the weighted average cost of capital 6.8% and the enterprise value/LTM EBITDA exit multiple 10.0x.

(11) 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:

	June 30, 2019	December 31, 2018
Assets		
Private Equity	$ —	$ 2,977
Credit	6,163,377	4,950,819
Investments of Consolidated CFEs	16,140,219	14,733,423
Real Assets	323,445	310,399
Equity Method - Other	1,879,837	1,792,190
Other Investments	368,172	235,012
Total	**$ 24,875,050**	**$ 22,024,820**
Liabilities		
Debt Obligations of Consolidated CFEs	$ 15,510,266	$ 13,958,554
Total	**$ 15,510,266**	**$ 13,958,554**

The following table presents the net realized and net unrealized gains (losses) on financial instruments for which the fair value option was elected:

	Three Months Ended June 30, 2019			Three Months Ended June 30, 2018		
	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total
Assets						
Private Equity	$ —	$ —	$ —	$ (4,978)	$ 5,037	$ 59
Credit	(43,387)	(16,443)	(59,830)	(124,240)	(21,443)	(145,683)
Investments of Consolidated CFEs	(3,141)	63,921	60,780	(51,536)	(36,514)	(88,050)
Real Assets	1,079	14,934	16,013	2,976	12,667	15,643
Equity Method - Other	(948)	20,873	19,925	(145,924)	92,596	(53,328)
Other Investments	(820)	7,232	6,412	(13,723)	4,252	(9,471)
Total	**$ (47,217)**	**$ 90,517**	**$ 43,300**	**$ (337,425)**	**$ 56,595**	**$ (280,830)**
Liabilities						
Debt Obligations of Consolidated CFEs	$ —	$ (73,678)	$ (73,678)	$ 376	$ 105,804	$ 106,180
Total	**$ —**	**$ (73,678)**	**$ (73,678)**	**$ 376**	**$ 105,804**	**$ 106,180**

	Six Months Ended June 30, 2019			Six Months Ended June 30, 2018		
	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total
Assets						
Private Equity	$ —	$ 194	$ 194	$ (4,907)	$ 5,353	$ 446
Credit	(66,540)	4,499	(62,041)	(153,107)	(18,787)	(171,894)
Investments of Consolidated CFEs	(13,671)	297,278	283,607	(78,052)	(84,917)	(162,969)
Real Assets	1,782	17,370	19,152	3,404	9,184	12,588
Equity Method - Other	10,678	37,957	48,635	(136,576)	158,689	22,113
Other Investments	974	11,219	12,193	(9,116)	(3,626)	(12,742)
Total	**$ (66,777)**	**$ 368,517**	**$ 301,740**	**$ (378,354)**	**$ 65,896**	**$ (312,458)**
Liabilities						
Debt Obligations of Consolidated CFEs	$ —	$ (325,959)	$ (325,959)	$ 13,632	$ 199,458	$ 213,090
Total	**$ —**	**$ (325,959)**	**$ (325,959)**	**$ 13,632**	**$ 199,458**	**$ 213,090**

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

For the three and six months ended June 30, 2019 and 2018, 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 June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	$ 514,393	$ 680,381	$ 1,215,371	$ 850,483
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	**$ 514,393**	**$ 680,381**	**$ 1,215,371**	$ 853,585
Basic Net Income (Loss) Per Share of Class A Common Stock				
Weighted Average Shares of Class A Common Stock Outstanding - Basic	**544,528,863**	**510,586,631**	**539,240,051**	**499,208,944**
Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock - Basic	**$ 0.94**	**$ 1.33**	**$ 2.25**	**$ 1.71**
Diluted Net Income (Loss) Per Share of Class A Common Stock				
Weighted Average Shares of Class A Common Stock Outstanding - Basic	544,528,863	510,586,631	539,240,051	499,208,944
Weighted Average Unvested Shares of Class A Common Stock and Other Exchangeable Securities	10,114,947	38,158,867	13,134,457	43,158,376
Weighted Average Shares of Class A Common Stock Outstanding - Diluted	**554,643,810**	**548,745,498**	**552,374,508**	**542,367,320**
Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock - Diluted	**$ 0.93**	**$ 1.24**	**$ 2.20**	**$ 1.57**

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, together with the KKR & Co. Inc. 2019 Equity Incentive Plan (the "2019 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 three and six months ended June 30, 2019 and 2018, 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.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Weighted Average KKR Holdings Units	**297,794,189**	**319,040,229**	**298,323,364**	**326,984,091**

Additionally, for the three and six months ended June 30, 2019 and 2018, 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:

	June 30, 2019	December 31, 2018
Unsettled Investment Sales [(1)]	$ 59,433	$ 101,789
Receivables	77,814	27,258
Due from Broker [(2)]	224,932	396,512
Oil & Gas Assets, net [(3)]	205,267	225,256
Deferred Tax Assets, net	286,728	538,161
Interest Receivable	261,186	241,547
Fixed Assets, net [(4)]	588,195	451,206
Foreign Exchange Contracts and Options [(5)]	204,629	177,264
Intangible Assets, net [(6)]	8,867	9,863
Goodwill [(7)]	83,500	83,500
Derivative Assets	31,617	40,995
Deposits	7,356	7,299
Prepaid Taxes	95,938	69,165
Prepaid Expenses	25,860	23,551
Operating Lease Right of Use Assets [(8)]	138,053	—
Deferred Financing Costs	13,978	13,871
Other	101,114	129,455
Total	**$ 2,414,467**	**$ 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 amounted to $6.2 million and $6.5 million for the three months ended June 30, 2019 and 2018, respectively, and $20.0 million and $13.5 million for the six months ended June 30, 2019 and 2018, respectively.

(4) Net of accumulated depreciation and amortization of $123.2 million and $113.5 million as of June 30, 2019 and December 31, 2018, respectively. Depreciation and amortization expense of $4.3 million and $3.8 million for the three months ended June 30, 2019 and 2018, respectively, and $8.7 million and $7.5 million for the six months ended June 30, 2019 and 2018, 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) Net of accumulated amortization of $64.3 million and $63.5 million as of June 30, 2019 and December 31, 2018, respectively. Amortization expense of $0.4 million and $1.3 million for the three months ended June 30, 2019 and 2018, respectively, and $0.9 million and $6.3 million for the six months ended June 30, 2019 and 2018, respectively, are included in General, Administrative and Other in the accompanying consolidated statements of operations.

(7) As of June 30, 2019, the carrying value of goodwill is recorded and assessed for impairment at the reporting unit.

(8) KKR's non-cancelable operating leases consist of leases for office space around the world. KKR is the lessee under the terms of the operating leases. For the three and six months ended June 30, 2019, the operating lease cost was $12.0 million and $23.8 million, respectively.

Notes to Financial Statements (Continued)

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

	June 30, 2019	December 31, 2018
Amounts Payable to Carry Pool [(1)]	$ 1,299,091	$ 922,977
Unsettled Investment Purchases [(2)]	500,371	541,165
Securities Sold Short [(3)]	356,038	344,124
Derivative Liabilities	49,201	35,640
Accrued Compensation and Benefits	322,855	107,887
Interest Payable	216,085	212,969
Foreign Exchange Contracts and Options [(4)]	18,235	60,749
Accounts Payable and Accrued Expenses	116,389	130,554
Taxes Payable	23,973	24,453
Uncertain Tax Positions	67,612	66,775
Unfunded Revolver Commitments	67,722	52,066
Operating Lease Liabilities [(5)]	139,448	—
Other Liabilities	102,757	244,631
Total	**$ 3,279,777**	**$ 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 June 30, 2019, the weighted average remaining lease term and weighted average discount rate were 4.68 years and 2.67%, 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 for these VIEs differ by product; 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 June 30, 2019, KKR's commitments to these unconsolidated investment funds was $2.7 billion. KKR has not provided any financial support other than its obligated amount as of June 30, 2019.

As of June 30, 2019 and December 31, 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:

	June 30, 2019	December 31, 2018
Investments	$ 4,720,162	$ 3,610,502
Due from (to) Affiliates, net	403,479	410,489
Maximum Exposure to Loss	**$ 5,123,641**	**$ 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 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:

	June 30, 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	434,222	—	—	451,338	—	—
KCM Short-Term Credit Agreement	750,000	—	—	750,000	—	—
Notes Issued:						
KKR Issued 6.375% Notes Due 2020 (1)	—	499,268	523,705 (15)	—	498,975	523,500 (15)
KKR Issued 5.500% Notes Due 2043 (2)	—	492,005	580,650 (15)	—	491,836	508,615 (15)
KKR Issued 5.125% Notes Due 2044 (3)	—	990,922	1,102,750 (15)	—	990,740	974,320 (15)
KKR Issued 0.509% Notes Due 2023 (4)	—	231,130	232,979 (15)	—	226,895	227,298 (15)
KKR Issued 0.764% Notes Due 2025 (5)	—	45,798	46,819 (15)	—	44,923	45,161 (15)
KKR Issued 1.595% Notes Due 2038 (6)	—	94,531	100,676 (15)	—	92,817	94,568 (15)
KKR Issued 1.625% Notes Due 2029 (7)	—	728,823	755,204 (16)	—	—	—
KFN Issued 5.500% Notes Due 2032 (8)	—	493,809	504,296	—	493,568	496,359
KFN Issued 5.200% Notes Due 2033 (9)	—	118,351	117,620	—	118,291	115,582
KFN Issued 5.400% Notes Due 2033 (10)	—	68,728	69,966	—	68,683	68,780
KFN Issued Junior Subordinated Notes (11)	—	232,802	188,058	—	232,142	203,135
Other Debt Obligations:						
Financing Facilities of Consolidated Funds and Other (12)	4,044,217	6,179,352	6,179,352	3,840,877	5,123,768	5,123,768
CLO Senior Secured Notes (13)	—	13,153,552	13,153,552	—	11,667,970	11,667,970
CLO Subordinated Notes (13)	—	434,411	434,411	—	413,801	413,801
CMBS Debt Obligations (14)	—	1,922,303	1,922,303	—	1,876,783	1,876,783
	$ 6,228,439	**$ 25,685,785**	**$ 25,912,341**	**$ 6,042,215**	**$ 22,341,192**	**$ 22,339,640**

(1) $500 million aggregate principal amount of 6.375% senior notes of KKR due 2020. Borrowing outstanding is presented net of (i) unamortized note discount and (ii) unamortized debt issuance costs of $0.5 million and $0.7 million as of June 30, 2019 and December 31, 2018, respectively.

(2) $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 $3.5 million and $3.6 million as of June 30, 2019 and December 31, 2018, respectively.

(3) $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 $7.8 million and $8.0 million as of June 30, 2019 and December 31, 2018, respectively.

(4) ¥25 billion (or $232.3 million) aggregate principal amount of 0.509% senior notes of KKR due 2023. Borrowing outstanding is presented net of unamortized debt issuance costs of $1.1 million and $1.3 million as of June 30, 2019 and December 31, 2018, respectively. These senior notes are denominated in Japanese Yen ("JPY").

(5) ¥5.0 billion (or $46.5 million) aggregate principal amount of 0.764% senior notes of KKR due 2025. Borrowing outstanding is presented net of unamortized debt issuance costs of $0.7 million and $0.7 million as of June 30, 2019 and December 31, 2018, respectively. These senior notes are denominated in JPY.

(6) ¥10.3 billion (or $95.7 million) aggregate principal amount of 1.595% senior notes of KKR due 2038. Borrowing outstanding is presented net of unamortized debt issuance costs of $1.2 million and $1.2 million as of June 30, 2019 and December 31, 2018, respectively. These senior notes are denominated in JPY.

(7) €650 million (or $738.7 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 $6.6 million as of June 30, 2019. These senior notes are denominated in Euro.

(8) 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 $4.2 million and $4.4 million as of June 30, 2019 and December 31, 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.

(9) 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 June 30, 2019 and December 31, 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 $70.0 million aggregate principal amount of 5.400% senior notes due 2033. Borrowing outstanding is presented net of unamortized debt issuance costs of $1.3 million and $1.3 million as of June 30, 2019 and December 31, 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 $258.5 million aggregate principal amount of junior subordinated notes. The weighted average interest rate is 5.1% and 5.0% and the weighted average years to maturity is 17.3 years and 17.8 years as of June 30, 2019 and December 31, 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) Amounts include (i) borrowings at consolidated investment funds relating to financing arrangements with major financial institutions, generally to enable such investment funds to make investments prior to or without receiving capital from fund limited partners, (ii) borrowings by certain majority-owned investment vehicles that are collateralized only by the investments and assets they own and (iii) a borrowing by a wholly-owned special purpose vehicle which is secured by corporate real estate that it acquired in May 2019. The weighted average interest rate is 4.6% and 4.6% as of June 30, 2019 and December 31, 2018, respectively. In addition, the weighted average years to maturity is 3.5 years and 3.3 years as of June 30, 2019 and December 31, 2018, respectively.

(13) 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."

(14) 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."

(15) The notes are classified as Level II within the fair value hierarchy and fair value is determined by third party broker quotes.

(16) 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

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. As of June 30, 2019 and December 31, 2018, no amounts were outstanding under the KCM Credit Agreement, however various letters of credit were outstanding in the amount of $65.8 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 Mizuho Bank, Ltd., 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, between the KCM Borrowers and Mizuho Bank, Ltd., as administrative agent, 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 Issued

KKR Issued 1.625% Senior Notes Due 2029

On May 22, 2019, KKR Group Finance Co. V LLC ("KKR Group Finance V"), an indirect subsidiary of KKR & Co. Inc., completed the offering of €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 KKR Management Holdings L.P., KKR Fund Holdings L.P. and KKR International Holdings L.P., each an indirect subsidiary of KKR & Co. Inc. (collectively with KKR & Co. Inc., the "Guarantors").

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 KKR Group Finance V. 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 KKR Group Finance V'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, KKR Group Finance V 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. KKR Group Finance V 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 KKR Group Finance V 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, KKR Group Finance V 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.

Other Debt Obligations

Debt Obligations of Consolidated CFEs

As of June 30, 2019, debt obligations of consolidated CFEs consisted of the following:

	Borrowing Outstanding	Weighted Average Interest Rate	Weighted Average Remaining Maturity in Years
Senior Secured Notes of Consolidated CLOs	$ 13,153,552	3.2%	11.4
Subordinated Notes of Consolidated CLOs	434,411	(1)	11.6
Debt Obligations of Consolidated CMBS Vehicles	1,922,303	4.0%	24.3
	$ 15,510,266		

(1) The subordinated notes do not have contractual interest rates but instead receive a pro rata amount of the net distributions from the excess cash flows of the respective CLO vehicle. Accordingly, weighted average borrowing rates for the subordinated notes are based on cash distributions during the period, if any.

Debt obligations of consolidated CFEs are collateralized by assets held by each respective CFE vehicle and assets of one CFE vehicle may not be used to satisfy the liabilities of another. As of June 30, 2019, the fair value of the consolidated CFE assets was $16.9 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 June 30, 2019. KKR is in compliance with its debt covenants in all material respects as of June 30, 2019.

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, 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.

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. The additional benefit was recorded in the period ended March 31, 2019.

The effective tax rates were 10.83% and 3.75% for the three months ended June 30, 2019 and 2018, respectively and 10.02% and 3.50% for the six months ended June 30, 2019 and 2018, respectively. The effective tax rate differs from the statutory rate primarily due to the following: (i) 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, and (ii) with respect to the six months ended June 30, 2019, the tax benefit recognized as a result of the final determination of the amount of the partial step-up in tax basis as a result of the Conversion. For periods prior to the Conversion, the effective rate also differs from the statutory rate as a result of 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.

During the three and six months ended June 30, 2019, 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.

12. EQUITY BASED COMPENSATION

The following table summarizes the expense associated with equity-based compensation for the three and six months ended June 30, 2019 and 2018, respectively.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Equity Incentive Plans	$ 48,611	$ 58,198	$ 103,496	$ 125,994
KKR Holdings Principal Awards	22,803	29,195	46,469	56,477
Total [(1)]	**$ 71,414**	**$ 87,393**	**$ 149,965**	**$ 182,471**

(1) Includes $0.7 million and $0.5 million of equity based compensation for the three and six months ended June 30, 2019, respectively, and $2.8 million and $7.1 million of equity based compensation for the three and six months ended June 30, 2018, 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 New 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 New 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 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 discount range for awards granted prior to December 31, 2015 was based on management's estimates of future dividends that the unvested equity awards would not be entitled to receive between the grant date and the vesting date which ranged from 8% to 56%.

The following table presents information regarding the discount for the lack of participation rights in the expected dividends for shares granted subsequent to December 31, 2015:

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 Present	$ 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 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 June 30, 2019, there was approximately $9.0 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 June 30, 2019, there was approximately $309.8 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 2019	$ 89.9
2020	135.6
2021	62.8
2022	17.8
2023	2.1
2024	1.3
2025	0.3
Total	**$ 309.8**

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 June 30, 2019 is presented below:

	Shares	Weighted Average Grant Date Fair Value
Balance, January 1, 2019	33,400,183	$ 16.23
Granted	1,062,641	22.54
Vested	(8,791,759)	14.44
Forfeitures	(1,146,809)	16.88
Balance, June 30, 2019	**24,524,256**	**$ 17.12**

The weighted average remaining vesting period over which unvested awards are expected to vest is 1.3 years.

A summary of the remaining vesting tranches of awards granted under the Equity Incentive Plans is presented below:

Vesting Date	Shares
October 1, 2019	4,843,372
April 1, 2020	6,986,981
October 1, 2020	3,721,681
April 1, 2021	4,055,048
October 1, 2021	2,313,383
April 1, 2022	930,943
October 1, 2022	1,201,390
April 1, 2023	126,864
October 1, 2023	91,172
April 1, 2024	126,711
April 1, 2025	126,711
	24,524,256

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 June 30, 2019 and 2018, KKR Holdings owned approximately 35.2% or 296,961,596 units and 36.7% or 304,107,762 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 0.8% of the outstanding KKR Holdings units) have been granted as of June 30, 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.

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 June 30, 2019, there was approximately $202.7 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 2019	$ 46.0
2020	84.7
2021	46.5
2022	25.5
Total	**$ 202.7**

A summary of the status of unvested awards granted under the KKR Holdings Plan from January 1, 2019 through June 30, 2019 is presented below:

	Units	**Weighted Average Grant Date Fair Value**
Balance, January 1, 2019	24,123,993	$ 14.42
Granted	—	—
Vested	(3,707,014)	12.43
Forfeitures	(832,500)	12.97
Balance, June 30, 2019	**19,584,479**	**$ 14.86**

The weighted average remaining vesting period over which unvested awards are expected to vest is 1.7 years.

A summary of the remaining vesting tranches of awards granted under the KKR Holdings Plan is presented below:

Vesting Date	**Units**
October 1, 2019	2,455,000
April 1, 2020	124,479
May 1, 2020	3,365,000
October 1, 2020	2,940,000
May 1, 2021	3,365,000
October 1, 2021	3,425,000
October 1, 2022	3,910,000
	19,584,479

13. RELATED PARTY TRANSACTIONS

Due from Affiliates consists of:

	June 30, 2019	December 31, 2018
Amounts due from portfolio companies	$ 111,072	$ 82,204
Amounts due from unconsolidated investment funds	560,003	568,211
Amounts due from related entities	4,875	6,774
Due from Affiliates	**$ 675,950**	**$ 657,189**

Due to Affiliates consists of:

	June 30, 2019	December 31, 2018
Amounts due to KKR Holdings in connection with the tax receivable agreement	$ 119,916	$ 117,862
Amounts due to unconsolidated investment funds	156,524	157,722
Due to Affiliates	**$ 276,440**	**$ 275,584**

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.

KKR’s segment reporting is presented prior to giving effect to the allocation of income (loss) between KKR & Co. Inc. and KKR Holdings L.P. and as such represents the business in total. In addition, KKR’s segment reporting is 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. The segment measures used in KKR’s segment reporting, including segment revenues, segment expenses, after-tax distributable earnings, segment assets, segment liabilities, and segment book value are used by management in making operational and resource deployment decisions as well as assessing the overall performance of KKR’s business.

After-tax Distributable Earnings

After-tax distributable earnings is a performance measure of KKR’s earnings on a segment basis excluding mark-to-market gains (losses). Starting with the second quarter of 2018, it is defined as the amount of net realized earnings of KKR for a given reporting period, after deducting equity-based compensation. KKR revised the definition of after-tax distributable earnings starting in the second quarter of 2018, because it reflects how the chief operating decision makers allocate resources and assess the performance of KKR’s business. 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. Historically, equity-based compensation expense relating to the Equity Incentive Plans was not reflected in our calculation of after-tax distributable earnings. Under KKR’s segment presentation, 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. For comparability, after-tax distributable earnings for the comparable prior periods have been calculated using this definition.

The following table sets forth information regarding KKR's segment results:

	As of and for the Three Months Ended		As of and for the Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Segment Revenues				
Fees and Other, Net				
Management Fees	$ 303,016	$ 261,450	$ 595,312	$ 513,035
Transaction Fees	303,802	163,925	490,529	320,770
Monitoring Fees	26,424	25,394	52,075	42,924
Fee Credits	(105,554)	(53,021)	(212,970)	(96,795)
Total Fees and Other, Net	**527,688**	**397,748**	**924,946**	**779,934**
Realized Performance Income (Loss)				
Carried Interest	211,919	342,089	542,264	544,644
Incentive Fees	21,764	17,651	41,301	34,058
Total Realized Performance Income (Loss)	**233,683**	**359,740**	**583,565**	**578,702**
Realized Investment Income (Loss)				
Net Realized Gains (Losses)	75,093	97,480	119,805	105,355
Interest Income and Dividends	71,057	71,228	129,264	143,805
Total Realized Investment Income (Loss)	**146,150**	**168,708**	**249,069**	**249,160**
Total Segment Revenues	**$ 907,521**	**$ 926,196**	**$ 1,757,580**	**$ 1,607,796**
Segment Expenses				
Compensation and Benefits [1]	363,029	368,562	703,315	669,042
Occupancy and Related Charges	16,488	14,665	30,445	28,248
Other Operating Expenses	82,843	63,561	157,753	121,466
Total Segment Expenses	**$ 462,360**	**$ 446,788**	**$ 891,513**	**$ 818,756**
Segment Operating Earnings	**445,161**	**479,408**	**866,067**	**789,040**
Interest Expense	46,859	45,474	90,989	95,666
Preferred Dividends	8,341	8,341	16,682	16,682
Income (Loss) Attributable to Noncontrolling Interests	1,864	1,082	2,223	2,285
Income Taxes Paid	60,815	19,820	114,808	33,988
After-tax Distributable Earnings	**$ 327,282**	**$ 404,691**	**$ 641,365**	**$ 640,419**
Segment Assets	**$ 20,456,399**	**$ 17,476,683**	**$ 20,456,399**	**$ 17,476,683**
Segment Liabilities	**$ 4,929,719**	**$ 4,040,664**	**$ 4,929,719**	**$ 4,040,664**
Segment Book Value	**$ 15,002,835**	**$ 12,913,282**	**$ 15,002,835**	**$ 12,913,282**

(1) Includes equity-based compensation of $48.6 million and $58.2 million for the three months ended June 30, 2019 and 2018, respectively, and $103.5 million and $126.0 million for the six months ended June 30, 2019 and 2018, respectively.

Notes to Financial Statements (Continued)

KKR's business lines are differentiated primarily by their business objectives, investment strategies and sources of revenue, and are summarized below.

Through KKR's Private Markets business line, KKR manages and sponsors private equity funds and co-investment vehicles, which invest capital for long-term appreciation, either through controlling ownership of a company or strategic minority positions. In addition to its traditional private equity funds, KKR sponsors investment funds that invest in growth equity and core investments. KKR also manages and sponsors investment funds and co-investment vehicles that invest capital in real assets, such as infrastructure, energy, and real estate.

Through KKR's Public Markets business line, KKR operates its combined credit and hedge funds platforms. KKR's credit platform invests capital in leveraged credit strategies, including leveraged loans, high-yield bonds, opportunistic credit, and revolving credit strategies, and alternative credit strategies including special situations and private credit opportunities, such as direct lending and private opportunistic credit investment strategies. KKR's hedge funds platform consists of hedge fund partnerships with third-party hedge fund managers in which KKR owns a minority stake.

KKR's Capital Markets business line supports the firm, portfolio companies, and third-party clients by developing and implementing both traditional and non-traditional capital solutions for investments or companies seeking financing. These services include arranging debt and equity financing, placing and underwriting securities offerings and providing other types of capital markets services.

Through KKR's Principal Activities business line, KKR manages the firm's assets and deploys capital to support and grow its business lines including making capital commitments as general partner to its funds, to seed new business strategies or investments for new funds or to bridge capital selectively for its funds' investments. The Principal Activities business line also provides the required capital to fund the various commitments of KKR's Capital Markets business line or to meet regulatory capital requirements.

Notes to Financial Statements (Continued)

The following tables provide KKR's segment revenues on a disaggregated basis by business line:

	Three Months Ended June 30, 2019				
	Private Markets	Public Markets	Capital Markets	Principal Activities	Total
Fees and Other, Net					
Management Fees	$ 192,641	$ 110,375	$ —	$ —	$ 303,016
Transaction Fees	136,296	8,472	159,034	—	303,802
Monitoring Fees	26,424	—	—	—	26,424
Fee Credits	(97,579)	(7,975)	—	—	(105,554)
Total Fees and Other, Net	**257,782**	**110,872**	**159,034**	**—**	**527,688**
Realized Performance Income (Loss)					
Carried Interest	202,019	9,900	—	—	211,919
Incentive Fees	810	20,954	—	—	21,764
Total Realized Performance Income (Loss)	**202,829**	**30,854**	**—**	**—**	**233,683**
Realized Investment Income (Loss)					
Net Realized Gains (Losses)	—	—	—	75,093	75,093
Interest Income and Dividends	—	—	—	71,057	71,057
Total Realized Investment Income (Loss)	**—**	**—**	**—**	**146,150**	**146,150**
Total	**$ 460,611**	**$ 141,726**	**$ 159,034**	**$ 146,150**	**$ 907,521**

	Three Months Ended June 30, 2018				
	Private Markets	Public Markets	Capital Markets	Principal Activities	Total
Fees and Other, Net					
Management Fees	$ 156,295	$ 105,155	$ —	$ —	$ 261,450
Transaction Fees	48,567	10,673	104,685	—	163,925
Monitoring Fees	25,394	—	—	—	25,394
Fee Credits	(43,249)	(9,772)	—	—	(53,021)
Total Fees and Other, Net	**187,007**	**106,056**	**104,685**	**—**	**397,748**
Realized Performance Income (Loss)					
Carried Interest	342,089	—	—	—	342,089
Incentive Fees	—	17,651	—	—	17,651
Total Realized Performance Income (Loss)	**342,089**	**17,651**	**—**	**—**	**359,740**
Realized Investment Income (Loss)					
Net Realized Gains (Losses)	—	—	—	97,480	97,480
Interest Income and Dividends	—	—	—	71,228	71,228
Total Realized Investment Income (Loss)	**—**	**—**	**—**	**168,708**	**168,708**
Total	**$ 529,096**	**$ 123,707**	**$ 104,685**	**$ 168,708**	**$ 926,196**

Notes to Financial Statements (Continued)

	Six Months Ended June 30, 2019				
	Private Markets	Public Markets	Capital Markets	Principal Activities	Total
Fees and Other, Net					
Management Fees	$ 375,862	$ 219,450	$ —	$ —	$ 595,312
Transaction Fees	235,313	35,928	219,288	—	490,529
Monitoring Fees	52,075	—	—	—	52,075
Fee Credits	(179,921)	(33,049)	—	—	(212,970)
Total Fees and Other, Net	**483,329**	**222,329**	**219,288**	**—**	**924,946**
Realized Performance Income (Loss)					
Carried Interest	532,364	9,900	—	—	542,264
Incentive Fees	1,485	39,816	—	—	41,301
Total Realized Performance Income (Loss)	**533,849**	**49,716**	**—**	**—**	**583,565**
Realized Investment Income (Loss)					
Net Realized Gains (Losses)	—	—	—	119,805	119,805
Interest Income and Dividends	—	—	—	129,264	129,264
Total Realized Investment Income (Loss)	**—**	**—**	**—**	**249,069**	**249,069**
Total	**$ 1,017,178**	**$ 272,045**	**$ 219,288**	**$ 249,069**	**$ 1,757,580**

	Six Months Ended June 30, 2018				
	Private Markets	Public Markets	Capital Markets	Principal Activities	Total
Fees and Other, Net					
Management Fees	$ 314,485	$ 198,550	$ —	$ —	$ 513,035
Transaction Fees	95,256	13,231	212,283	—	320,770
Monitoring Fees	42,924	—	—	—	42,924
Fee Credits	(84,592)	(12,203)	—	—	(96,795)
Total Fees and Other, Net	**368,073**	**199,578**	**212,283**	**—**	**779,934**
Realized Performance Income (Loss)					
Carried Interest	544,644	—	—	—	544,644
Incentive Fees	—	34,058	—	—	34,058
Total Realized Performance Income (Loss)	**544,644**	**34,058**	**—**	**—**	**578,702**
Realized Investment Income (Loss)					
Net Realized Gains (Losses)	—	—	—	105,355	105,355
Interest Income and Dividends	—	—	—	143,805	143,805
Total Realized Investment Income (Loss)	**—**	**—**	**—**	**249,160**	**249,160**
Total	**$ 912,717**	**$ 233,636**	**$ 212,283**	**$ 249,160**	**$ 1,607,796**

Notes to Financial Statements (Continued)

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

Revenues

	Three Months Ended		Six Months Ended	
	June 30, 2019	**June 30, 2018**	**June 30, 2019**	**June 30, 2018**
Total GAAP Revenues	**$ 1,179,864**	**$ 971,620**	**$ 2,367,344**	**$ 1,444,226**
Add: Management Fees - Consolidated Funds and Other	117,596	101,431	239,545	166,027
Deduct: Fee Credits - Consolidated Funds	13,692	18,174	17,631	32,895
Deduct: Capital Allocation-Based Income (GAAP)	660,423	557,774	1,475,355	635,986
Add: Segment Realized Carried Interest	211,919	342,089	542,264	544,644
Add: Segment Realized Investment Income (Loss)	146,150	168,708	249,069	249,160
Deduct: Revenue Earned by Other Consolidated Entities	31,152	31,128	60,855	56,593
Deduct: Expense Reimbursements	42,741	50,576	86,801	70,787
Total Segment Revenues	**$ 907,521**	**$ 926,196**	**$ 1,757,580**	**$ 1,607,796**

Expenses

	Three Months Ended		Six Months Ended	
	June 30, 2019	**June 30, 2018**	**June 30, 2019**	**June 30, 2018**
Total GAAP Expenses	**$ 808,811**	**$ 675,050**	**$ 1,537,578**	**$ 1,111,651**
Deduct: Equity-based and Other Compensation - KKR Holdings L.P.	22,803	29,247	46,546	61,942
Deduct: Segment Unrealized Performance Income Compensation	210,020	67,092	369,900	23,969
Deduct: Amortization of Intangibles	383	1,317	918	6,347
Deduct: Reimbursable Expenses	49,694	56,312	101,726	82,405
Deduct: Operating Expenses relating to Other Consolidated Entities	49,197	53,114	101,015	97,423
Deduct: Non-recurring Costs (1)	—	11,501	—	11,501
Add: Other	(14,354)	(9,679)	(25,960)	(9,308)
Total Segment Expenses	**$ 462,360**	**$ 446,788**	**$ 891,513**	**$ 818,756**

(1) Represents non-recurring costs in connection with the Conversion.

Notes to Financial Statements (Continued)

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

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
GAAP Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	**$ 514,393**	**$ 680,381**	**$ 1,215,371**	**$ 850,483**
Add: Net Income (Loss) Attributable to Noncontrolling Interests held by KKR Holdings L.P.	361,228	449,859	842,596	570,861
Add: Equity-based and Other Compensation - KKR Holdings L.P.	22,803	29,247	45,921	61,942
Add: Amortization of Intangibles and Other, net	25,380	(50,643)	81,533	(2,934)
Add: Non-recurring Costs (1)	—	11,501	—	11,501
Add: Realized Losses on Certain Investments (2)	—	729,425	—	729,425
Deduct: Unrealized Carried Interest	509,319	163,442	910,931	51,710
Deduct: Net Unrealized Gains (Losses)	401,807	1,389,869	1,221,209	1,597,731
Add: Unrealized Performance Income Compensation	210,020	67,092	369,900	23,969
Add: Income Tax Provision	165,399	60,960	332,992	78,601
Deduct: Income Taxes Paid	60,815	19,820	114,808	33,988
After-tax Distributable Earnings	**$ 327,282**	**$ 404,691**	**$ 641,365**	**$ 640,419**

(1) Represents non-recurring costs in connection with the Conversion.
(2) Represents losses on certain investments which were realized in advance of the Conversion.

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

Assets

	As of June 30,	
	2019	2018
GAAP Assets	**$ 57,524,065**	**$ 48,572,664**
Impact of Consolidation of Investment Vehicles and Other Entities	(35,412,327)	(29,701,863)
Carry Pool Reclassification	(1,299,091)	(1,242,835)
Other Reclassifications	(356,248)	—
Impact of KKR Management Holdings Corp.	—	(151,283)
Segment Assets (1)	**$ 20,456,399**	**$ 17,476,683**

Liabilities

	As of June 30,	
	2019	2018
GAAP Liabilities	**$ 29,242,002**	**$ 24,285,474**
Impact of Consolidation of Investment Vehicles and Other Entities	(22,656,944)	(18,878,703)
Carry Pool Reclassification	(1,299,091)	(1,242,835)
Other Reclassifications	(356,248)	—
Impact of KKR Management Holdings Corp.	—	(123,272)
Segment Liabilities (1)	**$ 4,929,719**	**$ 4,040,664**

Stockholders' Equity

	As of June 30,	
	2019	2018
KKR & Co. Inc. Stockholders' Equity - Common Stockholders	**$ 9,392,924**	**$ 7,909,830**
Impact of Consolidation of Investment Vehicles and Other Entities	271,665	196,032
Other Reclassifications	(17,446)	(17,446)
Noncontrolling Interests Held by KKR Holdings L.P.	5,355,692	4,852,877
Impact of KKR Management Holdings Corp.	—	(28,011)
Segment Book Value (1)	**$ 15,002,835**	**$ 12,913,282**

(1) As of June 30, 2019, KKR's segment assets, liabilities, and book value reflect KKR's tax assets and liabilities prepared under GAAP.

15. EQUITY

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 issued 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. 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 of KKR & Co. Inc., and the program may be suspended, extended, modified or discontinued at any time. During the six months ended June 30, 2019, approximately 1.4 million shares of Class A common stock were repurchased pursuant to this program. There were no shares of Class A common stock repurchased pursuant to this program during the three months ended June 30, 2019. During the three and six months ended June 30, 2018, approximately 2.2 million shares of Class A common stock were repurchased pursuant to this program. During the three and six months ended June 30, 2019, equity awards representing approximately 2.3 million shares of Class A common stock were retired pursuant to this program. During the three and six months ended June 30, 2018, equity awards representing approximately 2.6 million shares of Class A common stock were retired, but did not count against the amounts remaining under the program because it did not meet the program criteria at the time.

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 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 three and six months ended June 30, 2019:

	Three Months Ended June 30, 2019		
	Noncontrolling Interests in Consolidated Entities	Noncontrolling Interests Held by KKR Holdings	Total Noncontrolling Interests
Balance at the beginning of the period	$ 11,806,428	$ 5,079,042	$ 16,885,470
Net income (loss) attributable to noncontrolling interests (1)	477,768	361,228	838,996
Other comprehensive income (loss), net of tax (2)	(1,600)	(285)	(1,885)
Exchange of KKR Holdings Units to Class A Common Stock (3)	—	(29,683)	(29,683)
Equity-based and other non-cash compensation	—	22,803	22,803
Capital contributions	1,454,520	1,573	1,456,093
Capital distributions	(686,223)	(78,986)	(765,209)
Balance at the end of the period	**$ 13,050,893**	**$ 5,355,692**	**$ 18,406,585**

	Six Months Ended June 30, 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)	914,127	842,596	1,756,723
Other comprehensive income (loss), net of tax (2)	911	(164)	747
Exchange of KKR Holdings Units to Class A Common Stock (3)	—	(36,777)	(36,777)
Equity-based and other non-cash compensation	—	45,921	45,921
Capital contributions	2,649,312	1,596	2,650,908
Capital distributions	(1,498,367)	(122,928)	(1,621,295)
Balance at the end of the period	**$ 13,050,893**	**$ 5,355,692**	**$ 18,406,585**

(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 during the reporting period. 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income (loss)	$ 1,361,730	$ 1,566,396	$ 2,988,776	$ 2,169,290
Less: Net income (loss) attributable to Redeemable Noncontrolling Interests	—	(18,016)	—	7,658
Less: Net income (loss) attributable to Noncontrolling Interests in consolidated entities	477,768	445,831	914,127	723,606
Less: Preferred Stock Dividends	8,341	8,341	16,682	16,682
Plus: Income tax expense (benefit) attributable to KKR & Co. Inc.	146,323	40,897	305,285	46,965
Net income (loss) attributable to KKR & Co. Inc. Class A Common Stockholders and KKR Holdings	**$ 1,021,944**	**$ 1,171,137**	**$ 2,363,252**	**$ 1,468,309**
Net income (loss) attributable to Noncontrolling Interests held by KKR Holdings	**$ 361,228**	**$ 449,859**	**$ 842,596**	**$ 570,861**

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. There was no impact to Redeemable Noncontrolling Interests upon Conversion.

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:

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Balance at the beginning of the period	$ —	$ 1,122,641
Changes in consolidation	—	(1,122,641)
Balance at the end of the period	**$ —**	**$ —**

16. COMMITMENTS AND CONTINGENCIES

Funding Commitments

As of June 30, 2019, KKR had unfunded commitments consisting of $5,307.3 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 June 30, 2019, these commitments amounted to $17.4 million and $735.2 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 occurring after June 30, 2019. 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 June 30, 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 June 30, 2019, the approximate aggregate future lease payments, net of sublease income, required on the operating leases are as follows:

July 2019 - June 2020	$	50,231
July 2020 - June 2022		57,497
July 2022 - June 2024		23,093
July 2024 and thereafter		17,581
Total lease payments required		148,402
Less: Imputed Interest		(8,954)
Total operating lease liabilities	**$**	**139,448**

As of June 30, 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 $84.2 million) over a lease term of 15 years. This operating lease is denominated in Pound Sterling.

As of December 31, 2018, the approximate aggregate minimum future lease payments, net of sublease income, required on the operating leases are as follows:

2019	$	50,649
2020 - 2021		69,263
2022 - 2023		29,687
2024 and thereafter		76,332
Total minimum payments required [(1)]	**$**	**225,931**

(1) Table depicts aggregate minimum future lease payments under ASC 840.

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 June 30, 2019, no carried interest was subject to this clawback obligation, assuming that all applicable carry-paying funds were liquidated at their June 30, 2019 fair values. Had the investments in such funds been liquidated at zero value, the clawback obligation would have been approximately $2.2 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. 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. The defendants’ motion to dismiss was 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 motion 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.

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 $0.125 per share of Class A common stock of KKR & Co. Inc. was announced on July 25, 2019, and will be paid on August 20, 2019 to Class A common stockholders of record as of the close of business on August 5, 2019. KKR Holdings will receive its pro rata share of the distribution from the KKR Group Partnerships.

Preferred Stock Dividend

A dividend of $0.421875 per share of Series A Preferred Stock has been declared as announced on July 25, 2019 and set aside for payment on September 16, 2019 to holders of record of Series A Preferred Stock as of the close of business on September 1, 2019.

A dividend of $0.406250 per share of Series B Preferred Stock has been declared as announced on July 25, 2019 and set aside for payment on September 16, 2019 to holders of record of Series B Preferred Stock as of the close of business on September 1, 2019.

KKR Issued 3.750% Senior Notes Due 2029

On July 1, 2019, KKR Group Finance Co. VI LLC ("KKR Group Finance VI"), an indirect subsidiary of KKR & Co. Inc., completed the offering of $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 unsecured and unsubordinated obligations of KKR Group Finance VI and will mature on July 1, 2029, unless earlier redeemed. The KKR 3.750% Senior Notes bear interest at a rate of 3.750% per annum, accruing from July 1, 2019. Interest is payable semi-annually in arrears on January 1 and July 1 of each year, commencing on January 1, 2020. 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.

KKR 2020 Senior Notes Redemption

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 $22.1 million.

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, 2018, filed with the SEC on February 15, 2019 (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. The historical condensed consolidated financial data discussed below reflects the historical results and financial position of KKR. In addition, this discussion and analysis contains forward-looking statements and involves numerous risks and uncertainties, including those described under "Cautionary Note Regarding Forward-looking Statements" and "Risk Factors" in this report, our Annual Report, and our other filing 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 June 30, 2019. We have grown our firm by expanding our geographical presence and building businesses in areas such as leveraged credit, alternative credit, hedge funds, 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 consultants, senior advisors and other advisors; and a worldwide network of business relationships that provide a significant source of investment opportunities, specialized knowledge during due diligence and substantial resources for creating and realizing value for stakeholders. These teams invest capital, a substantial portion of which is of a long duration and not subject to redemption. As of June 30, 2019, approximately 78% of our fee paying assets under management are not subject to redemption for at least 8 years from inception, providing us with significant flexibility to grow investments and select exit opportunities. We believe that these aspects of our business will help us continue to expand and grow our business and deliver strong investment performance in a variety of economic and financial conditions.

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 equity 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 June 30, 2019, Private Markets business line had $112.0 billion of AUM and FPAUM of $73.3 billion, consisting of $48.2 billion in private equity (including growth equity and core investments), $19.2 billion in real assets (including infrastructure, energy, and real estate) and $5.9 billion in other related strategies.

The table below presents information as of June 30, 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 June 30, 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										
European Fund V	3/2019	(6)	$ 5,813.5	$ 5,813.5	6.9%	$ —	$ —	$ —	$ —	$ —
Asian Fund III	4/2017	4/2023	9,000.0	5,926.1	5.6%	3,073.9	—	3,073.9	4,510.3	215.1
Americas Fund XII	1/2017	1/2023	13,500.0	8,070.6	5.8%	5,448.2	89.0	5,444.3	6,081.5	51.7
Health Care Strategic Growth Fund	12/2016	12/2021	1,331.0	1,103.5	11.3%	304.8	82.4	233.6	421.0	20.6
Next Generation Technology Growth Fund	3/2016	3/2021	658.9	123.1	22.5%	540.2	45.9	523.1	967.0	46.8
European Fund IV	12/2014	3/2019	3,509.0	322.6	5.7%	3,279.2	954.8	2,791.9	4,418.3	305.4
Asian Fund II	4/2013	4/2017	5,825.0	339.3	1.3%	6,495.2	3,213.4	4,710.9	7,095.1	477.9
North America Fund XI	9/2012	1/2017	8,718.4	710.7	2.9%	9,441.6	9,736.3	5,601.9	9,639.0	758.7
China Growth Fund (4)	11/2010	11/2016	1,010.0	—	1.0%	1,010.0	768.6	555.6	507.9	—
European Fund III (4)	3/2008	3/2014	5,508.2	148.4	5.2%	5,359.8	10,374.7	459.1	539.5	19.3
Asian Fund (4)	7/2007	4/2013	3,983.3	—	2.5%	3,945.9	8,535.4	173.5	155.8	—
2006 Fund (4)	9/2006	9/2012	17,642.2	337.7	2.1%	17,304.5	29,827.1	3,582.5	5,834.1	443.9
European Fund II (4)	11/2005	10/2008	5,750.8	—	2.1%	5,750.8	8,479.3	—	58.8	4.6
Millennium Fund (4)	12/2002	12/2008	6,000.0	—	2.5%	6,000.0	14,123.1	—	6.1	1.3
Private Equity and Growth Equity Funds			88,250.3	22,895.5		67,954.1	86,230.0	27,150.3	40,234.4	2,345.3
Co-Investment Vehicles and Other	Various	Various	9,747.9	4,066.3	Various	5,897.3	3,998.7	4,003.4	5,871.6	462.2
Total Private Equity and Growth Equity Funds			97,998.2	26,961.8		73,851.4	90,228.7	31,153.7	46,106.0	2,807.5
Real Assets										
Energy Income and Growth Fund II	6/2018	6/2021	994.2	994.2	20.1%	—	—	—	—	—
Energy Income and Growth Fund	9/2013	6/2018	1,974.2	59.3	12.9%	1,961.1	683.1	1,377.4	1,559.8	—
Natural Resources Fund (4)	Various	Various	887.4	1.7	Various	885.7	119.2	198.3	147.5	—
Global Energy Opportunities	Various	Various	979.2	321.0	Various	487.9	103.3	343.8	303.6	—
Global Infrastructure Investors	9/2011	10/2014	1,040.2	25.4	4.8%	1,047.6	1,298.9	377.9	536.9	18.5
Global Infrastructure Investors II	10/2014	6/2018	3,039.9	255.7	4.1%	3,014.1	442.0	2,714.0	3,472.8	82.3
Global Infrastructure Investors III	6/2018	6/2024	7,149.5	6,243.8	3.8%	905.7	—	905.7	870.7	—
Real Estate Partners Americas	5/2013	5/2017	1,229.1	350.0	16.3%	1,007.0	1,163.1	331.6	336.1	20.1
Real Estate Partners Americas II	5/2017	12/2020	1,921.2	1,284.0	7.8%	692.3	104.0	629.9	701.4	—
Real Estate Partners Europe	9/2015	6/2020	708.3	271.5	9.5%	472.5	68.2	436.7	517.3	12.0
Real Estate Credit Opportunity Partners	2/2017	4/2019	1,130.0	117.1	4.4%	1,012.9	92.7	1,012.9	1,038.9	5.2
Co-Investment Vehicles and Other	Various	Various	2,405.5	1,012.4	Various	1,393.1	738.4	1,389.9	1,594.1	4.7
Real Assets			$ 23,458.7	$ 10,936.1		$ 12,879.9	$ 4,812.9	$ 9,718.1	$ 11,079.1	$ 142.8
Other										
Core Investment Vehicles	Various	Various	9,500.0	5,516.1	36.8%	3,983.9	—	3,983.9	5,019.7	55.5
Unallocated Commitments (5)			2,844.8	2,844.8	Various	—	—	—	—	—
Private Markets Total			$ 133,801.7	$ 46,258.8		$ 90,715.2	$ 95,041.6	$ 44,855.7	$ 62,204.8	$ 3,005.8

(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 June 30, 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 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) "Unallocated Commitments" represent unallocated commitments from our strategic investor partnerships.

(6) Six years from first investment date.

The table below presents information as of June 30, 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 June 30, 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.

	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	8,479.3	58.8	8,538.1	6.1 %	4.5 %	1.5
2006 Fund (2006)	17,642.2	17,304.5	29,827.1	5,834.1	35,661.2	11.8 %	9.2 %	2.1
Asian Fund (2007)	3,983.3	3,945.9	8,535.4	155.8	8,691.2	18.9 %	13.7 %	2.2
European Fund III (2008) [2]	5,508.2	5,359.8	10,374.7	539.5	10,914.2	16.8 %	11.7 %	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	768.6	507.9	1,276.5	7.1 %	2.4 %	1.3
Natural Resources Fund (2010)	887.4	885.7	119.2	147.5	266.7	(23.1)%	(25.1)%	0.3
Global Infrastructure Investors (2011) [2]	1,040.2	1,047.6	1,298.9	536.9	1,835.8	14.7 %	12.7 %	1.8
North America Fund XI (2012)	8,718.4	9,441.6	9,736.3	9,639.0	19,375.3	24.6 %	19.6 %	2.1
Asian Fund II (2013)	5,825.0	6,495.2	3,213.4	7,095.1	10,308.5	18.5 %	13.7 %	1.6
Real Estate Partners Americas (2013)	1,229.1	1,007.0	1,163.1	336.1	1,499.2	18.7 %	13.8 %	1.5
Energy Income and Growth Fund (2013)	1,974.2	1,961.1	683.1	1,559.8	2,242.9	5.3 %	2.7 %	1.1
Global Infrastructure Investors II (2014) [2]	3,039.9	3,014.1	442.0	3,472.8	3,914.8	14.1 %	11.6 %	1.3
European Fund IV (2015) [2]	3,509.0	3,279.2	954.8	4,418.3	5,373.1	27.9 %	21.3 %	1.6
Real Estate Partners Europe (2015) [2]	708.3	472.5	68.2	517.3	585.5	16.3 %	9.9 %	1.2
Next Generation Technology Growth Fund (2016)	658.9	540.2	45.9	967.0	1,012.9	50.5 %	40.9 %	1.9
Health Care Strategic Growth Fund (2016)	1,331.0	304.8	82.4	421.0	503.4	122.4 %	59.6 %	1.7
Americas Fund XII (2017)	13,500.0	5,448.2	89.0	6,081.5	6,170.5	15.4 %	8.3 %	1.1
Real Estate Credit Opportunity Partners (2017)	1,130.0	1,012.9	92.7	1,038.9	1,131.6	11.0 %	8.8 %	1.1
Core Investment Vehicles (2017)	9,500.0	3,983.9	—	5,019.7	5,019.7	21.3 %	18.7 %	1.3
Asian Fund III (2017) [3]	9,000.0	3,073.9	—	4,510.3	4,510.3	—	—	—
Real Estate Partners Americas II (2017) [3]	1,921.2	692.3	104.0	701.4	805.4	—	—	—
Global Infrastructure Investors III (2018) [2][3]	7,149.5	905.7	—	870.7	870.7	—	—	—
European Fund V (2019) [2][3]	5,813.5	—	—	—	—	—	—	—
Energy Income and Growth Fund II (2019) [3]	994.2	—	—	—	—	—	—	—
Subtotal - Included Funds	121,105.5	86,218.1	99,158.5	54,435.5	153,594.0	15.8 %	11.8 %	1.9
All Funds	$ 137,580.0	$ 102,692.6	$ 149,427.8	$ 54,435.5	$ 203,863.3	25.6 %	18.8 %	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 June 30, 2019, 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
European Fund IV	€	1,626.1
Global Infrastructure Investors	€	30.0
Global Infrastructure Investors II	€	243.8
Real Estate Partners Europe	€	276.6
Global Infrastructure Investors III	€	987.0
European Fund V	€	1,800.2

(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 June 30, 2019. None of the Asian Fund III, Real Estate Partners Americas II, Global Infrastructure Investors III, European Fund V, or Energy Income and Growth Fund II has invested for at least 24 months as of June 30, 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. Realizations have not been shown for those investment funds that have either made their first investment more recently than 24 months prior to June 30, 2019 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 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. 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"), 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 and KKR Credit Advisors (Ireland) Unlimited Company, regulated by the Central Bank of Ireland ("CBI"). 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. Our BDC platform consists of BDCs advised by FS/KKR Advisor, LLC ("FS/KKR Advisor"), which began serving as the investment adviser to BDCs that were previously advised or sub-advised by KKR and Franklin Square Holdings, L.P. ("FS Investments") following the completion of our strategic partnership with FS Investments on April 9, 2018 (the "FS Investments Transaction").

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 June 30, 2019, our Public Markets business line had $93.6 billion of AUM, comprised of $38.1 billion of assets managed in our leveraged credit strategies (which include $2.8 billion of assets managed in our opportunistic credit strategy and $1.9 billion of assets managed in our revolving credit strategy), $7.2 billion of assets managed in our special situations strategy, $23.7 billion of assets managed in our private credit strategies, $23.8 billion of assets managed through our hedge fund platform, and $0.8 billion of assets managed in other strategies. Our private credit strategies include $17.1 billion of assets managed in our direct lending strategy and $6.6 billion of assets managed in our private opportunistic credit strategy. Assets managed through our hedge fund platform represent KKR's pro rata portion of AUM of our hedge fund partnerships. Our BDC platform has approximately $16.2 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.

Credit

Performance

We generally review our performance in our credit platform 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 June 30, 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

Leveraged Credit Strategy	Inception Date	Gross Returns	Net Returns	Benchmark [1]	Benchmark Gross Returns
Bank Loans Plus High Yield	Jul 2008	7.73%	7.10%	65% S&P/LSTA Loan Index, 35% BoAML HY Master II Index [2]	6.12%
Opportunistic Credit [3]	May 2008	12.10%	10.15%	BoAML HY Master II Index [3]	6.41%
Bank Loans	Apr 2011	5.19%	4.60%	S&P/LSTA Loan Index [4]	4.22%
High-Yield	Apr 2011	6.91%	6.33%	BoAML HY Master II Index [5]	6.32%
Bank Loans Conservative	Apr 2011	4.58%	3.98%	S&P/LSTA BB-B Loan Index [6]	4.23%
European Leveraged Loans [7]	Sep 2009	4.98%	4.46%	CS Inst West European Leveraged Loan Index [8]	4.42%
High-Yield Conservative	Apr 2011	6.37%	5.79%	BoAML HY BB-B Constrained [9]	6.28%
European Credit Opportunities [7]	Sept 2007	5.53%	4.62%	S&P European Leveraged Loans (All Loans) [10]	4.24%
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 the BoAML HY Master II Index. Funds within this strategy may utilize third-party financing facilities to enhance investment returns. In cases where financing facilities are used, the amounts drawn on the facility are deducted from the assets of the fund in the calculation of net asset value, which tends to increase returns when net asset value grows over time and decrease returns when net asset value decreases over time.

(4) Performance is based on a composite of portfolios that primarily invest in leveraged loans. The benchmark used for purposes of comparison for the Bank Loans strategy is based on the S&P/LSTA Loan Index.

(5) Performance is based on a composite of portfolios that primarily invest in high-yield securities. The benchmark used for purposes of comparison for the High Yield strategy is based on the BoAML HY Master II Index.

(6) Performance is based on a composite of portfolios that primarily invest in leveraged loans rated B-/Baa3 or higher. The benchmark used for purposes of comparison for the Bank Loans 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 June 30, 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 June 30, 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	Dec 2012	$ 2,274.3	$ 2,272.7	$ 1,467.6	$ 1,166.4	$ 2,634.0	4.0%	2.0%	1.2	$ —
Special Situations Fund II	Dec 2014	3,524.7	2,493.7	176.8	2,584.8	2,761.6	5.1%	2.9%	1.1	—
Mezzanine Partners	Mar 2010	1,022.8	913.9	1,060.1	302.5	1,362.6	12.8%	8.3%	1.5	66.9
Private Credit Opportunities Partners II	Dec 2015	2,245.1	1,313.9	47.5	1,353.2	1,400.7	8.1%	6.4%	1.1	—
Lending Partners	Dec 2011	460.2	405.3	434.9	60.0	494.9	5.8%	4.3%	1.2	—
Lending Partners II	Jun 2014	1,335.9	1,179.1	1,029.1	495.3	1,524.4	10.9%	8.8%	1.3	43.7
Lending Partners III	Apr 2017	1,497.8	502.0	51.8	530.0	581.8	N/A	N/A	N/A	6.3
Lending Partners Europe	Mar 2015	847.6	588.0	143.7	510.4	654.1	8.2%	5.1%	1.1	—
Other Alternative Credit Vehicles	Various	9,513.1	4,581.7	2,910.4	3,240.8	6,151.2	N/A	N/A	N/A	124.1
Unallocated Commitments (4)	Various	560.0	—	—	—	—	N/A	N/A	N/A	—
All Funds		$ 23,281.5	$ 14,250.3	$ 7,321.9	$ 10,243.4	$ 17,565.3				$ 241.0

(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 an 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 June 30, 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	$ 20,798	$ 19,587	0.10% - 1.10%	Various (1)	Various (1)	Subject to redemptions
CLOs	14,351	14,351	0.40% - 0.50%	Various (1)	Various (1)	10-14 Years (2)
Total Leveraged Credit	35,149	33,938				
Alternative Credit: (3)						
Special Situations	7,468	4,650	0.90% - 1.75% (4)	10.00 - 20.00%	7.00 - 12.00%	8-15 Years (2)
Private Credit	10,958	4,770	0.50% - 1.50%	10.00 - 20.00%	5.00 - 8.00%	8-15 Years (2)
Total Alternative Credit	18,426	9,420				
Hedge Funds (5)	23,836	18,609	0.50% - 2.00%	Various (1)	Various (1)	Subject to redemptions
BDCs (6)	16,209	16,209	0.60%	8.00%	7.00%	Indefinite
Total	$ 93,620	$ 78,176				

(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 are 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 2018 and for separately managed accounts and funds investing in alternative credit strategies from 2009 through 2018.

(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, which consist of minority stakes in third-party hedge fund managers.

(6) Consists of our BDC platform advised by FS/KKR Advisor, LLC. We report all of the assets under management of the BDCs in 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.

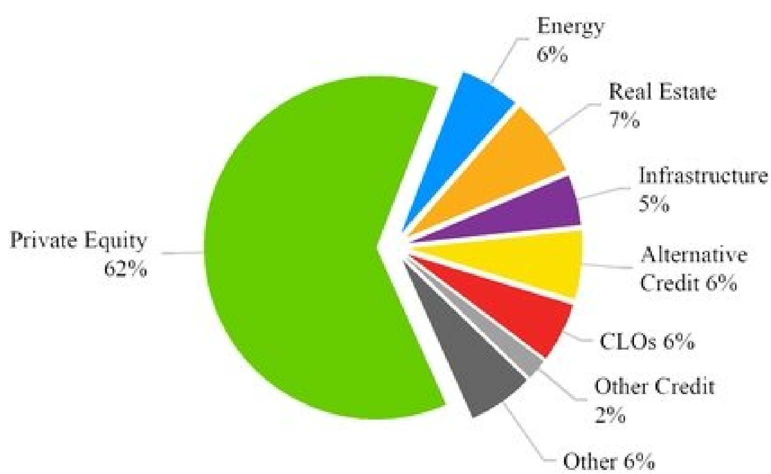
Our Principal Activities business line also provides the required capital to fund the various commitments of our Capital Markets business line when underwriting or syndicating securities, or when providing term loan commitments for transactions involving our portfolio companies and for third parties. 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 June 30, 2019.

Holdings by Asset Class (1)



(1) This presentation includes our capital commitments to our funds. Assets and revenues of other asset managers with which KKR has formed hedge fund partnerships where KKR does not hold more than 50% ownership interest are not included in Principal Activities 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, core private equity funds, and other opportunistic investments. However, equity investments in other asset classes, such as real estate, alternative credit and energy appear in these other asset classes. Other Credit consists of other leveraged credit and specialty finance strategies.

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 a substantial impact on our financial condition and results of operations, impacting the values of the investments we make, our ability to exit these investments profitably, 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 June 30, 2019, key economic indicators of U.S. economic growth showed signs of slowing down in the second quarter of 2019, and the U.S. Federal Reserve cut its benchmark interest rate by 25 basis points in July 2019. In the United States, real GDP growth was 2.1%, on a seasonally adjusted annualized basis, for the quarter ended June 30, 2019, compared to 3.1% for the quarter ended March 31, 2019; the U.S. unemployment rate was 3.7% as of June 30, 2019, down from 3.8% as of March 31, 2019; U.S. core consumer price index was 2.1% on a year-over-year basis as of June 30, 2019, slightly up from 2.0% on a year-over-year basis as of March 31, 2019; and the effective federal funds rate set by the U.S. Federal Reserve was 2.4% as of June 30, 2019, flat compared to 2.4% as of March 31, 2019.

As of June 30, 2019, the European Union also experienced slower economic growth, with political uncertainty and global trade tensions contributing to the weakened growth outlook for the year. In the Euro Area, real GDP growth was 0.2%, on a seasonally adjusted quarter-over-quarter basis, for the quarter ended June 30, 2019, compared to 0.4%, on a seasonally adjusted quarter-over-quarter basis, for the quarter ended March 31, 2019; the Euro Area unemployment rate was 7.5% as of June 30, 2019, down from 7.6% as of March 31, 2019; Euro Area core inflation was 1.1% on a year-over-year basis as of June 30, 2019, up from 0.8% on a year-over-year basis as of March 31, 2019; and the short-term benchmark interest rate set by the European Central Bank was 0.0% as of June 30, 2019, unchanged from March 31, 2019.

As of June 30, 2019, Japanese economy continued its recovery, while weakness in exports and industrial production persisted. China's economic growth in the second quarter of 2019 slowed down considerably, amid the continuing trade dispute with the United States. In Japan, the short-term benchmark interest rate set by the Bank of Japan was -0.10% as of June 30, 2019, unchanged from March 31, 2019; and in China, reported real GDP was 1.6%, on a seasonally adjusted quarter-over-quarter basis, for the quarter ended June 30, 2019, compared to 1.4% in the quarter ended March 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 and economic nationalist sentiments, (ii) regulatory changes regarding, for example, taxation, international trade, cross-border investments, immigration, and austerity programs, (iii) increased volatility in stock markets, (iv) an unexpected shift in the U.S. Federal Reserve's monetary policies and its impact on the markets and (v) 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" 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 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 quarter ended June 30, 2019, global equity markets were positive, with the S&P 500 Index up 4.3% and the MSCI World Index up 4.2% 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 15.1 as of June 30, 2019, increasing from 13.7 as of March 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" and "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 June 30, 2019, U.S. investment grade corporate bond spreads (BofA Merrill Lynch US Corporate Index) contracted by 5 basis points and U.S. high-yield corporate bond spreads (BofAML HY Master II Index) widened by 2 basis points. The non-investment grade credit indices were up during the quarter ended June 30, 2019, with the S&P/LSTA Leveraged Loan Index up 1.7% and the BofAML HY Master II Index up 2.6%. During the quarter ended June 30, 2019, 10-year government bond yields fell 40 basis points in the United States, fell 17 basis points in the United Kingdom, fell 26 basis points in Germany, rose 17 basis points in China and fell 8 basis points 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 June 30, 2019, the euro rose 1.4%, the British pound fell 2.6%, the Japanese yen rose 2.8%, and the Chinese renminbi fell 2.3%, respectively, relative to the U.S. dollar. For additional information regarding our foreign exchange rate risk, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—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 June 30, 2019, the long-term price of WTI crude oil decreased approximately 2%, and the long-term price of natural gas decreased approximately 2%. The long-term price of WTI crude oil decreased from approximately $54 per barrel to $53 per barrel, and the long-term price of natural gas decreased from approximately $2.66 per mcf to $2.62 per mcf as of March 31, 2019 and June 30, 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 June 30, 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 "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" 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.

Business Conditions

Our segment revenues consist of fees, performance income and investment income. Our ability to grow our revenues depends in part on our ability to attract new capital and investors, our successful deployment of capital including from our balance sheet and our ability to realize investments 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 XII, Asian III, Real Estate Partners Americas II and Global Infrastructure Investors III funds 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 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 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-producing 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 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 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. 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 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-producing 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 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 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 Note 2 "Summary of Significant Accounting Policies" to the financial statements included elsewhere in this report.

Key Segment and Other Operating and Performance Measures

The key 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. KKR's segment reporting is presented prior to giving effect to the allocation of income (loss) between KKR & Co. Inc. and KKR Holdings L.P. and as such represents the business in total. In addition, KKR's segment reporting is 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 disclose certain financial measures in this report that are calculated and presented using methodologies other than in accordance with GAAP. We believe that providing these performance measures on a supplemental basis to our GAAP results is helpful to stockholders in assessing the overall performance of KKR's businesses. These financial measures should not be considered as a substitute for similar financial measures calculated in accordance with GAAP, if available. We caution readers that these non-GAAP financial measures may differ from the calculations of other investment managers, and as a result, may not be comparable to similar measures presented by other investment managers. Reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP, where applicable, are included within Note 14 "Segment Reporting" to the financial statements included elsewhere in this report and under "—Segment Balance Sheet."

Adjusted Shares

Adjusted shares are used as a measure of the total common equity ownership of KKR that is held by KKR & Co. Inc. (including equity awards issued under our Equity Incentive Plans, but excluding preferred stock), KKR Holdings, and other holders of securities exchangeable into Class A common stock of KKR & Co. Inc. and represent the fully diluted share count of Class A common stock using the if-converted method. We believe this measure is useful to stockholders as it provides an indication of the total common equity ownership of KKR as if all outstanding KKR Holdings units, equity awards issued under our Equity Incentive Plans and other exchangeable securities had been exchanged for Class A common stock of KKR & Co. Inc. The 6.75% Series A Preferred Stock ("Series A Preferred Stock") and 6.50% Series B Preferred Stock ("Series B Preferred Stock") are not exchangeable for Class A common stock of KKR & Co. Inc.

Adjusted Shares Eligible for Distribution

Adjusted shares eligible for distribution represents the portion of total adjusted shares that are eligible to receive a dividend. We believe this measure 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 eligible for distribution is used in the calculation of after-tax distributable earnings per share.

After-tax Distributable Earnings

After-tax distributable earnings is a performance measure of KKR’s earnings on a segment basis excluding mark-to-market gains (losses). Starting with the second quarter of 2018, it is defined as the amount of net realized earnings of KKR for a given reporting period, after deducting equity-based compensation. KKR revised the definition of after-tax distributable earnings starting in the second quarter of 2018, because it reflects how the chief operating decision makers allocate resources and assess performance of KKR’s business. 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. Historically equity-based compensation expense relating to our Equity Incentive Plans was not reflected in our calculation of after-tax distributable earnings. Under KKR’s segment presentation, 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. For comparability, after-tax distributable earnings for the comparable prior periods have been calculated using this definition.

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 strategic BDC partnership and hedge fund managers in which KKR holds a minority 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 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 managers in which KKR holds a minority 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 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 measure of the net assets of KKR’s reportable segment and is used by management primarily in assessing the unrealized value of KKR’s investments and other assets, including carried interest. We believe this measure is useful to stockholders as it provides additional insight into the assets and liabilities of KKR excluding the assets and liabilities that are allocated to noncontrolling interest holders and to the holders of the Series A and Series B Preferred Stock. Following the Conversion, KKR's segment balance sheet reflects 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.

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 supplemental measure of earnings of KKR on a segment basis before performance income and investment income. KKR believes this measure may be useful to stockholders as it provides additional insight into the profitability of KKR’s fee generating management companies and capital markets businesses. Starting with the second quarter of 2018, fee related earnings is calculated as KKR’s total Fees and Other, Net, multiplied by KKR’s segment operating margin. For purposes of the fee related earnings calculation, segment operating margin is calculated as Segment Operating Earnings, before equity-based compensation, divided by total segment revenues. Historically, fee related earnings was calculated as operating earnings of KKR on a segment basis before performance income, related performance income compensation and investment income. KKR revised the definition of fee related earnings starting in the second quarter of 2018 to provide supplemental information about fees generated from KKR’s management companies and capital markets business because KKR believes it provides increased transparency on KKR’s underlying financial results to the stockholders. Fee related earnings for the comparable prior periods have been calculated using this definition.

Income Taxes Paid

Income taxes paid represents the estimated total tax impact on KKR’s distributable earnings before taxes. This amount is 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.

Segment Operating Earnings

Segment operating earnings represents segment earnings before interest expense, preferred dividends, income attributable to noncontrolling interests and income taxes paid. We believe segment 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 operations.

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.

Unaudited Consolidated Results of Operations

The following is a discussion of our consolidated results of operations for the three and six months ended June 30, 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 the results of operations of our reportable segment in these periods, see "—Segment Analysis."

Three months ended June 30, 2019 compared to three months ended June 30, 2018

	Three Months Ended		
	June 30, 2019	**June 30, 2018**	**Change**
		($ in thousands)	
Revenues			
Fees and Other	$ 519,441	$ 413,846	$ 105,595
Capital Allocation-Based Income	660,423	557,774	102,649
Total Revenues	1,179,864	971,620	208,244
Expenses			
Compensation and Benefits	608,967	472,500	136,467
Occupancy and Related Charges	17,193	15,322	1,871
General, Administrative and Other	182,651	187,228	(4,577)
Total Expenses	808,811	675,050	133,761
Investment Income (Loss)			
Net Gains (Losses) from Investment Activities	1,037,985	1,116,587	(78,602)
Dividend Income	17,130	66,344	(49,214)
Interest Income	365,727	351,705	14,022
Interest Expense	(264,766)	(203,850)	(60,916)
Total Investment Income (Loss)	1,156,076	1,330,786	(174,710)
Income (Loss) Before Taxes	1,527,129	1,627,356	(100,227)
Income Tax Expense (Benefit)	165,399	60,960	104,439
Net Income (Loss)	1,361,730	1,566,396	(204,666)
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	—	(18,016)	18,016
Net Income (Loss) Attributable to Noncontrolling Interests	838,996	895,690	(56,694)
Net Income (Loss) Attributable to KKR & Co. Inc.	522,734	688,722	(165,988)
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	$ 514,393	$ 680,381	$ (165,988)

Revenues

For the three months ended June 30, 2019 and 2018, revenues consisted of the following:

	Three Months Ended		
	June 30, 2019	June 30, 2018	Change
	($ in thousands)		
Management Fees	$ 206,097	$ 171,172	$ 34,925
Fee Credits	(91,862)	(34,847)	(57,015)
Transaction Fees	304,889	170,221	134,668
Monitoring Fees	26,424	25,363	1,061
Incentive Fees	—	233	(233)
Expense Reimbursements	42,741	50,576	(7,835)
Oil and Gas Revenue	12,275	13,853	(1,578)
Consulting Fees	18,877	17,275	1,602
Total Fees and Other	519,441	413,846	105,595
Carried Interest	551,443	491,176	60,267
General Partner Capital Interest	108,980	66,598	42,382
Total Capital Allocation-Based Income	660,423	557,774	102,649
Total Revenues	$ 1,179,864	$ 971,620	$ 208,244

Total Fees and Other for the three months ended June 30, 2019 increased compared to the three months ended June 30, 2018 primarily as a result of an increase in transaction fees and management fees, which were partially offset by an increase in fee credits.

Fee credits increased overall as a result of a higher level of transaction fees in our Private 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. 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 fees during the period, see "—Segment Analysis—Segment Results—Segment Revenues."

The increase in management fees during the three months ended June 30, 2019 compared to the prior period was primarily due to new management fees earned from our Global Infrastructure Investors III Fund, European Fund V and Global Impact Fund. Each of these funds entered their investment periods subsequent to the second quarter of 2018.

The increase in carried interest and general partner capital interest during the three months ended June 30, 2019 was due primarily to a higher level of net appreciation in the value of our private equity portfolio as compared to the three months ended June 30, 2018.

Compensation and Benefits Expenses

The increase in compensation and benefits expenses during the three months ended June 30, 2019 compared to the prior period was primarily due to (i) a higher level of carried interest compensation resulting from a higher level of appreciation in the value of our private equity portfolio and (ii) an increase in cash compensation and benefits. 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 decrease in general, administrative and other expenses during the three months ended June 30, 2019 compared to the prior period was primarily due to a decrease in professional fees incurred, the most significant of which were costs incurred in the three months ended June 30, 2018, in connection with the Conversion. This decrease was partially offset by a higher level of expenses that are creditable to our investment funds in the three months ended June 30, 2019, which includes broken-deal expenses.

Net Gains (Losses) from Investment Activities

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

	Three Months Ended	
	June 30, 2019	June 30, 2018
	($ in thousands)	
Private Equity	$ 962,888	$ 522,516
Credit	(24,151)	(231,823)
Investments of Consolidated CFEs	60,780	(88,050)
Real Assets	(2,488)	156,606
Equity Method - Other	132,656	55,007
Other Investments	(42,620)	(181,768)
Debt Obligations and Other	(103,790)	461,549
Other Net Gains (Losses) from Investment Activities	54,710	422,550
Net Gains (Losses) from Investment Activities	$ 1,037,985	$ 1,116,587

Net Gains (Losses) from Investment Activities for the three months ended June 30, 2019

The net gains from investment activities for the three months ended June 30, 2019 were comprised of net realized gains of $74.2 million and net unrealized gains of $963.8 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 also "—Segment Analysis—Segment Results—Segment Revenues."

Realized Gains from Investment Activities

For the three months ended June 30, 2019, net realized gains related primarily to realized gains on (i) the sale of our investment in GEG German Estate Group AG (financial services sector) held by KKR, (ii) the partial sale of our investment in GetYourGuide AG (technology sector), and (iii) the sale of real estate investments held through certain consolidated entities.

Realized Losses from Investment Activities

Partially offsetting these realized gains were realized losses primarily relating to the sale of DoubleDutch, Inc. (technology sector).

Unrealized Gains from Investment Activities

For the three months ended June 30, 2019, unrealized gains were driven primarily by (i) mark-to-market gains on our 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 USI, Inc. (financial services sector), Heartland Dental, LLC (health care sector), and PetVet Care Centers, LLC (health care sector), and (iii) mark-to-market gains on our investment in First Data Corporation (NYSE: FDC) which is held in our funds and as a co-investment by KKR.

Unrealized Losses from Investment Activities

Partially offsetting the unrealized gains above were unrealized losses relating to (i) mark-to-market losses on our investments in The Hut Group Limited (retail sector) and 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 "—Segment Analysis."

Net Gains (Losses) from Investment Activities for the three months ended June 30, 2018

The net gains from investment activities for the three months ended June 30, 2018 were comprised of net realized gains of $154.8 million and net unrealized gains of $961.8 million.

Realized Gains from Investment Activities

For the three months ended June 30, 2018, realized gains related primarily to (i) a gain recognized on the FS Investments Transaction, (ii) the sale of assets in our consolidated special situations funds, (iii) the sale of energy investments held through certain consolidated entities and (iv) the sale of our investment in Next Issue Media LLC (technology sector) which was held by KKR.

Realized Losses from Investment Activities

Partially offsetting these realized gains were realized losses primarily relating to the write-off of Trinity Holdings LLC (energy sector) and certain CLOs during the three months ended June 30, 2018.

Unrealized Gains from Investment Activities

For the three months ended June 30, 2018, unrealized gains were driven primarily by (i) mark-to-market gains on our private equity portfolio held by KKR, the most significant of which was First Data Corporation, (ii) the reversal of previously recognized unrealized losses related to the write-off of Trinity Holdings LLC and certain CLOs as described above, (iii) mark-to-market gains in our growth equity investments held by KKR and certain consolidated entities, and (iv) mark-to-market gains in our core investments, the most significant of which was PetVet Care Centers, LLC.

Unrealized Losses from Investment Activities

Partially offsetting the unrealized gains above were unrealized losses relating to (i) the reversal of previously recognized unrealized gains relating to the sale of assets held in our consolidated special situations funds, the sale of energy investments held through certain consolidated entities and the sale of Next Issue Media LLC and (ii) mark-to-market losses on investments held at our India debt financing company.

For a discussion of other factors that affected KKR's realized investment income, see "—Segment Analysis."

Dividend Income

During the three months ended June 30, 2019, the most significant dividends received included $5.4 million from our consolidated real estate funds and $3.3 million from our consolidated energy funds. During the three months ended June 30, 2018, the most significant dividends received included $29.1 million from our consolidated special situations funds and $28.8 million from our consolidated energy funds. Significant dividends from portfolio companies are generally not recurring quarterly dividends, and while they may occur in the future, their size and frequency are variable. For a discussion of other factors that affected KKR's dividend income, see "—Segment Analysis—Segment Results—Segment Revenues—Principal Activities Revenues—Realized Investment Income."

Interest Income

The increase in interest income during the three months ended June 30, 2019 compared to the three months ended June 30, 2018 was primarily due to a higher level of interest earned related to (i) the closing of five additional CLOs subsequent to the three months ended June 30, 2018, (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 and (iii) an increase in reference benchmark interest rates as compared to the prior period which impacted the amount of interest earned across various investment vehicles, most notably our CLOs and KREF. These increases were partially offset by a decrease in 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 June 30, 2018. For a discussion of other factors that affected KKR's interest income, see "—Segment Analysis—Segment Results—Segment Revenues—Principal Activities Revenues—Realized Investment Income."

Interest Expense

The increase in interest expense during the three months ended June 30, 2019 compared to the three months ended June 30, 2018 was primarily due to the impact of (i) the closing of five additional CLOs subsequent to the three months ended June 30, 2018, (ii) increased borrowings under KREF's lending facilities used to finance investments in commercial loans and (iii) an increase in reference benchmark interest rates as compared to the prior period which impacted the amount of interest expense incurred primarily in our CLOs and KREF. For a discussion of other factors that affected KKR's interest expense, see "—Segment Analysis—Segment Results—Segment Expenses—Interest Expense."

Income (Loss) Before Taxes

The decrease in income (loss) before taxes during the three months ended June 30, 2019 compared to the three months ended June 30, 2018 was due primarily to a higher level of compensation and benefits and interest expenses and a lower level of net gains from investment activities, partially offset by a higher level of revenues, in each case as described above.

Income Taxes

Income tax expense for the three months ended June 30, 2019 increased compared to the three months ended June 30, 2018 primarily as a result of the 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 three months ended June 30, 2019 was 10.83%. 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 income (loss) attributable to noncontrolling interests for the three months ended June 30, 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 decrease from the prior period is due primarily to lower amounts attributed to KKR Holdings in connection with a lower level of income recognized for the three months ended June 30, 2019 as compared to the prior period as well as a 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 decrease in net income (loss) attributable to KKR & Co. Inc. for the three months ended June 30, 2019 compared to the three months ended June 30, 2018 was primarily due to a lower level of net gains from investment activities and a higher level of compensation and benefits, and income tax expense as compared to the prior period, partially offset by an increase in revenues in the current period as compared to the prior period.

Six months ended June 30, 2019 compared to six months ended June 30, 2018

	Six Months Ended		
	June 30, 2019	June 30, 2018	Change
	($ in thousands)		
Revenues			
Fees and Other	$ 891,989	$ 808,240	$ 83,749
Capital Allocation-Based Income	1,475,355	635,986	839,369
Total Revenues	2,367,344	1,444,226	923,118
Expenses			
Compensation and Benefits	1,153,529	770,636	382,893
Occupancy and Related Charges	31,883	29,537	2,346
General, Administrative and Other	352,166	311,478	40,688
Total Expenses	1,537,578	1,111,651	425,927
Investment Income (Loss)			
Net Gains (Losses) from Investment Activities	2,241,863	1,589,387	652,476
Dividend Income	39,755	99,408	(59,653)
Interest Income	724,238	649,961	74,277
Interest Expense	(513,854)	(423,440)	(90,414)
Total Investment Income (Loss)	2,492,002	1,915,316	576,686
Income (Loss) Before Taxes	3,321,768	2,247,891	1,073,877
Income Tax (Benefit)	332,992	78,601	254,391
Net Income (Loss)	2,988,776	2,169,290	819,486
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	—	7,658	(7,658)
Net Income (Loss) Attributable to Noncontrolling Interests	1,756,723	1,294,467	462,256
Net Income (Loss) Attributable to KKR & Co. Inc.	1,232,053	867,165	364,888
Series A Preferred Stock Dividends	11,644	11,644	—
Series B Preferred Stock Dividends	5,038	5,038	—
Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	$ 1,215,371	$ 850,483	$ 364,888

Revenues

For the six months ended June 30, 2019 and 2018, revenues consisted of the following:

	Six Months Ended		
	June 30, 2019	June 30, 2018	Change
	($ in thousands)		
Management Fees	$ 394,505	$ 358,899	$ 35,606
Fee Credits	(195,339)	(63,900)	(131,439)
Transaction Fees	493,092	328,874	164,218
Monitoring Fees	52,075	42,949	9,126
Incentive Fees	—	14,038	(14,038)
Expense Reimbursements	86,801	70,787	16,014
Oil and Gas Revenue	25,450	28,360	(2,910)
Consulting Fees	35,405	28,233	7,172
Total Fees and Other	891,989	808,240	83,749
Carried Interest	1,245,826	553,923	691,903
General Partner Capital Interest	229,529	82,063	147,466
Total Capital Allocation-Based Income	1,475,355	635,986	839,369
Total Revenues	$ 2,367,344	$ 1,444,226	$ 923,118

Total Fees and Other for the six months ended June 30, 2019 increased compared to the six months ended June 30, 2018 primarily as a result of an increase in transaction fees, partially offset by a corresponding increase in associated fee credits, and increases in management fees and expense reimbursements.

Transaction fees increased overall primarily from a higher level of transaction fees earned in our Private Markets business line, and to a lesser extent, our Public Markets business line. Partially offsetting these increases were increases in fee credits. 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.

For a more detailed discussion of the factors that affected our transaction fees during the period, see "—Segment Analysis—Segment Results—Segment Revenues."

The increase in management fees during the six months ended June 30, 2019 compared to the prior period was due primarily to management fees earned from our Global Infrastructure Investors III Fund and European Fund V. Each of these funds entered their investment periods subsequent to the second 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 six months ended June 30, 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 six months ended June 30, 2018.

Compensation and Benefits Expenses

The increase in compensation and benefits expenses during the six months ended June 30, 2019 compared to the prior period was primarily due to an increase in carried interest compensation resulting from a higher level of appreciation in the value of our private equity portfolio as compared to the prior period and to a lesser extent higher cash compensation. 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 six months ended June 30, 2019 compared to the six months ended June 30, 2018 was primarily due to (i) a higher level of expenses that are creditable to our investment funds in the current period, in particular a higher level of broken-deal expenses, and (ii) a higher level of expenses related to capital raising efforts. These increases were partially offset by a lower level of professional fees in the current period as a result of higher professional fees incurred in the prior period in connection with the Conversion.

Net Gains (Losses) from Investment Activities

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

	Six Months Ended	
	June 30, 2019	June 30, 2018
	($ in thousands)	
Private Equity	$ 1,951,081	$ 697,138
Credit	(33,358)	(172,410)
Investments of Consolidated CFEs	283,607	(162,969)
Real Assets	116,640	228,860
Equity Method - Other	309,695	199,821
Other Investments	(71,531)	(339,602)
Debt Obligations and Other	(370,938)	570,237
Other Net Gains (Losses) from Investment Activities	56,667	568,312
Net Gains (Losses) from Investment Activities	$ 2,241,863	$ 1,589,387

Net Gains (Losses) from Investment Activities for the six months ended June 30, 2019

The net gains from investment activities for the six months ended June 30, 2019 were comprised of net realized gains of $204.0 million and net unrealized gains of $2,037.9 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 as described above. For a discussion and analysis of the primary investment gains or losses relating to individual investments in our unconsolidated funds, see also "—Segment Analysis—Segment Results—Segment Revenues."

Realized Gains from Investment Activities

For the six months ended June 30, 2019, realized gains related primarily to (i) the sales of our investments in Sedgwick Claims Management Services, Inc. (financial services sector) and GEG German Estate Group AG, (ii) the sale of real estate investments held through certain consolidated entities, and (iii) the partial sale of our investment in GetYourGuide AG.

Realized Losses from Investment Activities

Partially offsetting these realized gains were realized losses, the most significant of which related to the sale of DoubleDutch, Inc. and the sale of investments in alternative credit assets in our consolidated special situations funds.

Unrealized Gains from Investment Activities

For the six months ended June 30, 2019, unrealized gains were driven primarily by (i) mark-to-market gains on our growth equity investments held by KKR and certain consolidated entities, the most significant of which was BridgeBio Pharma, Inc., (ii) mark-to-market gains on our investment in First Data Corporation which is held in our funds and as a co-investment by

KKR, and (iii) mark-to-market gains in portfolio companies in our core investment strategy, the most significant of which were PetVet Care Centers, LLC, Heartland Dental, LLC, and USI, Inc.

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, (ii) mark-to-market losses on our investments in Mr. Cooper Group Inc. and The Hut Group Limited, and (iii) the reversal of previously recognized unrealized gains relating to the realization activity described above.

For a more detailed discussion of other factors that affected KKR's realized investment income and losses, see "—Segment Analysis."

Net Gains (Losses) from Investment Activities for the six months ended June 30, 2018

The net gains from investment activities for the six months ended June 30, 2018 were comprised of net realized gains of $185.2 million and net unrealized gains of $1,404.2 million.

Realized Gains from Investment Activities

For the six months ended June 30, 2018, realized gains related primarily to (i) a gain recognized on the FS Investments Transaction, (ii) the sale of assets in our consolidated special situations funds, (iii) the sale of energy investments held through certain consolidated entities and (iv) the sale of our investment in Next Issue Media LLC which was held by KKR.

Realized Losses from Investment Activities

Partially offsetting these realized gains were realized losses primarily relating to the write-off of Trinity Holdings LLC and certain CLOs during the six months ended June 30, 2018.

Unrealized Gains from Investment Activities

For the six months ended June 30, 2018, unrealized gains were driven primarily by (i) mark-to-market gains on our private equity portfolio held by KKR, the most significant of which was First Data Corporation, (ii) the reversal of previously recognized unrealized losses related to the write-off of Trinity Holdings LLC and certain CLOs as described above, (iii) mark-to-market gains in our growth equity investments held directly by KKR and certain consolidated entities and (iv) mark-to-market gains in our core investments strategy, the most significant of which were PetVet Care Centers, Inc. and USI, Inc.

Unrealized Losses from Investment Activities

Partially offsetting the unrealized gains above were unrealized losses relating to (i) the reversal of previously recognized unrealized gains relating to the sale of energy investments held through certain consolidated entities, assets held in our consolidated special situations funds and the sale of Next Issue Media LLC and (ii) mark-to-market losses on investments held at our India debt financing company.

For a discussion of other factors that affected KKR's investment income, see "—Segment Analysis."

Dividend Income

During the six months ended June 30, 2019, the most significant dividends received included $15.8 million from our consolidated real estate funds, $11.6 million from investments held by KKR and KFN, and $5.6 million from our consolidated energy funds. During the six months ended June 30, 2018, the most significant dividends received included $32.5 million from our consolidated special situations funds, $30.5 million from our consolidated energy funds, and $13.7 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 "—Segment Analysis—Segment Results—Segment Revenues—Principal Activities Revenues—Realized Investment Income."

Interest Income

The increase in interest income during the six months ended June 30, 2019 compared to the six months ended June 30, 2018 was primarily due to a higher level of interest earned related to the closing of five additional consolidated CLOs subsequent to June 30, 2018 as well as increases in interest income earned from our consolidated credit funds as compared to the six months ended June 30, 2018. For a discussion of other factors that affected KKR's interest income, see "—Segment Analysis—Segment Results—Segment Revenues—Principal Activities Revenues—Realized Investment Income."

Interest Expense

The increase in interest expense during the six months ended June 30, 2019 compared to the six months ended June 30, 2018 was primarily due to the impact of the closing of five additional consolidated CLOs subsequent to June 30, 2018. These increases were partially offset by a decrease in interest expense incurred as a result of the sale of KKR's beneficial interest in four consolidated CMBS vehicles held by KREF that resulted in the deconsolidation of such vehicles subsequent to June 30, 2018. For a discussion of other factors that affected KKR's interest expense, see "—Segment Analysis—Segment Results—Segment Expenses—Interest Expense."

Income (Loss) Before Taxes

The increase in income (loss) before taxes for the six months ended June 30, 2019 compared to the six months ended June 30, 2018 was due primarily to a higher level of capital allocation-based income and net gains from investment activities, partially offset by a higher level of compensation and benefits.

Income Taxes

Income tax expense for the six months ended June 30, 2019 increased compared to the six months ended June 30, 2018 primarily as a result of the 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 six months ended June 30, 2019 was 10.02%. 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 income (loss) attributable to noncontrolling interests for the six months ended June 30, 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 higher amounts attributed to KKR Holdings in connection with a higher level of income recognized for the six months ended June 30, 2019 as compared to the prior period as well as a higher level of income recorded by certain consolidated fund entities that is attributable to third party limited partners. This increase was partially offset by a 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 six months ended June 30, 2019 compared to the six months ended June 30, 2018 was primarily due to a higher level of capital allocation-based income and net gains from investment activities as compared to the prior period, partially offset by an increase in income attributable to noncontrolling interests, and to a lesser extent, increased compensation and benefits and income tax expense in the current period as compared to the prior period.

Consolidated Statements of Financial Condition

The following table provides the Consolidated Statements of Financial Condition on a GAAP basis as of June 30, 2019 and December 31, 2018.

(Amounts in thousands, except per share amounts)

	As of June 30, 2019	As of December 31, 2018
Assets		
Cash and Cash Equivalents	$ 2,143,057	$ 1,751,287
Investments	51,243,090	44,907,982
Other	4,137,918	4,084,106
Total Assets	**57,524,065**	**50,743,375**
Liabilities and Equity		
Debt Obligations	25,685,785	22,341,192
Other Liabilities	3,556,217	3,019,574
Total Liabilities	**29,242,002**	**25,360,766**
Redeemable Noncontrolling Interests	—	1,122,641
Stockholders' Equity		
Preferred Stock	482,554	482,554
KKR & Co. Inc. Stockholders' Equity - Common Stockholders	9,392,924	8,167,056
Noncontrolling Interests	18,406,585	15,610,358
Total Equity	**28,282,063**	**24,259,968**
Total Liabilities and Equity	**$ 57,524,065**	**$ 50,743,375**
KKR & Co. Inc. Stockholders' Equity Per Outstanding Share of Class A Common Stock	**$ 17.22**	**$ 15.27**

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 $(3.1) billion and $(4.5) billion during the six months ended June 30, 2019 and 2018, respectively. These amounts primarily included: (i) proceeds from investments net of investments purchased of $(3.3) billion and $(5.4) billion during the six months ended June 30, 2019 and 2018, respectively; (ii) net realized gains (losses) on investments of $204.0 million and $185.2 million during the six months ended June 30, 2019 and 2018, respectively; (iii) change in unrealized gains (losses) on investments of $2,037.9 million and $1,404.2 million during the six months ended June 30, 2019 and 2018, respectively; and (iv) capital allocation-based income of $1,475.4 million and $636.0 million during the six months ended June 30, 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 $(145.1) million and $(18.6) million during the six months ended June 30, 2019 and 2018, respectively. Our investing activities included: (i) the purchase of fixed assets of $(144.0) million and $(45.2) million during the six months ended June 30, 2019 and 2018, respectively; (ii) proceeds from sale of oil and natural gas properties of $26.6 million for the six months ended June 30, 2018; and (iii) development of oil and natural gas properties of $(1.1) million for the six months ended June 30, 2019.

Net Cash Provided (Used) by Financing Activities

Our net cash provided (used) by financing activities was $3.8 billion and $4.1 billion during the six months ended June 30, 2019 and 2018, respectively. Our financing activities primarily included: (i) distributions to, net of contributions by, our noncontrolling and redeemable noncontrolling interests of $1.0 billion and $1.2 billion during the six months ended June 30, 2019 and 2018, respectively; (ii) proceeds received net of repayment of debt obligations of $3.0 billion and $3.2 billion during the six months ended June 30, 2019 and 2018, respectively; (iii) common stock dividends of $(134.6) million and $(167.1) million during the six months ended June 30, 2019 and 2018, respectively; (iv) net delivery of Class A common stock of $(53.4) million for the six months ended June 30, 2019 and 2018; (v) repurchases of Class A common stock of $(28.6) million and $(52.2) million during the six months ended June 30, 2019 and 2018, respectively; and (vi) preferred stock dividends of $(16.7) million during the six months ended June 30, 2019 and 2018.

Segment Analysis

The following is a discussion of the results of our business on a segment basis for the three and six months ended June 30, 2019 and 2018. You should read this discussion in conjunction with the information included under "—Basis of Accounting—Key Segment and Other Operating and Performance Measures" and the financial statements and related notes included elsewhere in this report.

Segment Results

We operate through one operating and reportable segment with four business lines. The following tables sets forth information regarding KKR's segment results and certain key operating metrics as of and for the three months ended June 30, 2019 and 2018.

Three months ended June 30, 2019 compared to three months ended June 30, 2018

	Three Months Ended		
	June 30, 2019	June 30, 2018	Change
		($ in thousands)	
Segment Revenues			
Fees and Other, Net			
Management Fees	$ 303,016	$ 261,450	$ 41,566
Transaction Fees	303,802	163,925	139,877
Monitoring Fees	26,424	25,394	1,030
Fee Credits	(105,554)	(53,021)	(52,533)
Total Fees and Other, Net	**527,688**	**397,748**	**129,940**
Realized Performance Income (Loss)			
Carried Interest	211,919	342,089	(130,170)
Incentive Fees	21,764	17,651	4,113
Total Realized Performance Income (Loss)	**233,683**	**359,740**	**(126,057)**
Realized Investment Income (Loss)			
Net Realized Gains (Losses) (1)	75,093	97,480	(22,387)
Interest Income and Dividends	71,057	71,228	(171)
Total Realized Investment Income (Loss)	**146,150**	**168,708**	**(22,558)**
Total Segment Revenues	**907,521**	**926,196**	**(18,675)**
Segment Expenses			
Compensation and Benefits (2)	363,029	368,562	(5,533)
Occupancy and Related Charges	16,488	14,665	1,823
Other Operating Expenses (3)	82,843	63,561	19,282
Total Segment Expenses	**462,360**	**446,788**	**15,572**
Segment Operating Earnings	**445,161**	**479,408**	**(34,247)**
Interest Expense	46,859	45,474	1,385
Preferred Dividends	8,341	8,341	—
Income (Loss) Attributable to Noncontrolling Interests	1,864	1,082	782
Income Taxes Paid	60,815	19,820	40,995
After-tax Distributable Earnings	**$ 327,282**	**$ 404,691**	**$ (77,409)**

(1) Given the extraordinary nature of the Conversion, the segment financial results for the three months ended June 30, 2018 exclude approximately $729.4 million of losses on certain investments which were realized in the second quarter in advance of the Conversion.

(2) Includes equity-based compensation of $48,611 and $58,198 for the three months ended June 30, 2019 and 2018, respectively.

(3) For the three months ended June 30, 2018, excludes approximately $11.5 million of non-recurring costs in connection with the Conversion.

Segment Revenues

The following sections discuss revenues for each of our business lines on a disaggregated basis for the three months ended June 30, 2019 and 2018.

Private Markets Revenues

The following table presents Fees and Other, Net, and Realized Performance Income in the Private Markets business line for the three months ended June 30, 2019 and 2018:

	Three Months Ended		
	June 30, 2019	June 30, 2018	Change
	($ in thousands)		
Fees and Other, Net			
Management Fees	$ 192,641	$ 156,295	$ 36,346
Transaction Fees	136,296	48,567	87,729
Monitoring Fees	26,424	25,394	1,030
Fee Credits	(97,579)	(43,249)	(54,330)
Total Fees and Other, Net	**257,782**	**187,007**	**70,775**
Realized Performance Income (Loss)			
Carried Interest	202,019	342,089	(140,070)
Incentive Fees	810	—	810
Total Realized Performance Income (Loss)	**$ 202,829**	**$ 342,089**	**$ (139,260)**

Fees and Other, Net

The increase for the three months ended June 30, 2019 as compared to the three months ended June 30, 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 the three months ended June 30, 2019, there were 21 transaction fee-generating investments that paid an average fee of $6.5 million compared to 7 transaction fee-generating investments that paid an average fee of $6.9 million during the three months ended June 30, 2018. For the three months ended June 30, 2019, approximately 38% of these transaction fees were paid from companies located in Europe, 36% were paid from companies in the Asia-Pacific region and 26% 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 management fees earned from our Global Infrastructure Investors III Fund and European Fund V. Both of these funds entered their investment periods subsequent to the second quarter of 2018. 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 North America Fund XI, European Fund III, and 2006 Fund.

Realized Performance Income

The following table presents realized carried interest by investment vehicle for the three months ended June 30, 2019 and 2018:

	Three Months Ended June 30,	
	2019	2018
	($ in thousands)	
Asian Fund II	$ 60,785	$ 21,203
European Fund IV	60,593	—
North America Fund XI	57,982	172,115
Co-Investment Vehicles and Other	10,316	7,021
Asian Fund	10,000	18,425
China Growth Fund	2,279	4,864
2006 Fund	64	42,207
Millennium Fund	—	72,501
Real Estate Partners Americas	—	3,753
Total Realized Carried Interest (1)	**$ 202,019**	**$ 342,089**

(1) The above table excludes any funds for which there was no realized carried interest during either of the periods presented.

Realized carried interest for the three months ended June 30, 2019 consisted primarily of realized gains from the partial sales of Trainline PLC (LSE: TRN) and Internet Brands, Inc. (technology sector), and the sale of Qingdao Haier Co., Ltd (CH: 600690).

Realized carried interest for the three months ended June 30, 2018 consisted primarily of realized gains from the partial sales of Aricent Group (technology sector) and Gardner Denver Holdings, Inc. (NYSE: GDI) and the sale of Mitchell International, Inc. (technology sector).

Public Markets Revenues

The following table presents Fees and Other, Net, and Realized Performance Income in the Public Markets business line for the three months ended June 30, 2019 and 2018:

	Three Months Ended		
	June 30, 2019	June 30, 2018	Change
		($ in thousands)	
Fees and Other, Net			
Management Fees	$ 110,375	$ 105,155	$ 5,220
Transaction Fees	8,472	10,673	(2,201)
Fee Credits	(7,975)	(9,772)	1,797
Total Fees and Other, Net	**110,872**	**106,056**	**4,816**
Realized Performance Income (Loss)			
Carried Interest	9,900	—	9,900
Incentive Fees	20,954	17,651	3,303
Total Realized Performance Income (Loss)	**$ 30,854**	**$ 17,651**	**$ 13,203**

Fees and Other, Net

The increase for the three months ended June 30, 2019 compared to the prior period 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 leveraged credit strategies as a result of greater overall FPAUM.

The decrease in transaction fees was primarily attributable to a decrease in the average size of transaction fee-generating investments during the period.

Realized Performance Income

The increase for the three months ended June 30, 2019 compared to the prior period was primarily attributable to realized carried interest earned in one of our alternative credit strategy funds and higher incentive fees received from BDCs advised by FS/KKR Advisor.

Capital Markets Revenues

The following table presents Transaction Fees in the Capital Markets business line for the three months ended June 30, 2019 and 2018:

	Three Months Ended		
	June 30, 2019	June 30, 2018	Change
		($ in thousands)	
Transaction Fees	**$ 159,034**	**$ 104,685**	**$ 54,349**

Transaction fees increased due primarily to an increase in both the size and number of capital markets transactions for the three months ended June 30, 2019, compared to the three months ended June 30, 2018. Overall, we completed 62 capital markets transactions for the three months ended June 30, 2019, of which 9 represented equity offerings and 53 represented debt offerings, as compared to 52 transactions for the three months ended June 30, 2018, of which 7 represented equity offerings and 45 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 June 30, 2019, approximately 12% of our transaction fees were earned from unaffiliated third parties as compared to approximately 17% for the three months ended June 30, 2018. Our transaction fees are comprised of fees earned from North America, Europe, and the Asia-Pacific region. For the three months ended June 30, 2019, approximately 73% of our transaction fees were generated outside of North America as compared to approximately 33% for the three months ended June 30, 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 Revenues

The following table presents Realized Investment Income in the Principal Activities business line for the three months ended June 30, 2019 and 2018:

	Three Months Ended		
	June 30, 2019	June 30, 2018	Change
		($ in thousands)	
Realized Investment Income (Loss)			
Net Realized Gains (Losses) [(1)]	$ 75,093	$ 97,480	$ (22,387)
Interest Income and Dividends	71,057	71,228	(171)
Total Realized Investment Income (Loss)	**$ 146,150**	**$ 168,708**	**$ (22,558)**

(1) Given the extraordinary nature of the Conversion, the segment financial results for the three months ended June 30, 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 decrease is primarily due to a decreased level of net realized gains. Interest income and dividends was relatively flat during the three months ended June 30, 2019 compared to the prior period.

For the three months ended June 30, 2019, net realized gains were comprised of gains primarily from the sale of our investment in GEG German Estate Group AG, and from the sale of Private Markets investments including the sales or partial sales of our investments in Trainline PLC, Housing Development Finance Corp. Ltd. (BSE: 500010), Internet Brands, Inc., and GetYourGuide AG. Offsetting these realized gains were realized losses, the most significant of which was a realized loss on DoubleDutch Inc.

For the three months ended June 30, 2018, net realized gains were comprised of gains from the sale of Private Markets investments including the sales or partial sales of our investments in Next Issue Media LLC, Välinge Innovation AB (manufacturing sector), Aricent Group and Gardner Denver Holdings, Inc., as well as the sale of our alternative credit investment in Amedisys, Inc. (NASDAQ: AMED).

For the three months ended June 30, 2019, interest income and dividends were comprised of (i) $46.1 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 India debt financing company and our cash balances and (ii) $25.0 million of dividend income from distributions received primarily through our real estate investments including our investment in KREF.

For the three months ended June 30, 2018, interest income and dividends were comprised of (i) $46.1 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 India debt financing company and our cash balances and (ii) $25.1 million of dividend income from distributions received primarily through our energy investments and real estate investments including our investment in KREF.

Subsequent to June 30, 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 $600 million in 2019 and 2020 and approximately $350 million of such amount is expected to be realized subsequent to the third quarter of 2019. 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.

Segment Expenses

Compensation and Benefits

The decrease for the three months ended June 30, 2019 compared to the prior period was due primarily to lower compensation recorded in connection with lower total segment 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 three months ended June 30, 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 and other administrative costs 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.

Interest Expense

For the three months ended June 30, 2019 and 2018, interest expense relates primarily to the senior notes outstanding for KKR and KFN. The increase in interest expense for the three months ended June 30, 2019 compared to the prior period is due primarily to the issuance of Euro denominated senior notes 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 obtained 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. 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 segment 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 basis 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 three months ended June 30, 2019 compared to the prior period was due primarily to a lower level of realized performance and investment income and a higher level of other operating expenses and income taxes paid. These movements were partially offset by an increase in transaction fees and management fees 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 June 30, 2019 and March 31, 2019:

	As of		
	June 30, 2019	**March 31, 2019**	**Change**
		($ in thousands)	
Assets Under Management	$ 205,659,100	$ 199,503,300	$ 6,155,800
Fee Paying Assets Under Management	$ 151,523,600	$ 147,685,300	$ 3,838,300
Uncalled Commitments	$ 56,478,700	$ 58,102,600	$ (1,623,900)

The following table presents one of our key performance metrics for the three months ended June 30, 2019 and 2018:

	Three Months Ended		
	June 30, 2019	**June 30, 2018**	**Change**
		($ in thousands)	
Capital Invested and Syndicated Capital	$ 7,354,100	$ 4,825,700	$ 2,528,400

Assets Under Management

Private Markets

The following table reflects the changes in our Private Markets AUM from March 31, 2019 to June 30, 2019:

	($ in thousands)
March 31, 2019	$ 108,119,500
New Capital Raised	2,355,400
Distributions and Other	(1,857,900)
Change in Value	3,422,300
June 30, 2019	$ 112,039,300

AUM for the Private Markets business line was $112.0 billion at June 30, 2019, an increase of $3.9 billion, compared to $108.1 billion at March 31, 2019.

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 private equity separately managed accounts, European Fund V, Asia Real Estate

Partners Fund and Energy Income and Growth Fund II. These increases were partially offset by distributions to Private Markets fund investors primarily as a result of realizations, most notably in our European Fund IV, Asian Fund II, and North America Fund XI.

The increase in the value of our Private Markets portfolio was driven primarily by net gains of $0.8 billion in our Asian Fund III, $0.5 billion in both European Fund IV and North American Fund XI, $0.4 billion in Asian Fund II, and $0.3 billion in our core investment vehicles.

For the three months ended June 30, 2019, the value of our private equity investment portfolio increased 6.4%. This was comprised of an 8.8% increase in the value of various publicly held or publicly indexed investments and a 5.3% increase in value of our privately held investments.

The most significant increases in the value of various publicly held or publicly indexed investments were increases in Trainline PLC, Gardner Denver Holdings, Inc., and BrightView Holdings Inc. (NYSE: BV). These increases were partially offset by decreases in the value of various publicly held investments, the most significant of which were decreases in Focus Financial Partners, LLC (NASDAQ: FOCS), PRA Health Sciences, Inc. (NASDAQ: PRAH), and Bharti Infratel Limited (BSE: 534816).

The most significant increases in value of our privately held investments related to KCF Technologies Co. Ltd. (industrial sector), Kokusai Electric Corporation (manufacturing sector), and Internet Brands, Inc. These increases in value on our privately held investments were partially offset by decreases in value relating primarily to Envision Healthcare Corporation (healthcare sector), Academy Ltd. (retail sector), and Westbrick Energy Ltd. (energy 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, and 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 three months ended June 30, 2018, the value of our private equity investment portfolio increased 6.7%. This was comprised of a 10.6% increase in the value of various publicly held or publicly indexed investments and a 4.8% increase in value of our privately held investments.

The most significant increases in the value of various publicly held or publicly indexed investments were increases in First Data Corporation, as well as increases in National Vision Holdings, Inc. (NASDAQ: EYE) and BrightView Holdings, Inc. These increases were partially offset by decreases in the value of various publicly held investments, the most significant of which were decreases in Gardner Denver Holdings, Inc., Bharti Infratel Limited and Uxin Limited (NASDAQ: UXIN).

The most significant changes in value of our privately held investments related to Internet Brands, Inc., Ultimate Fighting Championship Ltd. (media sector) and KKR Debt Investors 2006 S.à r.l. (financial services sector). These increases in value of our privately held investments were partially offset by decreases in value relating primarily to Arbor Pharmaceuticals, Inc. (health care sector), Mandala Energy Ltd. (energy sector) and Panasonic Healthcare Co. Ltd (health care sector). The increased valuations of individual companies in our privately held investments, in the aggregate, generally related to individual company performance. The decreased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) individual company performance or, in certain cases, an unfavorable business outlook and (ii) changes in foreign exchange rates, in particular in the case of Panasonic Healthcare Co., Ltd. which experienced a decrease due entirely to changes in foreign exchange rates.

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 techniques 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 March 31, 2019 to June 30, 2019:

		($ in thousands)
March 31, 2019	$	91,383,800
New Capital Raised		4,159,400
Distributions		(1,019,800)
Redemptions		(1,754,500)
Change in Value		850,900
June 30, 2019	$	93,619,800

AUM in our Public Markets business line totaled $93.6 billion at June 30, 2019, an increase of $2.2 billion compared to $91.4 billion at March 31, 2019. The increases due to new capital raised were related to multiple strategies, most notably $1.7 billion in our alternative credit strategies, $1.0 billion in CLOs, and $0.9 in other leveraged credit strategies. Partially offsetting these increases were redemptions and distributions from certain investment vehicles across multiple strategies, including our hedge fund partnerships, BDCs, and certain leveraged credit strategies. The increase in value was primarily driven by increases at our various leveraged credit strategies, hedge fund partnerships, and various alternative credit strategies.

Fee Paying Assets Under Management

Private Markets

The following table reflects the changes in our Private Markets FPAUM from March 31, 2019 to June 30, 2019:

		($ in thousands)
March 31, 2019	$	71,570,300
New Capital Raised		2,436,100
Distributions and Other		(736,300)
Change in Value		77,300
June 30, 2019	$	73,347,400

FPAUM in our Private Markets business line was $73.3 billion at June 30, 2019, an increase of $1.7 billion, compared to $71.6 billion at March 31, 2019.

The increase was primarily attributable to new capital raised of $0.6 billion in European Fund V, and $0.3 billion in each of Energy Income and Growth Fund II and Asia Real Estate Partners. In addition, capital invested of $0.5 billion in our core investment vehicles and $0.3 billion in Asian Fund II contributed to a higher level of FPAUM. Both core investment vehicles and Asian Fund II management fees are based on invested capital. These increases were partially offset by distributions relating to realizations of $0.3 billion in our Asian Fund II and $0.1 billion in each of our European Fund IV and North America Fund XI.

Uncalled capital commitments from Private Markets investment funds from which KKR is currently not earning management fees amounted to approximately $10.6 billion at June 30, 2019, 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 1.0%. We will not begin earning fees on this capital until it is deployed or the related investment period commences, neither of which is guaranteed. If and when such management fees are earned, which will occur over an extended period of time, a portion of existing FPAUM may cease paying fees or pay lower fees, thus offsetting a portion of any new management fees earned.

Public Markets

The following table reflects the changes in our Public Markets FPAUM from March 31, 2019 to June 30, 2019:

		($ in thousands)
March 31, 2019	$	76,115,000
New Capital Raised		3,757,600
Distributions		(1,108,800)
Redemptions		(1,235,800)
Change in Value		648,200
June 30, 2019	$	78,176,200

FPAUM in our Public Markets business line was $78.2 billion at June 30, 2019, an increase of $2.1 billion, compared to FPAUM of $76.1 billion at March 31, 2019. The increases due to new capital raised were related to multiple strategies, most notably $1.2 billion in certain leveraged credit strategies, $1.0 billion in various alternative credit strategies, $1.0 billion in CLOs, and $0.7 billion in our hedge fund partnerships. Partially offsetting these increases were redemptions and distributions from certain investment vehicles across multiple strategies, most notably our hedge fund partnerships, BDCs, certain leveraged credit strategies and certain alternative credit strategies.

Uncalled capital commitments from Public Markets investment funds from which KKR is currently not earning management fees amounted to approximately $7.5 billion at June 30, 2019. 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 1.0%. We will not begin earning fees on this capital until it is deployed or the related investment period commences, neither of which is guaranteed. If and when such management fees are earned, which will occur over an extended period of time, a portion of existing FPAUM may cease paying fees or pay lower fees, thus offsetting a portion of any new management fees earned.

Uncalled Commitments

Private Markets

As of June 30, 2019, our Private Markets business line had $46.3 billion of remaining uncalled capital commitments that could be called for investments in new transactions as compared to $48.4 billion as of March 31, 2019. The decrease is due primarily to capital called from fund investors to make investments which outpaced new capital raised, during the period.

Public Markets

As of June 30, 2019, our Public Markets business line had $10.2 billion of uncalled capital commitments that could be called for investments in new transactions, as compared to $9.7 billion of uncalled capital commitments as of March 31, 2019. The net increase was primarily attributable to new capital raised in our alternative credit strategies, partially offset by capital invested across various alternative credit strategies.

Capital Invested and Syndicated Capital

Private Markets Capital Invested

For the three months ended June 30, 2019, Private Markets had $4.0 billion of capital invested as compared to $2.6 billion for the three months ended June 30, 2018. The increase was driven primarily by a $1.3 billion increase in capital invested in our private equity strategies (including core investments and growth equity). 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 June 30, 2019, 46% of capital deployed in private equity, which includes core and growth equity investments, was in transactions in Europe, 42% was in the Asia-Pacific region, and 12% was in North America.

Public Markets Capital Invested

For the three months ended June 30, 2019, Public Markets had $1.8 billion of capital invested as compared to $2.0 billion for the three months ended June 30, 2018. This was primarily due to a lower level of capital deployed in our direct lending strategy, offset by a higher level of capital deployed in our private opportunistic credit and revolving credit strategies.

Capital Markets Syndicated Capital

For the three months ended June 30, 2019, Capital Markets syndicated $1.6 billion of capital as compared to $0.2 billion for the three months ended June 30, 2018. The increase was primarily due to an increase in both the size and number of syndication transactions in the three months ended June 30, 2019 as compared to the three months ended June 30, 2018. Overall, we completed ten syndication transactions for the three months ended June 30, 2019 as compared to five syndications for the three months ended June 30, 2018.

Reconciliations to GAAP Measures

For the reconciliations of the most directly comparable financial measures calculated and presented in accordance with GAAP to total segment revenues, total segment expenses, and after-tax distributable earnings, see Note 14 "Segment Reporting" to the financial statements included elsewhere in this report.

Segment Results

The following tables set forth information regarding KKR's segment results and certain key operating metrics as of and for the six months ended June 30, 2019 and 2018.

Six months ended June 30, 2019 compared to six months ended June 30, 2018

	Six Months Ended		
	June 30, 2019	June 30, 2018	Change
		($ in thousands)	
Segment Revenues			
Fees and Other, Net			
Management Fees	$ 595,312	$ 513,035	$ 82,277
Transaction Fees	490,529	320,770	169,759
Monitoring Fees	52,075	42,924	9,151
Fee Credits	(212,970)	(96,795)	(116,175)
Total Fees and Other, Net	**924,946**	**779,934**	**145,012**
Realized Performance Income (Loss)			
Carried Interest	542,264	544,644	(2,380)
Incentive Fees	41,301	34,058	7,243
Total Realized Performance Income (Loss)	**583,565**	**578,702**	**4,863**
Realized Investment Income (Loss)			
Net Realized Gains (Losses) (1)	119,805	105,355	14,450
Interest Income and Dividends	129,264	143,805	(14,541)
Total Realized Investment Income (Loss)	**249,069**	**249,160**	**(91)**
Total Segment Revenues	**1,757,580**	**1,607,796**	**149,784**
Segment Expenses			
Compensation and Benefits (2)	703,315	669,042	34,273
Occupancy and Related Charges	30,445	28,248	2,197
Other Operating Expenses (3)	157,753	121,466	36,287
Total Segment Expenses	**891,513**	**818,756**	**72,757**
Segment Operating Earnings	**866,067**	**789,040**	**77,027**
Interest Expense	90,989	95,666	(4,677)
Preferred Dividends	16,682	16,682	—
Income (Loss) Attributable to Noncontrolling Interests	2,223	2,285	(62)
Income Taxes Paid	114,808	33,988	80,820
After-tax Distributable Earnings	**$ 641,365**	**$ 640,419**	**$ 946**

(1) Given the extraordinary nature of the Conversion, the segment financial results for the six months ended June 30, 2018 exclude approximately $729.4 million of losses on certain investments which were realized in the second quarter in advance of the Conversion.
(2) Includes equity-based compensation of $103,496 and $125,994 for the six months ended June 30, 2019 and June 30, 2018, respectively.
(3) For the six months ended June 30, 2018, excludes approximately $11.5 million of non-recurring costs in connection with the Conversion.

Segment Revenues

The following sections discuss revenues for each of our business lines on a disaggregated basis for the six months ended June 30, 2019 and 2018.

Private Markets Revenues

The following table presents Fees and Other, Net and Realized Performance Income in the Private Markets business line for the six months ended June 30, 2019 and 2018:

	Six Months Ended		
	June 30, 2019	June 30, 2018	Change
	($ in thousands)		
Fees and Other, Net			
Management Fees	$ 375,862	$ 314,485	$ 61,377
Transaction Fees	235,313	95,256	140,057
Monitoring Fees	52,075	42,924	9,151
Fee Credits	(179,921)	(84,592)	(95,329)
Total Fees and Other, Net	**483,329**	**368,073**	**115,256**
Realized Performance Income (Loss)			
Carried Interest	532,364	544,644	(12,280)
Incentive Fees	1,485	—	1,485
Total Realized Performance Income (Loss)	**$ 533,849**	**$ 544,644**	**$ (10,795)**

Fees and Other, Net

The increase for the six months ended June 30, 2019 as compared to the six months ended June 30, 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 size and number of transaction fee-generating investments. During the six months ended June 30, 2019, there were 36 transaction fee-generating investments that paid an average fee of $6.5 million compared to 16 transaction fee-generating investments that paid an average fee of $6.0 million during the six months ended June 30, 2018. For the six months ended June 30, 2019, approximately 38% of these transaction fees were paid by companies located in the Asia-Pacific region, 34% were paid from companies located in the North America and 28% were paid from companies 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 increase in fee credits is due primarily to a higher level of transaction fees and monitoring fees reimbursable to the fund investors.

The increase in management fees was primarily due to (i) management fees earned from our Global Infrastructure Investors III Fund which entered its investment period subsequent to of the second quarter of 2018, (ii) management fees earned from our European Fund V which entered its investment period at the end of the first quarter of 2019 and (iii) 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 European Fund III, North America Fund XI, and 2006 Fund.

The increase in monitoring fees was primarily attributable to an increase in recurring monitoring fees compared to the prior period, partially offset by lower termination payments. Recurring monitoring fees increased $14.6 million, which was primarily the result of an increase in the size of monitoring fees paid by portfolio companies. For the six months ended June 30, 2019, we had 57 portfolio companies that were paying an average monitoring fee of $0.9 million compared with 57 portfolio companies that were paying an average monitoring fee of $0.6 million for the six months ended June 30, 2018. For the six months ended June 30, 2019, we received a termination payment of $2.1 million in connection with the initial public offering of Trainline PLC, compared to $7.5 million received in connection with the initial public offering of BrightView Holdings, Inc. for the six months ended June 30, 2018. These termination payments may occur in the future; however, they are infrequent in nature and are generally correlated with initial public offerings and other realization activities in our private equity portfolio, and are expected to continue to be smaller in size and number compared to prior periods.

Realized Performance Income

The following table presents realized carried interest by investment vehicle for the six months ended June 30, 2019 and 2018:

	Six Months Ended	
	June 30, 2019	June 30, 2018
	($ in thousands)	
North America Fund XI	$ 244,692	$ 207,565
Asian Fund II	60,785	37,549
European Fund IV	60,593	—
European Fund III	58,505	11,993
Co-Investment Vehicles and Other	48,653	8,691
2006 Fund	28,711	168,157
Core Investment Vehicles	14,449	—
Asian Fund	10,912	28,991
Real Estate Partners Americas	2,785	3,895
China Growth Fund	2,279	4,864
Millennium Fund	—	72,501
European Fund II	—	438
Total Realized Carried Interest (1)	**$ 532,364**	**$ 544,644**

(1) The above table excludes any funds for which there was no realized carried interest during either of the periods presented.

Realized carried interest for the six months ended June 30, 2019 consisted primarily of realized gains from the sale of Sedgwick Claims Management Services, Inc. and Qingdao Haier Co., Ltd, and the partial sale of Trainline PLC and Internet Brands, Inc.

Realized carried interest for the six months ended June 30, 2018 consisted of the sale of Aricent Group and the partial sales of Weld North Holdings LLC (education sector), GoDaddy Inc. (NYSE: GDDY) and Gardner Denver Holdings, Inc.

Public Markets Revenues

The following table presents Fees and Other, Net and Realized Performance Income in the Public Markets business line for the six months ended June 30, 2019 and 2018:

	Six Months Ended		
	June 30, 2019	June 30, 2018	Change
	($ in thousands)		
Fees and Other, Net			
Management Fees	$ 219,450	$ 198,550	$ 20,900
Transaction Fees	35,928	13,231	22,697
Fee Credits	(33,049)	(12,203)	(20,846)
Total Fees and Other, Net	**222,329**	**199,578**	**22,751**
Realized Performance Income (Loss)			
Carried Interest	9,900	—	9,900
Incentive Fees	39,816	34,058	5,758
Total Realized Performance Income (Loss)	**$ 49,716**	**$ 34,058**	**$ 15,658**

Fees and Other, Net

The increase for the six months ended June 30, 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 transaction fees was primarily attributable to an increase in the average size of transaction fee-generating investments during the period.

The increase in management fees was primarily due to an increase in fees earned from BDCs advised by FS/KKR Advisor, driven primarily by the completion of the FS Investments Transaction in the second quarter of 2018, and increased fees from our CLOs and leveraged credit strategies as a result of greater overall FPAUM. On a segment 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.

Realized Performance Income

The increase for the six months ended June 30, 2019 compared to the prior period was primarily attributable to realized carried interest earned in one of our alternative credit strategy funds and higher incentive fees received from BDCs advised by FS/KKR Advisor driven in part by the completion of the FS Investments Transaction in the second quarter of 2018. These increases were partially offset by lower incentive fees earned in our hedge fund partnerships.

Capital Markets Revenues

The following table presents Transaction Fees in the Capital Markets business line for the six months ended June 30, 2019 and 2018:

	Six Months Ended		
	June 30, 2019	**June 30, 2018**	**Change**
		($ in thousands)	
Transaction Fees	**$ 219,288**	**$ 212,283**	**$ 7,005**

Transaction fees increased due primarily to an increase in the number of capital markets transactions for the six months ended June 30, 2019, compared to the six months ended June 30, 2018. Overall, we completed 103 capital markets transactions for the six months ended June 30, 2019, of which 15 represented equity offerings and 88 represented debt offerings, as compared to 98 transactions for the six months ended June 30, 2018, of which 11 represented equity offerings and 87 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 six months ended June 30, 2019, approximately 24% of our transaction fees were earned from unaffiliated third parties as compared to approximately 27% for the six months ended June 30, 2018. Our transaction fees are comprised of fees earned from North America, Europe and Asia-Pacific. For the six months ended June 30, 2019, approximately 61% of our transaction fees were generated outside of North America as compared to approximately 25% for the six months ended June 30, 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 Revenues

The following table presents Realized Investment Income in the Principal Activities business line for the six months ended June 30, 2019 and 2018:

	Six Months Ended		
	June 30, 2019	**June 30, 2018**	**Change**
		($ in thousands)	
Realized Investment Income (Loss)			
Net Realized Gains (Losses) (1)	$ 119,805	$ 105,355	$ 14,450
Interest Income and Dividends	129,264	143,805	(14,541)
Total Realized Investment Income (Loss)	**$ 249,069**	**$ 249,160**	**$ (91)**

(1) Given the extraordinary nature of the Conversion, the segment financial results for the six months ended June 30, 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

Net realized investment income remained relatively flat for the six months ended June 30, 2019, in comparison to the prior period as increases in net realized gains were offset by decreases in interest income and dividends.

For the six months ended June 30, 2019, net realized gains were comprised primarily of gains from the sale of our investment in GEG German Estate Group AG, and from the sales or partial sales of our investments in Sedgwick Claims Management Services, Inc., Trainline PLC and United Group B.V. (telecom sector). Partially offsetting these realized gains were realized losses, the most significant of which was a realized loss on DoubleDutch, Inc.

For the six months ended June 30, 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 Next Issue Media LLC, Välinge Innovation AB, Aricent Group, Gardner Denver Holdings, Inc. and Weld North Holdings LLC, as well as the sale of our alternative credit investment in Amedisys, Inc.

For the six months ended June 30, 2019, interest income and dividends were comprised of (i) $88.4 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) $40.9 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 investments.

For the six months ended June 30, 2018, interest income and dividends were comprised of (i) $86.9 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 India debt financing company and our cash balances and (ii) $56.9 million of dividend income from distributions received primarily through our real assets investments including our real estate investment in KREF, as well as our credit and energy investments.

Segment Expenses

Compensation and Benefits

The increase for the six months ended June 30, 2019 compared to the prior period was due primarily to higher compensation recorded in connection with higher total segment revenues which were 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 six months ended June 30, 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 and other administrative costs 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.

Interest Expense

For the six months ended June 30, 2019 and 2018 interest expense relates primarily to the senior notes outstanding for KKR and KFN. The decrease in interest expense for the six months ended June 30, 2019 compared to the prior period is due primarily to the redemption of preferred shares at KFN in the first quarter of 2018 and a lower level of borrowings in our Capital Markets business line, partially offset by the issuance of Euro denominated senior notes 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 basis is 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 basis are realized, we expect that our income taxes paid and segment 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 basis 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 net increase in after-tax distributable earnings for the six months ended June 30, 2019 compared to the prior period was due primarily to higher transaction fees and management fees, largely offset by a higher level of fee credits, compensation expense, and income taxes paid 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 June 30, 2019 and December 31, 2018:

	As of		
	June 30, 2019	December 31, 2018	Change
	($ in thousands)		
Assets Under Management	$ 205,659,100	$ 194,720,400	$ 10,938,700
Fee Paying Assets Under Management	$ 151,523,600	$ 141,007,700	$ 10,515,900
Uncalled Commitments	$ 56,478,700	$ 57,959,000	$ (1,480,300)

The following table presents one of our key performance metrics for the six months ended June 30, 2019 and 2018:

	Six Months Ended		
	June 30, 2019	June 30, 2018	Change
	($ in thousands)		
Capital Invested and Syndicated Capital	$ 13,179,100	$ 9,113,300	$ 4,065,800

Assets Under Management

Private Markets

The following table reflects the changes in our Private Markets AUM from December 31, 2018 to June 30, 2019:

	($ in thousands)
December 31, 2018	$ 103,396,500
New Capital Raised	5,051,300
Distributions and Other	(4,809,800)
Change in Value	8,401,300
June 30, 2019	$ 112,039,300

AUM for the Private Markets business line was $112.0 billion at June 30, 2019, an increase of $8.6 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 private equity separately managed accounts, European Fund V, Asia Real Estate Partners, and Real Estate Credit Opportunity Partners II Fund. 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 III, Asian Fund II and European Fund IV.

The increase in the value of our Private Markets portfolio was driven primarily by net gains of $1.8 billion in our 2006 Fund, $1.3 billion in North America Fund XI, $1.1 billion in our Asian Fund III, $0.9 billion in our Asian Fund II, and $0.7 billion in European Fund IV.

For the six months ended June 30, 2019, the value of our private equity investment portfolio increased 17.6%. This was comprised of a 41.7% increase in the value of various publicly held or publicly indexed investments and a 10.6% increase in value of our privately held investments.

The most significant increases in the value of various publicly held or publicly indexed investments were increases in First Data Corporation, Trainline PLC, Gardner Denver Holdings, Inc., and BrightView Holdings Inc. These increases were partially offset by decreases in the value of various publicly held investments, the most significant of which were decreases in Ambea AB (STO: AMBEA) 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., Kokusai Electric Corporation, AppLovin Corporation (technology sector), and KKR Debt Investors 2006 S.à.r.l. These increases in value on our privately held investments were partially offset by decreases in value relating primarily to Envision Healthcare Corporation and Academy Ltd. 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, and 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 six months ended June 30, 2018, the value of our private equity investment portfolio increased 6.7%. This was comprised of an 8.2% increase in the value of our privately held investments and a 3.4% increase in the value of various publicly held or publicly indexed investments.

The most significant changes in value of our privately held investments related to increases in Internet Brands, Inc., Ultimate Fighting Championship Ltd. and Cognita Schools Ltd (education sector). These increases in value of our privately held investments were partially offset by decreases in value relating primarily to Arbor Pharmaceuticals, Inc., Mandala Energy Ltd. and Westbrick Energy Ltd. The increased valuations of individual companies in our privately held investments, in the aggregate, generally related to individual company performance. The decreased valuations of individual companies in our privately held investments, in the aggregate, generally related to individual company performance or, in certain cases, an unfavorable business outlook.

The most significant increases in the value of various publicly held or publicly indexed investments were increases in First Data Corporation, GoDaddy Inc. and BrightView Holdings, Inc. These increases were partially offset by decreases in the value of various publicly held investments, the most significant of which were decreases in Gardner Denver Holdings, Inc., National Vision Holdings, Inc. and Bharti Infratel Limited

Public Markets

The following table reflects the changes in our Public Markets AUM from December 31, 2018 to June 30, 2019:

	($ in thousands)
December 31, 2018	$ 91,323,900
New Capital Raised	7,754,500
Distributions	(1,249,600)
Redemptions	(5,138,600)
Change in Value	929,600
June 30, 2019	$ 93,619,800

AUM in our Public Markets business line totaled $93.6 billion at June 30, 2019, an increase of $2.3 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 $1.9 billion in each of our alternative credit strategies and certain leveraged credit strategies, and $1.4 billion in each of our hedge fund partnerships and 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, our alternative credit strategies, and our BDCs. The increase in value was driven primarily by net increases in value of our hedge fund partnerships and certain leveraged credit strategies.

Fee Paying Assets Under Management

Private Markets

The following table reflects the changes in our Private Markets FPAUM from December 31, 2018 to June 30, 2019:

		($ in thousands)
December 31, 2018	$	66,830,000
New Capital Raised		8,594,500
Distributions and Other		(1,832,400)
Net Changes in Fee Base of Certain Funds		(320,800)
Change in Value		76,100
June 30, 2019	$	73,347,400

FPAUM in our Private Markets business line was $73.3 billion at June 30, 2019, an increase of $6.5 billion, compared to $66.8 billion at December 31, 2018.

The increase was primarily attributable to new capital raised of $4.9 billion in European Fund V and $1.2 billion in private equity separately managed accounts, and $0.6 billion of capital invested in our core investment vehicles. These increases were partially offset by (i) distributions primarily relating to realizations of $0.5 billion in North America Fund XI and $0.3 billion in each of Asian Fund II and European Fund III and (ii) $0.3 billion of net changes in the fee base of our European Fund IV as a result of this fund entering its post-investment period during which it earns fees on invested rather than committed capital.

Public Markets

The following table reflects the changes in our Public Markets FPAUM from December 31, 2018 to June 30, 2019:

		($ in thousands)
December 31, 2018	$	74,177,700
New Capital Raised		7,900,400
Distributions		(1,768,200)
Redemptions		(2,824,400)
Change in Value		690,700
June 30, 2019	$	78,176,200

FPAUM in our Public Markets business line was $78.2 billion at June 30, 2019, an increase of $4.0 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 $2.0 billion in certain leveraged credit strategies, $1.9 billion in our alternative credit strategies, and $1.4 billion in each of our hedge fund partnerships and CLOs. Partially offsetting these increases were redemptions and distributions from certain investment vehicles across multiple strategies, primarily from our hedge fund partnerships, our alternative credit strategies, certain leveraged credit strategies, and our BDCs. The increase in value related primarily to increases at our various leveraged credit strategies and our hedge fund partnerships.

Uncalled Commitments

Private Markets

As of June 30, 2019, our Private Markets business line had $46.3 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 our private equity separately managed accounts, and various Private Markets investing strategies.

Public Markets

As of June 30, 2019, our Public Markets business line had $10.2 billion of uncalled capital commitments that could be called for investments in new transactions as compared to $9.8 billion as of December 31, 2018. The 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 six months ended June 30, 2019, Private Markets had $7.3 billion of capital invested as compared to $5.0 billion for the six months ended June 30, 2018. The increase was driven primarily by a $2.1 billion increase in capital invested in our private equity platform (including core investments and growth equity), and $0.2 billion increase 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 six months ended June 30, 2019, 45% of capital deployed in private equity, which includes core and growth equity investments, was in transactions in the Asia-Pacific region, 31% was in the Europe and 24% was in North America.

Public Markets Capital Invested

For the six months ended June 30, 2019, Public Markets had $4.0 billion of capital invested as compared to $3.3 billion for the six months ended June 30, 2018. The increase was primarily due to a higher level of capital deployed in our private opportunistic credit and revolving credit strategies, partially offset by a lower level of capital deployed in our special situations and direct lending strategies.

Capital Markets Syndicated Capital

For the six months ended June 30, 2019, Capital Markets syndicated $1.9 billion of capital as compared to $0.8 billion for the six months ended June 30, 2018. The increase was primarily due to an increase in the size and number of syndication transactions in the six months ended June 30, 2019 as compared to the six months ended June 30, 2018. Overall, we completed 15 syndication transactions for the six months ended June 30, 2019 as compared to eight syndications for the six months ended June 30, 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.

Reconciliations to GAAP Measures

For the reconciliations of the most directly comparable financial measures calculated and presented in accordance with GAAP to total segment revenues, total segment expenses, and after-tax distributable earnings, see Note 14 "Segment Reporting" to the financial statements included elsewhere in this report.

Segment Balance Sheet

Our segment balance sheet is the balance sheet of KKR & Co. Inc. and its subsidiaries on a segment basis which includes, but is not limited to, our investment management companies, broker-dealer companies, general partners of our investment funds, and KFN. Our segment balance sheet excludes the assets and liabilities of our investment funds and CFEs and other consolidated entities that are not subsidiaries of KKR & Co. Inc.

Investments

Investments is a term used solely for purposes of financial presentation of a portion of KKR's balance sheet and includes majority ownership of subsidiaries that operate KKR's asset management and other businesses, including the general partner interests of KKR's investment funds.

Cash and Short-Term Investments

Cash and short-term investments represent cash and liquid short-term investments in high-grade, short-duration cash management strategies used by KKR to generate additional yield on our excess liquidity and is used by management in evaluating KKR's liquidity position. We believe this measure is useful to stockholders as it provides additional insight into KKR's available liquidity. Cash and short-term investments differ from cash and cash equivalents on a GAAP basis as a result of the inclusion of liquid short-term investments in cash and short-term investments. The impact that these liquid short-term investments have on cash and cash equivalents on a GAAP basis is reflected in the consolidated statements of cash flows within cash flows from operating activities. Accordingly, the exclusion of these investments from cash and cash equivalents on a GAAP basis has no impact on cash provided (used) by operating activities, investing activities or financing activities.

The following tables present information with respect to our segment balance sheet as of June 30, 2019 and December 31, 2018:

	As of June 30, 2019	As of December 31, 2018
	($ in thousands, except per share amounts)	
Cash and Short-term Investments	$ 3,110,338	$ 2,502,239
Investments	11,795,632	9,847,464
Unrealized Carried Interest (1)	1,777,544	1,223,084
Tax Assets	330,344	561,114
Other Assets (2)	3,442,541	3,453,735
Total Assets	$ 20,456,399	$ 17,587,636
Debt Obligations - KKR (ex-KFN)	$ 3,113,131	$ 2,367,801
Debt Obligations - KFN	948,517	948,517
Tax Liabilities	163,576	174,395
Other Liabilities	704,495	590,981
Total Liabilities	4,929,719	4,081,694
Noncontrolling Interests	23,845	25,382
Preferred Stock	500,000	500,000
Book Value	$ 15,002,835	$ 12,980,560
Book Value Per Adjusted Share	$ 17.81	$ 15.57

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

	As of June 30, 2019	As of December 31, 2018
Private Markets Business Line	$ 1,635,372	$ 1,083,163
Public Markets Business Line	142,172	139,921
Total	$ 1,777,544	$ 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 14.4% 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 six months ended June 30, 2019, the value of KKR's balance sheet portfolio, on a segment basis, increased 14.6% and KKR's overall private equity portfolio increased 17.6%. The increase in KKR's balance sheet portfolio and unrealized carried interest was primarily due to mark-to-market gains in our portfolio companies. For a further discussion, see "—Unaudited Consolidated Results of Operations—Unrealized Gains from Investment Activities" and "—Unaudited Consolidated Results of Operations—Unrealized Losses from Investment Activities." For a discussion of the changes in KKR's private equity portfolio, see "—Segment Analysis—Segment Results—Other Operating and Performance Measures—AUM." The increase in book value per outstanding adjusted share was also due to approximately $0.6 billion of after-tax distributable earnings which were partially offset by dividends to Class A common stockholders during the six months ended June 30, 2019. For a discussion of factors that impacted KKR's after-tax distributable earnings, see "—Segment Analysis—Segment Results."

The following table presents the holdings of our segment balance sheet by asset class as of June 30, 2019. To the extent investments on our segment balance sheet 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.

	As of June 30, 2019		
Investments	**Cost**	**Fair Value**	**Fair Value as a Percentage of Total Investments**
Private Equity Funds / SMAs	$ 3,067,970	$ 4,162,114	35.3%
Private Equity Co-Investments and Other Equity	2,158,279	3,217,276	27.3%
Private Equity Total	**5,226,249**	**7,379,390**	**62.6%**
Energy	637,729	655,837	5.6%
Real Estate	827,898	842,965	7.1%
Infrastructure	439,843	545,871	4.6%
Real Assets Total	**1,905,470**	**2,044,673**	**17.3%**
Special Situations	708,054	576,102	4.9%
Direct Lending	180,214	173,392	1.5%
Alternative Credit Total	**888,268**	**749,494**	**6.4%**
CLOs	739,294	653,734	5.5%
Other Credit	349,475	232,593	2.0%
Credit Total	**1,977,037**	**1,635,821**	**13.9%**
Other	860,432	735,748	6.2%
Total Investments	**$ 9,969,188**	**$ 11,795,632**	**100.0%**

	June 30, 2019		
Significant Investments: [(1)]	**Cost**	**Fair Value**	**Fair Value as a Percentage of Total Investments**
First Data Corporation (NYSE: FDC)	$ 794,978	$ 1,579,649	13.4%
USI, Inc.	500,111	700,146	5.9%
BridgeBio Pharma, LLC (NASDAQ: BBIO)	76,151	395,393	3.4%
Heartland Dental LLC	302,255	392,931	3.3%
PetVet Care Centers, LLC	243,188	364,782	3.1%
Total Significant Investments	**1,916,683**	**3,432,901**	**29.1%**
Other Investments	8,052,505	8,362,731	70.9%
Total Investments	**$ 9,969,188**	**$ 11,795,632**	**100.0%**

(1) 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 June 30, 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.

The following tables provide reconciliations of KKR's GAAP Consolidated Statements of Financial Condition to our Segment Balance Sheet as of June 30, 2019 and December 31, 2018.

As of June 30, 2019
(Amounts in thousands)

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (GAAP BASIS)		1	2	3	4	SEGMENT BALANCE SHEET	
Assets							
Cash and Cash Equivalents	$ 2,143,057	(75,911)	—	1,043,192	—	$ 3,110,338	Cash and Short-term Investments
Investments	51,243,090	(33,109,089)	(1,299,091)	(5,039,278)	—	11,795,632	Investments
		—	—	1,777,544	—	1,777,544	Unrealized Carried Interest
		—	—	—	—	—	Corporate Real Estate
		—	—	330,344	—	330,344	Tax Assets
Other Assets	4,137,918	(2,227,327)	—	1,531,950	—	3,442,541	Other Assets
Total Assets	**$ 57,524,065**	**(35,412,327)**	**(1,299,091)**	**(356,248)**	**—**	**$ 20,456,399**	
Liabilities and Equity							
Debt Obligations	25,685,785	(21,624,137)	—	(948,517)	—	3,113,131	Debt Obligations - KKR (ex-KFN)
		—	—	948,517	—	948,517	Debt Obligations - KFN
		—	—	163,576	—	163,576	Tax Liabilities
Other Liabilities	3,556,217	(1,032,807)	(1,299,091)	(519,824)	—	704,495	Other Liabilities
Total Liabilities	**29,242,002**	**(22,656,944)**	**(1,299,091)**	**(356,248)**	**—**	**4,929,719**	
Redeemable Noncontrolling Interests	—	—	—	—	—	—	
Stockholders' Equity							
Preferred Stock	482,554	—	—	(482,554)	—		
KKR & Co. Inc. Stockholders' Equity - Common Stockholders	9,392,924	271,665	—	(17,446)	5,355,692	15,002,835	Book Value
Noncontrolling Interests	18,406,585	(13,027,048)	—	—	(5,355,692)	23,845	Noncontrolling Interests
		—	—	500,000	—	500,000	Preferred Stock
Total Liabilities and Equity	**$ 57,524,065**	**(35,412,327)**	**(1,299,091)**	**(356,248)**	**—**	**$ 20,456,399**	

1	IMPACT OF CONSOLIDATION OF INVESTMENT VEHICLES AND OTHER ENTITIES
2	CARRY POOL RECLASSIFICATION
3	OTHER RECLASSIFICATIONS
4	NONCONTROLLING INTERESTS HELD BY KKR HOLDINGS L.P.

As of December 31, 2018
(Amounts in thousands)

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (GAAP BASIS)		1	2	3	4	SEGMENT BALANCE SHEET	
Assets							
Cash and Cash Equivalents	$ 1,751,287	(88,852)	—	839,804	—	$ 2,502,239	Cash and Short-term Investments
Investments	44,907,982	(30,069,428)	(922,977)	(4,068,113)	—	9,847,464	Investments
		—	—	1,223,084	—	1,223,084	Unrealized Carried Interest
		—	—	161,225	—	161,225	Corporate Real Estate
		—	—	561,114	—	561,114	Tax Assets
Other Assets	4,084,106	(1,730,191)	—	938,595	—	3,292,510	Other Assets
Total Assets	**$ 50,743,375**	**(31,888,471)**	**(922,977)**	**(344,291)**	**—**	**$ 17,587,636**	
Liabilities and Equity							
Debt Obligations	22,341,192	(19,024,874)	—	(948,517)	—	2,367,801	Debt Obligations - KKR (ex-KFN)
		—	—	948,517	—	948,517	Debt Obligations - KFN
		—	—	174,395	—	174,395	Tax Liabilities
Other Liabilities	3,019,574	(986,930)	(922,977)	(518,686)	—	590,981	Other Liabilities
Total Liabilities	**25,360,766**	**(20,011,804)**	**(922,977)**	**(344,291)**	**—**	**4,081,694**	
Redeemable Noncontrolling Interests	1,122,641	(1,122,641)	—	—	—		
Stockholders' Equity							
Preferred Stock	482,554	—	—	(482,554)	—		
KKR & Co. Inc. Stockholders' Equity - Common Stockholders	8,167,056	205,502	—	(17,446)	4,625,448	12,980,560	Book Value
Noncontrolling Interests	15,610,358	(10,959,528)	—	—	(4,625,448)	25,382	Noncontrolling Interests
		—	—	500,000	—	500,000	Preferred Stock
Total Liabilities and Equity	**$ 50,743,375**	**(31,888,471)**	**(922,977)**	**(344,291)**	**—**	**$ 17,587,636**	

1	IMPACT OF CONSOLIDATION OF INVESTMENT VEHICLES AND OTHER ENTITIES
2	CARRY POOL RECLASSIFICATION
3	OTHER RECLASSIFICATIONS
4	NONCONTROLLING INTERESTS HELD BY KKR HOLDINGS L.P. AND OTHER

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

	As of June 30, 2019	As of December 31, 2018
GAAP Shares of Class A Common Stock Outstanding	545,623,520	534,857,237
Adjustments:		
KKR Holdings Units (1)	296,961,596	299,081,239
Adjusted Shares Eligible for Distribution (2)	842,585,116	833,938,476
Unvested Shares of Class A Common Stock (3)	24,530,443	33,408,491

(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 June 30, 2019 or December 31, 2018. 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 on a segment basis typically involve: (i) generating cash flow from operations; (ii) generating income from investment activities, by investing in investments that generate yield (namely interest and dividends), as well as the sale of investments and other assets; (iii) funding capital commitments that we have made to, and advancing capital to, our funds and CLOs; (iv) developing and funding new investment strategies, investment products, and other growth initiatives, including acquisitions 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 (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 June 30, 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, 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 June 30, 2019, no netting holes in excess of $50 million existed at our private equity funds. 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 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 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 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;
- payment of 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;
- make future purchase price payments in connection with our proprietary investments, such as our hedge fund partnership with Marshall Wace, to the extent not paid by newly issued Class A common stock;

- 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 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. 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. As of June 30, 2019, $447 million was available under the repurchase program.

In addition to the purchases of Class A common stock as described above, 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. See "Part II. Item 2. Unregistered Sales of Equity Securities and Use of Proceeds."

Capital Commitments

The agreements governing our active investment funds generally require the general partners of the funds to make minimum capital commitments to such funds, which usually range from 2% to 8% of a fund's total capital commitments at final closing; however, the size of our general partner commitment to certain funds pursuing newer strategies may exceed this range. The following table presents our uncalled commitments to our active investment funds as of June 30, 2019:

		Uncalled Commitments
Private Markets		**($ in thousands)**
Core Investment Vehicles	$	1,946,800
Americas Fund XII		471,400
Asian Fund III		423,800
European Fund V		400,000
Global Infrastructure III		291,700
Asia Real Estate Partners		250,000
Energy Income and Growth II		200,000
Health Care Strategic Growth		124,400
Real Estate Partners Americas II		123,600
Global Impact Fund		100,000
Real Estate Credit Opportunity Partners II		50,000
Next Generation Technology Growth		27,700
European Fund IV		17,700
Other Private Markets Vehicles		167,100
Total Private Markets Commitments		4,594,200
Public Markets		
Special Situations Fund III		400,000
Special Situations Fund II		92,400
Lending Partners Europe II		56,000
Private Credit Opportunities Partners II		20,100
Lending Partners III		17,200
Lending Partners Europe		11,300
Other Public Markets Vehicles		116,100
Total Public Markets Commitments		713,100
Total Uncalled Commitments	$	5,307,300

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 June 30, 2019, these commitments amounted to $17.4 million and $735.2 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 occurring after June 30, 2019. 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 June 30, 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.

Investment in Marshall Wace

In connection with our investment in Marshall Wace, either of Marshall Wace or KKR may, in the fourth quarter of 2019, exercise a put option or a call option, respectively, that would give KKR an incremental 5% equity interest in Marshall Wace. KKR currently holds an ownership interest of 34.6%. The exercise of such options would require the use of cash and/or KKR Class A common stock.

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 June 30, 2019, an undiscounted payable of $119.9 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 June 30, 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" in our Annual Report.

Dividends

A dividend of $0.125 per share of Class A common stock has been declared, which will be paid on August 20, 2019 to holders of record of Class A common stock as of the close of business on August 5, 2019.

A dividend of $0.421875 per share of Series A Preferred Stock has been declared and set aside for payment on September 16, 2019 to holders of record of Series A Preferred Stock as of the close of business on September 1, 2019. A dividend of $0.406250 per share of Series B Preferred Stock has been declared and set aside for payment on September 16, 2019 to holders of record of Series B Preferred Stock as of the close of business on September 1, 2019.

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 $0.50 per share (or a quarterly dividend of $0.125 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 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.

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 7.4% of total investments measured and reported at fair value as Level I at June 30, 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 36.8% of total investments measured and reported at fair value as Level II at June 30, 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 55.8% of total investments measured and reported at fair value as Level III at June 30, 2019. The valuation of our Level III investments at June 30, 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 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 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 June 30, 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%, 47%, and 14%, 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.

On a segment basis, our energy real asset investments in oil and gas-producing properties as of June 30, 2019 had a fair value of approximately $656 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 $65.6 million. As of June 30, 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 $114 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-producing properties are based on either committed capital or capital invested.

For GAAP purposes, where KKR holds energy investments consisting of working interests in oil and gas-producing properties directly and not through an investment fund, such working interests are consolidated based on the proportion of the working interests held by us. Accordingly, we reflect the assets, liabilities, revenues, expenses, investment income and cash flows of the consolidated working interests on a gross basis and changes in the value of these energy investments are not reflected as unrealized gains and losses in the consolidated statements of operations. Accordingly, a change in fair value for these investments does not result in a decrease in net gains (losses) from investment activities, but may result in an impairment charge reflected in general, administrative and other expenses. For segment purposes, these directly held working interests are treated as investments and changes in value are reflected in our segment results as unrealized gains and losses.

Credit investments 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 Note 5 "Fair Value Measurements" to the financial statements included elsewhere in this report.

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 5% of the total value of KKR's Level III Private Markets investments. The valuations of certain real asset investments are determined solely by an independent valuation firm without the preparation of preliminary valuations by our investment professionals, and instead such independent valuation firm relies on valuation information available to it as a broker or valuation firm. For credit investments and debt obligations of consolidated CMBS vehicles, an independent valuation firm is generally engaged 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 June 30, 2019, 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. For periods prior to the completion of the PAAMCO Prisma transaction, when Level III valuations were required to be performed on hedge fund investments, a valuation committee for hedge funds reviewed these valuations.

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 June 30, 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 June 30, 2019, there were no investments which represented greater than 5% of total investments on a GAAP basis. On a segment basis, as of June 30, 2019, investments which represented greater than 5% of total segment investments consisted of First Data Corporation and USI, Inc. valued at $1,579.6 million and $700.1 million, respectively. On July 29, 2019, shares of First Data Corporation were exchanged into shares of Fiserv, Inc. (NASDAQ: FISV) in connection with the closing of the merger transaction. 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 "—Segment Balance Sheet" for additional information regarding our largest holdings on a segment 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 January 1, 2016, most of our historical private equity funds that provide for carried interest do not have a preferred return. For these funds, the management company is required to refund up to 20% of any management fees earned from its limited partners in the event that the fund recognizes carried interest. At such time as the fund recognizes carried interest in an amount sufficient to cover 20% of the management fees earned or a portion thereof, a liability due to the fund's limited partners is recorded and revenue is reduced for the amount of the carried interest recognized, not to exceed 20% of the management fees earned. The refunds to the limited partners are paid, and liabilities relieved, at such time that the underlying investment is sold and the associated carried interest is realized. In the event that a fund's carried interest is not sufficient to cover all or a portion of the amount that represents 20% of the earned management fees, such management fees would be retained and not returned to the funds' limited partners.

Most of our newer investment funds that provide for carried interest, however, have a preferred return. In this case, the management company does not refund the management fees earned from the limited partners of the fund as described above. Instead, the management fee is effectively returned to the limited partners through a reduction of the realized gain on which carried interest is calculated. To calculate the carried interest, KKR calculates whether a preferred return has been achieved based on an amount that includes all of the management fees paid by the limited partners as well as the other capital contributions and expenses paid by them to date. To the extent the fund has exceeded the preferred return at the time of a realization event, and subject to any other conditions for the payment of carried interest like netting holes, carried interest is distributed to the general partner. Until the preferred return is achieved, no carried interest is recorded. Thereafter, the general partner is entitled to a catch up allocation such that the general partner's carried interest is paid in respect of all of the fund's net gains, including the net gains used to pay the preferred return, until the general partner has received the full percentage amount of carried interest that the general partner is entitled to under the terms of the fund. In general, investment funds that entitle the management company to receive an incentive fee have a preferred return and are calculated on a similar basis that takes into account management fees paid.

Recently Issued Accounting Pronouncements

For a full discussion of recently issued accounting pronouncements, 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

There was no material change in our market risks during the three and six months ended June 30, 2019. 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.

As of the period ended June 30, 2019, we carried out an evaluation, under the supervision and with the participation of our management, including the Co-Chief Executive Officers and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, our Co-Chief Executive Officers and Chief Financial Officer have concluded that, as of the period ended June 30, 2019, 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 or six months ended June 30, 2019 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.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Share Repurchases in the Second Quarter of 2019

Under the 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 June 30, 2019, KKR has paid approximately $289 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 14.9 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 second quarter of 2019. No shares of Class A common stock were repurchased during the second quarter of 2019 and equity awards representing 2,273,112 shares of Class A common stock were retired during the second quarter of 2019. From inception of the repurchase program through June 30, 2019, we have repurchased or retired a total of approximately 44.5 million shares of Class A common stock under the program at an average price of approximately $17.06 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 (April 1, 2019 to April 30, 2019)	—	$ —	40,585,002	$ 446,605
Month #2 (May 1, 2019 to May 31, 2019)	—	$ —	40,585,002	$ 446,605
Month #3 (June 1, 2019 to June 30, 2019)	—	$ —	40,585,002	$ 446,605
Total through June 30, 2019	—			

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

Unregistered Sale of Equity Securities

On April 9, 2019, KKR issued 3,500,000 shares of Class A common stock to CNL Fund Advisors Company ("CNL") in a private transaction exempt from registration in reliance on Section 4(a)(2) of the Securities Act. This issuance was in connection with KKR's acquisition of CNL's interest in the management contract of Corporate Capital Trust and Corporate Capital Trust II as part of the FS Investments Transaction, which was completed in the second quarter of 2018.

Other Equity Securities

During the second quarter of 2019, 1,683,689 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. In August 2019, approximately 1.2 million KKR Group Partnership Units are expected to be exchanged by KKR Holdings into an equal number of shares of our Class A common stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION

None.

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	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).
10.1†	365-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.
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 June 30, 2019 and December 31, 2018, (ii) the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2019 and June 30, 2018, (iii) the Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2019 and June 30, 2018; (iv) the Condensed Consolidated Statements of Changes in Equity for the three and six months ended June 30, 2019 and June 30, 2018, (v) the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2019 and June 30, 2018, 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/ William J. Janetschek

William J. Janetschek
Chief Financial Officer
(principal financial and accounting officer)

DATE: August 2, 2019

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.

Exhibit 10.1

EXECUTION VERSION

$750,000,000

364-DAY REVOLVING CREDIT AGREEMENT

Dated as of June 27, 2019

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 June 27, 2019 (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. 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.

"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.

"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, 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 for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

"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 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 June 27, 2019.

"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 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

[**] = *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.*

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 institution 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 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.

“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 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 Second Amended and Restated 5-Year Revolving Credit Agreement dated March 30, 2016 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 or supplemented.

"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 June 27, 2019 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 June 27, 2019, 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.

"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 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.

"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.

[**] = *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.*

"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.

"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, (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.

"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.

"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, 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.

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.

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

[**] = *Certain information contained in this document, marked by* "[**]" *has been excluded because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.*

L/C Payment shall be absolute and unconditional and shall not be affected by (A) any setoff or counterclaim which such Lender may have against an Issuing Lender, any Borrower or any other Person, (B) the occurrence or continuance of a Default or any reduction or termination of the Commitments or any of them, (C) any of the matters referred to in clause (e) below or (D) any other circumstance whatsoever.

(vii) If any Lender fails timely to make available to the Administrative Agent for the account of an Issuing Lender any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 2.02, such Issuing Lender shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to such Issuing Lender at a rate per annum equal to the Federal Funds Rate from time to time in effect (without duplication of amounts paid by any Borrower under clause (v) above). A certificate of such Issuing Lender submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this clause (vii) shall be conclusive absent manifest error.

(viii) At any time after an Issuing Lender has made an L/C Payment and has received funds from a Lender in respect of such payment in accordance with Section 2.02, if the Administrative Agent receives for the account of such Issuing Lender any payment in respect of the related Unreimbursed Amount or interest thereon (whether directly from a Borrower or otherwise, including proceeds of cash collateral applied thereto by the Administrative Agent), the Administrative Agent will promptly distribute to such Lender its pro rata share thereof in the same funds as those received by the Administrative Agent.

(e) Borrowers Obligations Unconditional. The joint and several obligation of the Borrowers to reimburse each Issuing Lender for each L/C Payment under each Letter of Credit shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances whatsoever, including the following:

(i) any lack of validity or enforceability of such Letter of Credit, any Loan Document or any other agreement or instrument relating thereto;

(ii) the existence of any claim, counterclaim, set-off, defense or other right that the Borrower may have at any time against any beneficiary of such Letter of Credit (or any Person for whom any such beneficiary may be acting), such Issuing Lender or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto; or

(iii) any sight draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect, or any loss or delay in the transmission or otherwise of any document required in order to obtain an L/C Payment under such Letter of Credit; or

(iv) any payment by such Issuing Lender under such Letter of Credit against presentation of a sight draft or certificate that does not strictly comply with the terms of such Letter of Credit or any payment made by such Issuing Lender under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any bankruptcy, insolvency, reorganization or similar law.

(f) Issuing Lender Rights. Each Lender and each Borrower agrees that, in making any L/C Payment under a Letter of Credit, the relevant Issuing Lender shall not have any responsibility to obtain any document (other than any sight draft, certificate and other document expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering the same. None of the Issuing Lenders, the Administrative Agent, any of the respective Related Parties, nor any correspondents, participants or assignees of the Issuing Lender shall be liable to any Lender for (i) any action taken or omitted in connection herewith at the request or with the approval of the Lenders or the Majority Lenders, as applicable, (ii) any action taken or omitted in the absence of bad faith, gross negligence or willful misconduct, or (iii) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or L/C Related Document. None of the Issuing Lenders, the Administrative Agent, any of the respective Related Parties, nor any correspondents, participants or assignees of the Issuing Lender, shall be liable or responsible for any of the matters described in Section 2.02(e); provided that anything therein or elsewhere in this Agreement to the contrary notwithstanding, the Borrowers may have a claim against an Issuing Lender, and such Issuing Lender may be liable to the Borrowers, to the extent, but only to the extent, of any direct (as opposed to special, indirect, consequential or punitive) damages suffered by the Borrowers which were directly caused by such Issuing Lender's bad faith, willful misconduct or gross negligence as determined by a final and nonappealable ruling of a court of competent jurisdiction. In furtherance and not in limitation of the foregoing, each Issuing Lender may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

(g) Applicability of ISP98. Unless otherwise expressly agreed by an Issuing Lender and the requesting Borrower when a Letter of Credit is issued, the "International Standby Practices 1998" published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance) shall apply to each Letter of Credit.

SECTION 2.03. Fees.

(a) Agency Fee. The Borrowers jointly and severally agree to pay to the Administrative Agent, for the Administrative Agent's own account, an administrative agency fee at the times and in the amounts as agreed in writing by KCMH and the Administrative Agent.

(b) Facility Fee. The Borrowers jointly and severally agree to pay to the Administrative Agent, for the account of each Lender, a facility fee on the amount of the Commitment of such Lender for each day during the period from the date hereof until the

Commitment Termination Date, at the rate per annum described in the fee schedule set forth on Annex A, payable quarterly in arrears on the entire Aggregate Facility Amount (irrespective of usage) on the last Business Day of March, June, September and December of each year, on the Commitment Termination Date and on the date of termination of the Commitments.

(c) Letter of Credit Fees.

(i) The Borrowers jointly and severally agree to pay to the Administrative Agent, for the pro rata account of the Lenders based on their respective Commitment Percentages, a commission on the average daily undrawn amount of each outstanding Letter of Credit at a rate equal to the Applicable Margin then in effect for Eurocurrency Loans (minus the amount of the fronting fee referred to below), payable quarterly in arrears on the last Business Day of March, June, September and December of each year and on the Commitment Termination Date, commencing on the first such date after the date hereof.

(ii) The Borrowers jointly and severally agree to pay to each Issuing Lender, for the sole account of such Issuing Lender, (x) a fronting fee with respect to each Letter of Credit issued by such Issuing Lender, payable quarterly in arrears on the last Business Day of each March, June, September and December and on the Commitment Termination Date, in an amount equal to [**]% per annum of the average daily available amount of such Letter of Credit and (y) such customary fees and charges in connection with the issuance or administration of each Letter of Credit issued by such Issuing Lender as may be agreed in writing between KCMH and such Issuing Lender from time to time. The Issuing Lender will notify the Borrowers of any and all such fees and charges payable under this Section.

(d) Other Fees. The Borrower shall pay to the Administrative Agent and the Lead Arranger for their own respective accounts such other fees in the amounts and at the times as may be agreed in writing between KCMH and the Administrative Agent and/or the Lead Arranger.

SECTION 2.04. Changes of Commitments.

(a) Commitment Termination Date. The Commitment of each Lender shall be automatically reduced to zero on the Commitment Termination Date.

(b) Commitment Termination or Reduction. KCMH shall have the right, upon at least three Business Days' notice to the Administrative Agent, to terminate in whole or reduce ratably in part the unused portions of the Commitments; provided, that (i) each partial reduction shall be in a minimum aggregate amount of $5,000,000 and (ii) after giving effect to such termination or reduction, (A) the Total Credit Exposure does not exceed the Aggregate Facility Amount and (B) the L/C Exposure does not exceed the Letter of Credit Facility Amount. Once terminated or reduced, the Commitments may not be reinstated.

SECTION 2.05. Concerning Joint and Several Liability of the Borrowers.

[**] = *Certain information contained in this document, marked by* "[**]" *has been excluded because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.*

(a) Each of the Borrowers is accepting joint and several liability hereunder and under the other Loan Documents in consideration of the financial accommodations to be provided by the Lenders and the Administrative Agent under this Agreement, for the mutual benefit, directly and indirectly, of each of the Borrowers and in consideration of the undertakings of each other Borrower to accept joint and several liability for the Obligations.

(b) Each of the Borrowers, jointly and severally, hereby irrevocably and unconditionally accepts, not merely as a surety but also as a primary obligor and co-debtor, joint and several liability with each other Borrower, with respect to the payment and performance of all of the Obligations (including, without limitation, any Obligations arising under this Section 2.05), it being the intention of the parties hereto that all the Obligations shall be the joint and several obligations of each of the Borrowers without preferences or distinction among them.

(c) If and to the extent that any of the Borrowers shall fail to make any payment with respect to any of the Obligations as and when due or to perform any of the Obligations in accordance with the terms thereof, then, in each such event, the other Borrowers will make such payment with respect to, or perform, such Obligation.

(d) The Obligations of each of the Borrowers under the provisions of this Section 2.05 constitute the full recourse Obligations of each of the Borrowers enforceable against each such Person to the full extent of its properties and assets, irrespective of the validity, regularity or enforceability of this Agreement or the other Loan Documents or any other circumstance whatsoever.

(e) Except as otherwise expressly provided herein, each Borrower hereby waives promptness, diligence, presentment, demand, protest, notice of acceptance of its joint and several liability, notice of any and all advances of the Loans made under this Agreement and any promissory note issued hereunder, notice of occurrence of any Default or Event of Default (except to the extent notice is expressly required to be given pursuant to the terms of this Agreement or any of the other Loan Documents), or of any demand for any payment under this Agreement, notice of any action at any time taken or omitted by the Administrative Agent or the Lenders under or in respect of any of the Obligations hereunder, any requirement of diligence and, generally, all demands, notices and other formalities of every kind in connection with this Agreement and the other Loan Documents. Each Borrower hereby waives all defenses which may be available by virtue of any valuation, stay, moratorium law or other similar law now or hereafter in effect, any right to require the marshaling of assets of the Borrowers and any other entity or Person primarily or secondarily liable with respect to any of the Obligations, and all surety ship defenses generally. Each Borrower hereby assents to, and waives notice of, any extension or postponement of the time for the payment, or place or manner for payment, compromise, refinancing, consolidation or renewals of any of the Obligations hereunder, the acceptance of any partial payment thereon, any waiver, consent or other action or acquiescence by the Administrative Agent and the Lenders at any time or times in respect of any default by any Borrower in the performance or satisfaction of any term, covenant, condition or provision of this Agreement and the other Loan Documents, any and all other indulgences whatsoever by the Administrative Agent and the Lenders in respect of any of the Obligations hereunder, and the taking, addition, substitution or release, in whole or in part, at any time or times, of any security for any of such Obligations or the addition, substitution or release, in whole or in part, of any

Borrower or any other entity or Person primarily or secondarily liable for any Obligation. Each Borrower further agrees that its Obligations shall not be released or discharged, in whole or in part, or otherwise affected by the adequacy of any rights which the Administrative Agent or any Lender may have against any collateral security, guaranty or other means of obtaining repayment of any of the Obligations, the impairment of any collateral security securing or guaranty supporting the Obligations, including, without limitation, the failure to protect or preserve any rights which any Administrative Agent or any Lender may have in such collateral security or guaranty or the substitution, exchange, surrender, release, loss or destruction of any such collateral security, any other act or omission which might in any manner or to any extent vary the risk of such Borrower, or otherwise operate as a release or discharge of such Borrower, all of which may be done without notice to such Borrower. If for any reason any other Borrower has no legal existence or is under no legal obligation to discharge any of the Obligations, or if any of the Obligations have become irrecoverable from any other Borrower by reason of such other Borrower's insolvency, bankruptcy or reorganization or by other operation of law or for any reason, this Agreement and the other Loan Documents to which it is a party shall nevertheless be binding on such Borrower to the same extent as if such Borrower at all times had been the sole obligor on such Obligations. Without limiting the generality of the foregoing, each Borrower assents to any other action or delay in acting or failure to act on the part of the Administrative Agent and the Lenders, including, without limitation, any failure strictly or diligently to assert any right or to pursue any remedy or to comply fully with applicable laws or regulations thereunder which might, but for the provisions of this Section 2.05, afford grounds for terminating, discharging or relieving such Borrower, in whole or in part, from any of its obligations under this Section 2.05, it being the intention of each Borrower that, so long as any of the Obligations hereunder remain unsatisfied, the obligations of such Borrower under this Section 2.05 shall not be discharged except by performance and then only to the extent of such performance. The Obligations of each Borrower under this Section 2.05 shall not be diminished or rendered unenforceable by any winding up, reorganization, arrangement, liquidation, reconstruction or similar proceeding with respect to any reconstruction or similar proceeding with respect to any other Borrower, or any of the Lenders. The joint and several liability of the Borrowers hereunder shall continue in full force and effect notwithstanding any absorption, merger, amalgamation or any other change whatsoever in the name, ownership, membership, constitution or place of formation of any Borrower or the Lenders. Each of the Borrowers acknowledges and confirms that it has itself established its own adequate means of obtaining from the other Borrowers on a continuing basis all information desired by such Borrower concerning the financial condition of the other Borrowers and that each such Borrower will look to the other Borrowers and not to the Administrative Agent or any Lender in order for such Borrower to keep adequately informed of changes in the other Borrowers' respective financial conditions.

(f) The provisions of this Section 2.05 are made for the benefit of the Lenders and the Administrative Agent and their respective permitted successors and assigns, and may be enforced by it or them from time to time against any or all of the Borrowers as often as occasion therefor may arise and without requirement on the part of the Lenders, the Administrative Agent or such successor or assign first to marshal any of its or their claims or to exercise any of its or their rights against the other Borrowers or to exhaust any remedies available to it or them against any other Borrower or to resort to any other source or means of obtaining payment of any of the Obligations hereunder or to elect any other remedy. The provisions of this Section 2.05 shall remain in effect until all of the Obligations shall have been paid in full or otherwise fully satisfied and all Commitments terminated. If at any time, any payment, or any part thereof made in respect of any of the Obligations, is rescinded or must otherwise be restored or returned by any Lender or the Administrative Agent upon the insolvency, bankruptcy or reorganization of any of the Borrowers, or otherwise, the provisions of this Section 2.05 will forthwith be reinstated in effect, as though such payment had not been made.

(g) Each of the Borrowers hereby agrees that it will not enforce any of its rights of reimbursement, contribution, subrogation or the like against any other Borrower with respect to any liability incurred by it hereunder or under any of the other Loan Documents, any payments made by it to any of the Lenders or the Administrative Agent with respect to any of the Obligations or any collateral security therefor until such time as all of the Obligations have been indefeasibly paid in full in cash and all Commitments terminated. Any claim which any Borrower may have against any other Borrower with respect to any payments to the Lenders or the Administrative Agent hereunder or under any other Loan Documents are hereby expressly made subordinate and junior in right of payment, without limitation as to any increases in the Obligations arising hereunder or thereunder, to the prior payment in full of the Obligations and, in the event of any insolvency, bankruptcy, receivership, liquidation, reorganization or other similar proceeding under the laws of any jurisdiction relating to any Borrower, its debts or its assets, whether voluntary or involuntary, all such Obligations shall be paid in full before any payment or distribution of any character, whether in cash, securities or other property, shall be made to any other Borrower therefor.

(h) Each of the Borrowers hereby agrees that the payment of any amounts due with respect to the indebtedness owing by any Borrower to any other Borrower is hereby subordinated to the prior payment in full in cash of the Obligations and the termination of the all Commitments. Each Borrower hereby agrees that after the occurrence and during the continuance of any Event of Default, unless the Administrative Agent otherwise agrees, such Borrower will not demand, sue for or otherwise attempt to collect any indebtedness of any other Borrower owing to such Borrower until the Obligations shall have been paid in full in cash. If, notwithstanding the foregoing sentence, such Borrower shall collect, enforce or receive any amounts in respect of such indebtedness, such amounts shall be collected, enforced and received by such Borrower as trustee for the Administrative Agent on account of the Obligations and shall be paid promptly after receipt to the Administrative Agent.

SECTION 2.06. Contribution.

(a) To the extent that any Borrower shall make a payment under Section 2.05 of all or any of the Obligations (other than Loans made to that Borrower for which it is primarily liable) (a "Support Payment") that, taking into account all other Support Payments then previously or concurrently made by any other Borrower, exceeds the amount that such Borrower would otherwise have paid if each Borrower had paid the aggregate Obligations satisfied by such Support Payment in the same portion that such Borrower's Allocable Amount (as determined immediately prior to such Support Payment) bore to the aggregate Allocable Amounts of each of the Borrowers as determined immediately prior to the making of such Support Payment, then, following indefeasible payment in full in cash of the Obligations and termination of the

Commitments, such Borrower shall be entitled to receive contribution and indemnification payments from, and be reimbursed by, the other Borrowers for the net amount of such excess, pro rata based upon their respective Allocable Amounts in effect immediately prior to such Support Payment.

(b) As of any date of determination, the "Allocable Amount" of any Borrower shall be equal to the maximum amount of the claim that could then be recovered from such Borrower under Section 2.06(a) without rendering such claim voidable or avoidable under Section 548 of Chapter 11 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law.

(c) This Section 2.06 is intended only to define the relative rights of Borrowers and nothing set forth in this Section 2.06 is intended or shall impair the obligations of the Borrowers, jointly and severally, to pay any amounts as and when the same shall become due and payable in accordance with the terms of this Agreement, including Section 2.05. Nothing contained in this Section 2.06 shall limit the liability of any Borrower to pay the Loans or L/C Reimbursement Obligations made directly or indirectly to or for the benefit of that Borrower and accrued interest, fees and expenses with respect thereto for which such Borrower shall be primarily liable.

(d) The parties hereto acknowledge that the rights of contribution and indemnification of any Borrower under this Section 2.06 shall constitute assets of such Borrower.

(e) The rights of an indemnifying Borrower against the other Borrowers under this Section 2.06 shall be exercisable upon the full and indefeasible payment of the Obligations and the termination of Commitments.

ARTICLE III

PAYMENTS

SECTION 3.01. Repayment. Each Borrower agrees to repay the full principal amount of each Loan by each Lender, and each such Loan shall mature, on the Commitment Termination Date.

SECTION 3.02. Interest.

(a) Ordinary Interest. The Borrowers jointly and severally agree to pay interest on the unpaid principal amount of each Loan, from the date of such Loan until such principal amount shall be paid in full, at the following rates per annum:

(i) ABR Loans. While such Loan is an ABR Loan, a rate per annum equal to the ABR in effect from time to time plus the Applicable Margin as in effect from time to time, interest under this clause (i) to be payable quarterly in arrears on the last Business Day of each March, June, September and December and on the date such ABR Loan shall be Converted and on the date of each payment of principal thereof.

(ii) Eurocurrency Loans. While such Loan is a Eurocurrency Loan, a rate per annum for each Interest Period for such Loan equal to the Eurocurrency Rate for such Interest Period plus the Applicable Margin as in effect from time to time, interest under this clause (ii) to be payable on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on the date three months after the first day of such Interest Period, and on each date on which such Eurocurrency Loan shall be Continued or Converted and on the date of each payment of principal thereof.

(b) Default Interest. Notwithstanding the foregoing, the Borrowers jointly and severally shall pay interest on:

(i) any principal of any Loan that is not paid when due (whether at scheduled maturity or otherwise), payable on demand and in any event on the date such amount shall be paid, at a rate per annum equal at all times to two percent (2%) per annum above the rate per annum required to be paid on such Loan pursuant to said Section 3.02(a)(i) or (a)(ii), as applicable; and

(ii) any interest, fee or other amount thereof (other than any principal) that is not paid when due, from the due date thereof until such amount shall be paid, payable on demand and in any event on the date such amount shall be paid in full, at a rate per annum equal at all times to two percent (2%) per annum above the rate per annum then required to be paid on ABR Loans.

SECTION 3.03. Eurocurrency Reserves. The Borrowers jointly and severally shall pay to each Lender, as long as such Lender shall be required to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as "Eurocurrency Liabilities"), additional interest on the unpaid principal amount of each Eurocurrency Loan equal to the actual costs of such reserves allocated to such Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive), which shall be due and payable on each date on which interest is payable on such Loan, provided KCMH shall have received at least 10 days' prior notice (with a copy to the Administrative Agent) of such additional interest from such Lender. If a Lender fails to give notice 10 days prior to the relevant interest payment date, such additional interest shall be due and payable 10 days from receipt of such notice.

SECTION 3.04. Interest Rate Determinations.

(a) Notice of Interest Rates. The Administrative Agent shall give prompt notice to KCMH and the Lenders of the applicable interest rates determined by the Administrative Agent.

(b) Eurocurrency Rate Inadequate. If, with respect to any Eurocurrency Loan, (x) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Eurocurrency Rate (including because the Screen Page is not available or published on a current basis), for such Interest Period or (y) the Majority Lenders notify the Administrative Agent that the Eurocurrency Rate for any Interest Period for such Loans will not fairly reflect the cost to such Majority Lenders of making, funding or maintaining their respective Eurocurrency Loans for such Interest Period, the Administrative Agent shall so notify KCMH and the Lenders, whereupon:

(i) any Notice of Borrowing requesting a Borrowing comprised of Eurocurrency Loans shall be ineffective;

(ii) each Eurocurrency Loan will automatically, on the last day of the then current Interest Period therefor, be Converted into an ABR Loan; and

(iii) the obligation of the Lenders to make or Continue, or to Convert Loans into, Eurocurrency Loans shall be suspended until the Administrative Agent shall notify KCMH and such Lenders that the circumstances causing such suspension no longer exist.

(c) Alternative Rate of Interest. If at any time the Administrative Agent determines (which determination shall be conclusive absent manifest error) that (i) the circumstances set forth in clause (b)(x) have arisen and such circumstances are unlikely to be temporary or (ii) the circumstances set forth in clause (b)(x) have not arisen but either (w) the supervisor for the administrator of the Screen Page has made a public statement that the administrator of the Screen Page is insolvent (and there is no successor administrator that will continue publication of the Screen Page), (x) the administrator of the Screen Page has made a public statement identifying a specific date after which the Screen Page will permanently or indefinitely cease to be published by it (and there is no successor administrator that will continue publication of the Screen Page), (y) the supervisor for the administrator of the Screen Page has made a public statement identifying a specific date after which the Screen Page will permanently or indefinitely cease to be published or (z) the supervisor for the administrator of the Screen Page or a Governmental Authority having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which the Screen Page may no longer be used for determining interest rates for loans, then the Administrative Agent and the Borrowers shall endeavor to establish an alternate rate of interest to the Eurocurrency Rate that gives due consideration to the then prevailing market convention for determining a rate of interest for syndicated loans in the United States at such time, and shall enter into an amendment to this Agreement to reflect such alternate rate of interest and such other related changes to this Agreement as may be applicable (but for the avoidance of doubt, such related changes shall not include a reduction of the Applicable Margin); provided that, if such alternate rate of interest as so determined would be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement. Notwithstanding anything to the contrary in Section 9.01, such amendment shall become effective without any further action or consent of any other party to this Agreement so long as the Administrative Agent shall not have received, within five Business Days of the date notice of such alternate rate of interest is provided to the Lenders, a written notice from the Majority Lenders stating that such Majority Lenders object to such amendment. Until an alternate rate of interest shall be determined in accordance with this clause (c) (but, in the case of the circumstances described in clause (ii)(w), clause (ii)(x) or clause (ii)(y) of the first sentence of this Section 3.04(c), only to the extent the Screen Page for such Interest Period is not available or published at such time on a current basis), (x) any Notice of Borrowing that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective and (y) if any Notice of Borrowing requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing.

(d) Certain Mandatory Conversions.

(i) Upon the occurrence and during the continuance of any Event of Default, (x) each Eurocurrency Loan will automatically, on the last day of the then current Interest Period therefor, be Converted into an ABR Loan and (y) the obligation of the Lenders to make or Continue, or to Convert Loans into, Eurocurrency Loans shall be suspended.

(ii) If this Agreement shall require that any Eurocurrency Loan be Converted to an ABR Loan and such Eurocurrency Loan is denominated in an Alternate Currency, the Borrowers jointly and severally shall on the last day of the current Interest Period pay or prepay the full amount of such Eurocurrency Loan (provided, that the foregoing shall not prevent the Borrower from borrowing additional Loans to the extent otherwise permitted hereunder).

SECTION 3.05. Voluntary Conversion or Continuation of Loans.

(a) Conversions. The requesting Borrower may on any Business Day, upon written notice (or telephonic notice promptly confirmed in writing) given to the Administrative Agent not later than 11:00 a.m. (New York time) on the third Business Day (or, with respect to Interest Periods other than one, two, three or six months, fourth Business Day) prior to the date of the proposed Conversion, Convert all or any portion of the outstanding Loans of one Type comprising part of the same Borrowing into Loans of the other Type; provided that in the case of any such Conversion of a Eurocurrency Loan into an ABR Loan on a day other than the last day of an Interest Period therefor, the Borrowers jointly and severally shall promptly reimburse the Lenders the amounts provided in Section 3.12 relating to such prepayment. Each such notice of a Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the Loans to be Converted, and (z) if such Conversion is into Eurocurrency Loans, the duration of the initial Interest Period for each such Loan. Each notice of Conversion shall be irrevocable and binding on the Borrowers.

(b) Continuations. The requesting Borrower may, on any Business Day, upon written notice (or telephonic notice promptly confirmed in writing) given to the Administrative Agent not later than 11:00 a.m. (New York time) on the third Business Day (or, with respect to Interest Periods other than one, two, three or six months, fourth Business Day) prior to the date of the proposed Continuation, Continue all or any portion of the outstanding Eurocurrency Loans comprising part of the same Borrowing for one or more Interest Periods. Each such notice of a Continuation shall, within the restrictions specified above, specify (i) the date of such Continuation, (ii) the Eurocurrency Loans to be Continued and (y) the duration of the next Interest Period for the Eurocurrency Loans subject to such Continuation. Each notice of Continuation shall be irrevocable and binding on the Borrowers.

SECTION 3.06. Prepayments of Loans.

(a) Optional Prepayment. The requesting Borrower may, on notice (given not later than 11:00 a.m. (New York time) on the Business Day of the proposed prepayment of Loans, with respect to ABR Loans, and on the third Business Day prior to the date of prepayment with respect to Eurocurrency Loans) stating the proposed date and aggregate principal amount (stated in Dollars) of the prepayment, and if such notice is given the Borrowers jointly and severally shall, prepay the outstanding principal amounts of the Loans comprising part of the same Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that (i) each partial prepayment shall be in an aggregate principal amount not less than $5,000,000 or integral multiples of $1,000,000 in excess thereof (or, in the case of Loans denominated in an Alternate Currency, the Alternate Currency Equivalent thereof in such Alternate Currency) and (ii) in the case of any such prepayment of a Eurocurrency Loan on a day other than the last day of an Interest Period therefor, the Borrowers jointly and severally shall reimburse the Lenders the amounts provided in Section 3.12 relating to such prepayment.

(b) Alternate Currency Revaluation. If at any time by reason of fluctuations in foreign exchange rates the Total Credit Exposure exceeds 105% of the then aggregate amount of the Commitments, and the Majority Lenders so request, the Administrative Agent shall use all reasonable efforts to give prompt written notice thereof to KCMH, specifying the amount to be prepaid under this clause (b), and the Borrowers jointly and severally shall prepay Loans or, if no Loans are outstanding, provide cash collateral for or otherwise backstop outstanding Letters of Credit on terms reasonably satisfactory to KCMH, the Issuing Lender and the Administrative Agent, in such aggregate amount as may be required to cause the Total Credit Exposure (treating such cash collateralization or other backstopping for purposes hereof as a reduction in such Total Credit Exposure) to be equal to or less than the aggregate amount of the Commitments, such payments or other measures to be made within 10 Business Days of demand or, in the case of prepayment of Eurocurrency Loans, on the date that is the earlier of (i) the last day of the then current Interest Period therefor and (ii) the last Business Day of the first full calendar month after such revaluation, provided that any such prepayment shall be accompanied by any amounts payable under Section 3.12. The determinations of the Administrative Agent hereunder shall be conclusive and binding on the Borrowers in the absence of manifest error.

SECTION 3.07. Payments; Computations; Etc.

(a) Pro Rata Payments. The Loans comprising each Borrowing shall be made pro rata among the Lenders based on their respective Commitment Percentages. Except as otherwise provided hereunder, all payments of principal of and interest on the Loans shall be made for the pro rata account of the Lenders based on the respective outstanding principal amounts thereof, and all payments of commitment fees and letter of credit commission shall be made for the pro rata account of the Lenders based on their respective Commitment Percentages.

(b) Lenders' Obligations Several. The obligations of the Lenders under this Agreement are several and the failure of any Lender to make any Loan or any payment required to be made by it hereunder shall not relieve any other Lender of its obligations hereunder, nor shall any Lender be responsible for any other Lender's failure to make any Loan required to be made by such other Lender.

(c) Currencies. All payments by the Borrower of or in respect of principal of and interest on and other amounts directly relating to any Loan that are denominated in an Alternate Currency shall be made in such Alternate Currency. All payments of principal and interest on any Loan denominated in Dollars, all payments in respect of any Letter of Credit, and all payments of fees payable pursuant to Section 2.03(c), commitment fees and agency fees hereunder and all other payments by any Borrower provided for in this Agreement, except as provided in the preceding sentence, shall be made in Dollars.

(d) Payments.

(i) The Borrowers shall make each payment hereunder and under each other Loan Document without set-off, counterclaim or deduction of any kind to the Administrative Agent at the Administrative Agent's Account in the Principal Financial Center for the relevant Currency not later than 11:00 a.m. Local Time on the due date of such payment (each such payment made after such time on such date to be deemed to have been made on the next Business Day).

(ii) The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest ratably to the Lenders as provided in Section 3.07(a) for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Assumption and recording of the information contained therein in the Register pursuant to Section 9.06(c), from and after the assignment date set forth therein, the Administrative Agent shall remit all payments hereunder and under the Notes in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Assumption shall make all appropriate adjustments in such payments for periods prior to such assignment date directly between themselves.

(e) Computations. All computations of interest based on the ABR (except any Federal Funds Rate component thereof) shall be made by the Administrative Agent on the basis of a year of 365 or 366 days, as the case may be, for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest is payable. All computations of interest based on the Eurocurrency Rate or the Federal Funds Rate and of commitment fee shall be made by the Administrative Agent, and any computations of amounts payable pursuant to Section 3.03, shall be made on the basis of a year of 360 days, for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or other amount is payable. Each determination by the Administrative Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(f) Payment Dates. Whenever any payment hereunder or under the Notes would be due on a day other than a Business Day, such due date shall be extended to the next succeeding Business Day, and any such extension of such due date shall in such case be included in the computation of interest; provided, that if such extension would cause payment of principal or interest in respect of Eurocurrency Loans to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(g) Presumption by Administrative Agent.

(i) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed time of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made its share available at such time in accordance with Section 2.01(b) and may (but shall not be obligated), in reliance upon such assumption, make available to a Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then (A) the applicable Lender, on one hand, and (B) the Borrowers on a joint and several basis on the other hand, severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to a Borrower to but excluding the date of payment to the Administrative Agent, at (x) in the case of a payment to be made by such Lender, the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation and (y) in the case of a payment to be made by a Borrower, the interest rate applicable to ABR Loans. If a Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to such Borrower the amount of such interest paid by such Borrower for such period. If such Lender pays its share of the applicable Borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Loan included in such Borrowing. Any payment by a Borrower shall be without prejudice to any claim such Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(ii) Unless the Administrative Agent shall have received notice from KCMH prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrowers will not make such payment, the Administrative Agent may assume that the Borrowers have made such payment on such date in accordance herewith and may (but shall not be obligated), in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the Borrowers have not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation (if such Loan is denominated in Dollars) or at the overnight London Interbank offered rate for the relevant Currency (if such Loan is denominated in an Alternate Currency).

SECTION 3.08. Sharing of Payments, Etc. If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or other obligations hereunder resulting in such Lender's receiving payment of a proportion of the aggregate amount of its Loans and accrued interest thereon or other such obligations greater than its pro rata share thereof as provided herein, then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans and such other obligations of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them, provided, that:

(i) if any such participation is purchased and all or any portion of the related payment is recovered, such participation shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(ii) the provisions of this subsection shall not be construed to apply to (x) any payment made by the Borrowers pursuant to and in accordance with the express terms of this Agreement or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans other than to a Borrower or any Subsidiary thereof (as to which the provisions of this subsection shall apply).

The Borrowers consent to the foregoing and agree, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrowers, jointly and severally, rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrowers in the amount of such participation.

SECTION 3.09. Increased Costs.

(a) Eurocurrency Costs. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement contemplated by Section 3.03) or the Issuing Lender; or

(ii) impose on any Lender or the Issuing Lender or the London interbank market any other condition, cost or expense affecting this Agreement or Eurocurrency Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurocurrency Loan (or of maintaining its obligation to make any Eurocurrency Loan), or to increase the cost to such Lender or the Issuing Lender of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender or the Issuing Lender hereunder (whether of principal, interest or any other amount) then, from time to time upon request of such Lender or the Issuing Lender, the Borrowers jointly and severally will pay to such Lender or the Issuing Lender such additional amount or amounts as will compensate such Lender or the Issuing Lender, as the case may be, for such additional costs incurred or reduction suffered. This Section 3.09 shall not apply to Excluded Taxes or any matters covered by Section 3.11 relating to Taxes.

(b) Capital Requirements. If any Lender or the Issuing Lender determines that any Change in Law affecting such Lender or the Issuing Lender or any lending office of such Lender or the Issuing Lender or such Lender's or the Issuing Lender's holding company, if any, regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or the Issuing Lender's capital or on the capital of such Lender's or the Issuing Lender's holding company as a consequence of this Agreement, the Commitments of such Lender or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letter of Credit issued by the Issuing Lender, to a level below that which such Lender or the Issuing Lender or such Lender's or the Issuing Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing Lender's policies and the policies of such Lender's or the Issuing Lender's holding company with respect to capital adequacy), then from time to time upon request of such Lender or the Issuing Lender, the Borrowers jointly and severally will pay to such Lender or the Issuing Lender, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Lender or such Lender's or the Issuing Lender's holding company for such reduction.

(c) Certificates for Reimbursement. A certificate of any Lender or the Issuing Lender setting forth the amount or amounts and a reasonable basis for the determination thereof necessary to compensate such Lender or the Issuing Lender or its holding company, as the case may be, as specified in clauses (a) or (b) of this Section 3.09 and delivered to KCMH shall be conclusive on all Borrowers absent manifest error. The Borrowers jointly and severally shall pay such Lender or the Issuing Lender, as the case may be, the amount shown as due on any such certificate within 10 Business Days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender or the Issuing Lender to demand compensation pursuant to this Section 3.09 shall not constitute a waiver of such Lender's or the Issuing Lender's right to demand such compensation, provided, that the Borrowers shall not be required to compensate a Lender or the Issuing Lender pursuant to this Section for any increased costs incurred or reductions suffered more than 180 days prior to the date that such Lender or the Issuing Lender, as the case may be, notifies KCMH of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the Issuing Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof).

SECTION 3.10. Illegality. Notwithstanding any other provision of this Agreement, if any Lender shall notify the Administrative Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other Governmental Authority asserts that it is unlawful, for such Lender or its Eurocurrency Lending Office to perform its obligations hereunder to make or continue Eurocurrency Loans or to fund or otherwise maintain Eurocurrency Loans hereunder, (a) the obligation of such Lender to make or Continue, or to Convert Loans into, Eurocurrency Loans shall be suspended until the Administrative Agent shall notify KCMH and the Lenders that the circumstances causing such suspension no longer exist and (b) each Eurocurrency Loan of such Lender shall convert into an

ABR Loan at the end of the then current Interest Period for such Eurocurrency Loan, if such Lender may lawfully continue to maintain such Eurocurrency Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such Eurocurrency Loans.

SECTION 3.11. Taxes.

(a) All payments on account of the principal of and interest on the Loans and the Notes, fees and all other amounts whatsoever payable by the Borrowers under the Loan Documents shall be made free and clear of and without reduction or liability for any Taxes, except as required by applicable law, decree or regulation.

(b) In the event that any Borrower or the Administrative Agent shall be required by applicable law, decree or regulation to deduct or withhold any Tax from any amounts payable to the Administrative Agent or any Lender on, under or in respect of this Agreement, the Loans or any Loan Document, the Borrowers jointly and severally shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law, decree or regulation and, if such Tax is an Indemnified Tax, then the Borrowers jointly and severally shall promptly pay such recipient such additional amounts as may be required, after the deduction or withholding of Indemnified Taxes, to enable such recipient to receive from the Borrowers on the due date thereof an amount equal to the full amount stated to be payable to such recipient.

(c) The Borrowers jointly and severally shall indemnify the Administrative Agent and each Lender (including each Issuing Lender) against, and reimburse them upon demand for, any incremental Taxes, interest or penalties, that they may incur at any time arising out of or in connection with any such failure of the Borrowers to make any payment of Indemnified Taxes when due.

(d) KCMH shall furnish to the Administrative Agent original or certified copies of official tax receipts in respect of each payment of Indemnified Taxes required under this Section 3.11, as soon as practicable after the date such payment is made, and the Borrowers shall promptly furnish to the Administrative Agent at its request or at the request of any Lender (through the Administrative Agent) to KCMH any other information, documents and receipts that the Administrative Agent or such Lender may reasonably require to establish that full and timely payment has been made of all Indemnified Taxes required to be paid under this Section 3.11.

(e) (i) Each Lender or Participant that is not a "U.S. Person" as defined in Section 7701(a)(30) of the Code (a "Non-U.S. Lender") shall deliver to KCMH and the Administrative Agent (or, in the case of a Participant, to the Lender from which the related participation shall have been purchased) two copies of either U.S. Internal Revenue Service Form W-8BEN or W-8BEN-E, as applicable, Form W-8ECI, Form W-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) 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.

(b) KCMH shall have paid 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; and

(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.

[**] = *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, 2018, 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. 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 that is a disregarded entity for U.S. federal tax purposes 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.

(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 of 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.

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

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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;

(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;

(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 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

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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

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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).

(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

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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.

(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:

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(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;

(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

(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

[**] = *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.*

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.

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
1251 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
1251 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. <u>GOVERNING LAW; JURISDICTION; ETC.</u>

(A) <u>GOVERNING LAW</u>. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

(B) <u>SUBMISSION TO JURISDICTION</u>. 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) <u>WAIVER OF VENUE</u>. 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) <u>SERVICE OF PROCESS</u>. 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 EEA 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 EEA Financial Institution arising under any Loan Document may be subject to the Write-Down and Conversion Powers of an EEA 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 an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA 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 EEA Financial Institution, its parent entity, 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 any EEA 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/ Donna DeMagistris

Name: Donna DeMagistris
Title: Authorized Signatory

[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**
[**]	1.25%	0.25%	0.20%
[**]	[**]%	[**]%	0.20%
[**]	[**]%	[**]%	0.20%
[**]	2.50%	1.50%	0.20%

[**] = *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.*

SCHEDULE I

LENDERS AND COMMITMENTS

Lender	Commitment
[**]	$[**]

[**] = *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.*

SUBSIDIARIES

Legal Name	Jurisdiction of Formation	Type of Entity	Equity Interest Holders	Percentage Held
KKR Corporate Lending LLC	Delaware	Limited Liability Company	KKR Capital Markets Holdings L.P.	100%
KKR Corporate Lending (UK) LLC	Delaware	Limited Liability Company	KKR Capital Markets Holdings L.P.	100%
KKR Capital Markets LLC	Delaware	Limited Liability Company	KKR Capital Markets Holdings L.P.	100%
KKR Capital Markets Japan Holdings LLC	Delaware	Limited Liability Company	KKR Capital Markets Holdings L.P.	100%
KKR Capital Markets Limited	U. K.	Limited Liability Company	KKR Capital Markets Holdings L.P.	100%
KKR Capital Markets Asia Limited	Hong Kong	Limited Liability Company	KKR Capital Markets Holdings L.P.	100%
KKR Corporate Lending (Cayman) Ltd.	Cayman Islands	Limited Liability Company	KKR Capital Markets Holdings L.P.	100%
KKR Capital Markets Japan Limited	Japan	Corporation	KKR Capital Markets Japan Holdings LLC	100%
KKR Corporate Lending (CA) LLC	Delaware	Limited Liability Company	KKR Capital Markets Holdings L.P.	100%
KKR Corporate Lending (TN) LLC	Delaware	Limited Liability Company	KKR Capital Markets Holdings L.P.	100%
KKR Capital Markets Holdco Limited	Jersey	Private Limited Liability Company	KKR Capital Markets Holdings L.P.	100%
KKR Capital Markets (Ireland) Limited	Ireland	Company	KKR Capital Markets Holdco Limited	100%

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 June 30, 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: August 2, 2019

/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 June 30, 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: August 2, 2019

/s/ George R. Roberts

George R. Roberts

Co-Chief Executive Officer

Exhibit 31.3

CHIEF FINANCIAL OFFICER CERTIFICATION

I, William J. Janetschek, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 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: August 2, 2019

/s/ William J. Janetschek

William J. Janetschek
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 June 30, 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: August 2, 2019

/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 June 30, 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: August 2, 2019

/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 June 30, 2019 as filed with the Securities and Exchange Commission (the "Report"), I, William J. Janetschek, 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: August 2, 2019

/s/ William J. Janetschek

William J. Janetschek
Chief Financial Officer

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