

KEMET CORP  
Form 424B3  
September 06, 2017

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Filed Pursuant to Rule 424(b)(3)  
Registration No. 333-219371

**The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED SEPTEMBER 6, 2017**

**PRELIMINARY PROSPECTUS SUPPLEMENT**  
(To Prospectus dated July 20, 2017)

## **KEMET Corporation**

**8,416,814 Shares**

**Common Stock**

All of the 8,416,814 shares of our common stock offered hereby are being offered by the selling securityholder named in this prospectus supplement. We will not receive any of the proceeds from sales of the shares offered hereby, but we will receive approximately \$8,837,570.54 from the underwriter in connection with the cash exercise of the warrant. We will also incur expenses in connection with the offering.

The shares offered hereby are subject to issuance upon exercise of a currently outstanding and exercisable warrant held by the selling securityholder that will be sold to and exercised by the underwriter in connection with its sale of the underlying shares. We provide more information about how the shares will be sold in the sections entitled "Selling Securityholder" on page S-7 and "Underwriting" beginning on page S-13 of this prospectus supplement.

Our common stock is traded on the NYSE under the symbol "KEM." On September 5, 2017 the last reported sale price of our common stock on the NYSE was \$24.35 per share.

The underwriter has agreed to purchase and exercise the warrant for an aggregate price of \$        per underlying share, which includes the cash exercise price of \$1.04999 per underlying share to be paid by the underwriter to us and which will result in \$        million of proceeds to the selling securityholder, before expenses. The underwriter may offer the shares of common stock in one or more transactions on the NYSE, in the over-the-counter market, through negotiated transactions or otherwise, at market prices, at prices related to market prices or at negotiated prices. See "Underwriting."

**Investing in our common stock involves risks. See "Risk Factors" on page S-4 of this prospectus supplement.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.**

The underwriter expects to deliver the shares of common stock to the purchasers on or about \_\_\_\_\_, 2017.

## **UBS Investment Bank**

The date of this prospectus supplement is \_\_\_\_\_, 2017.

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

This prospectus supplement and the accompanying prospectus form part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission, or the "SEC," using a "shelf" registration process. This document contains two parts. The first part consists of this prospectus supplement, which provides you with specific information about the shares of our common stock that are being sold in this offering and about the offering itself. The second part, the accompanying prospectus, provides more general information, some of which may not apply to this offering. If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in this prospectus supplement. Before purchasing any shares of common stock, you should carefully read both this prospectus supplement and the accompanying prospectus, together with additional information described in this prospectus supplement and in the accompanying prospectus under the captions "Where You Can Find More Information" and "Incorporation of Certain Information by Reference."

Any statement contained in a document incorporated or deemed to be incorporated by reference in this prospectus supplement or the accompanying prospectus will be deemed to be modified or superseded to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this prospectus supplement or the accompanying prospectus modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement.

We have prepared the information contained in this prospectus supplement and the accompanying prospectus, any free writing prospectus and the documents incorporated by reference herein and therein that have been filed by us with the SEC. Neither we, the selling securityholder nor the underwriter has authorized anyone to provide you with any other information and neither we, the selling securityholder nor the underwriter takes any responsibility for other information others may give you.

The information contained in this prospectus supplement and the accompanying prospectus, any free writing prospectus or in any document incorporated by reference herein and therein is accurate only as of its date, regardless of the time of delivery of this prospectus supplement or any sale of common stock. Our business, financial condition, results of operations and prospects may have changed since the dates of such respective documents.

This prospectus supplement is not an offer to sell or solicitation of an offer to buy these shares of common stock in any circumstances under which or jurisdiction in which the offer or solicitation is unlawful.

**BASIS OF PRESENTATION**

Our fiscal year ends on March 31 of each year. Fiscal years are identified in this prospectus supplement and the accompanying prospectus according to the calendar year in which they end. For example, references to "fiscal year 2017" or similar references refer to the fiscal year ended March 31, 2017.

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**PROSPECTUS SUPPLEMENT SUMMARY**

*This summary does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein carefully, including the matters discussed under the caption "Risk Factors" and the detailed information and financial statements, in each case, included or incorporated by reference in this prospectus supplement and the accompanying prospectus.*

*Unless the context otherwise indicates, the terms "KEMET," "Company," "we," "us" and "our" and similar terms refer to KEMET Corporation and its subsidiaries. References to our "common stock" refer to the common stock of KEMET Corporation.*

**Our Company**

We are a leading global supplier of passive components. We offer our customers the broadest selection of capacitor technologies in the industry, along with an expanding range of electromechanical devices, electromagnetic compatibility solutions and supercapacitors.

Our product offerings include the world's most complete line of surface mount and through-hole capacitor technologies across tantalum, ceramic, aluminum, film, and paper dielectrics, as well as noise management products, sensors and actuators. Capacitors are fundamental components of most electronic circuits and are found in communication systems, data processing equipment, personal computers, cellular phones, automotive electronic systems, defense and aerospace systems, consumer electronics, power management systems and many other electronic devices and systems. Capacitors are typically used to filter out interference, smooth the output of power supplies, block the flow of direct current while allowing alternating current to pass and for many other purposes. We manufacture a broad line of capacitors in many different sizes and configurations using a variety of raw materials. Our product line consists of over 250,000 distinct part configurations distinguished by various attributes, such as dielectric (or insulating) material, configuration, encapsulation, capacitance level and tolerance, performance characteristics and packaging. Most of our customers have multiple capacitance requirements, often within each of their products and our broad offering allows us to meet the majority of those needs independent of application and end use.

We operate 24 production facilities in Europe, North America and Asia and employ approximately 15,000 employees worldwide. Our customer base includes most of the world's major electronics original equipment manufacturers (including Alcatel-Lucent USA Inc., Bosch Group, Cisco Systems, Inc., Continental AG, Dell Inc., HP Inc., International Business Machines Corporation, Motorola Solutions, L.M. Ericsson, Siemens AG and TRW Automotive), electronic manufacturing service providers (including Celestica Inc., Flextronics International LTD., Jabil Circuit, Inc. and Sanmina-SCI Corporation) and distributors (including TTI, Inc., Arrow Electronics, Inc. and Avnet, Inc.).

In connection with a credit facility (as subsequently amended and restated, the "Platinum Credit Facility") we entered into in May 2009 with K Financing, LLC ("K Financing"), we issued a warrant (which we sometimes refer to herein as the "Platinum Warrant") to K Financing, which was subsequently merged with and into its affiliate K Equity, LLC ("K Equity"). The Platinum Warrant originally entitled K Equity to purchase up to 26,848,484 shares of our common stock, subject to certain adjustments, which represented 49.9% of our common equity at the time of issuance on a post-exercise basis. In December 2010, K Equity sold a portion of the Platinum Warrant equal to 10,893,608 shares which was exercised on a net exercise basis and the resulting 10,000,000 shares of which were sold by underwriters in an offering. In May 2011, K Equity sold a portion of the Platinum Warrant equal to 7,538,062 shares which was exercised on a net exercise basis and the resulting 7,000,000 shares of which were sold by underwriters in an offering. The Platinum Warrant is currently immediately exercisable for the remaining 8,416,814 shares at an exercise price of \$1.04999 per share. In connection with the issuance of the Platinum Warrant, we entered into an Investor Rights

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Agreement (the "Investor Rights Agreement") with K Financing, which subsequently merged with and into K Equity. The Investor Rights Agreement provides K Equity with registration rights, along with certain preemptive, information and board observation rights. All outstanding amounts under the Platinum Credit Facility have been repaid and the facility has been terminated.

Our corporate headquarters is located at 2835 Kemet Way, Simpsonville, South Carolina 29681. Our telephone number is (864) 963-6300. Our website is located at <http://www.kemet.com>. None of the information that appears on or is linked to or from our website is incorporated by reference into or is otherwise made a part of this prospectus supplement. Our common stock trades on the New York Stock Exchange (the "NYSE") under the symbol "KEM".

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**The Offering**

Issuer	KEMET Corporation
Selling securityholder	K Equity, LLC
Common stock offered by the selling securityholder	8,416,814 shares
Common stock outstanding after the offering	56,259,924 shares
Common stock outstanding on a diluted basis after the offering	58,645,213 shares
Use of proceeds	We will not receive any of the proceeds from the sale of the shares in this offering. We will receive approximately \$8,837,570.54 from the underwriter in connection with the cash exercise of the Platinum Warrant for all 8,416,814 shares underlying the Platinum Warrant at an exercise price of \$1.04999 per share. We intend to use the net proceeds, after expenses, for general corporate purposes. See "Use of Proceeds" contained in this prospectus supplement.
Dividend policy	We do not intend to pay dividends on our common stock in the foreseeable future.
NYSE ticker symbol	"KEM"
Risk Factors	You should carefully read and consider the information set forth or described under "Risk Factors" and all other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus.

The number of shares to be outstanding after consummation of this offering is based on 47,843,110 shares of common stock outstanding as of September 5, 2017.

In addition, the number of shares of common stock to be outstanding on a diluted basis after the offering includes the 8,416,814 shares issuable in connection with the cash exercise of the Platinum Warrant and 2,385,289 shares underlying stock options that would be "in-the-money," calculated on a net exercise basis at a price per share of our common stock of \$24.35 (which was the closing price of our common stock on the NYSE on September 5, 2017).

The underwriter will exercise in full the Platinum Warrant acquired by it in connection with this offering on a cash exercise basis by paying to us an aggregate exercise price of approximately \$8,837,570.54 (or \$1.04999 per share) for the 8,416,814 shares of common stock underlying the Platinum Warrant. See "Selling Securityholder" and "Underwriting" in this prospectus supplement for additional information on the cash exercise of the Platinum Warrant by the underwriter in connection with this offering.

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**RISK FACTORS**

Investing in our common stock involves substantial risk. You should carefully consider all the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus prior to investing in our common stock. In particular, we suggest you consider carefully the risk factors discussed in "Item 1A Risk Factors" of our Annual Report on Form 10-K for the year ended March 31, 2017, as such risk factors may be updated by our annual, quarterly and current reports that we may file with the SEC after the date of this prospectus supplement and that are incorporated by reference in this prospectus supplement and the risk factors contained or incorporated by reference in the accompanying prospectus.

The risks and uncertainties described in this prospectus supplement and the accompanying prospectus and the documents incorporated by reference herein and therein are not the only ones facing us. Additional risks and uncertainties that we do not presently know about or that we currently believe are not material may also adversely affect our business. If any of the risks and uncertainties described in this prospectus supplement and the accompanying prospectus or the documents incorporated by reference herein or therein actually occur, our business, financial condition and results of operations could be adversely affected in a material way. This could cause the trading price of our common stock to decline, perhaps significantly, and you may lose part or all of your investment.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus supplement and the accompanying prospectus contain or incorporate by reference documents containing certain statements that are, or may be deemed to be, "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"), and as defined in the U.S. Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from those expressed in, or implied by, our forward-looking statements and you should not place undue reliance on these statements. Words such as "expects," "anticipates," "believes," "estimates" and other similar expressions or future or conditional verbs such as "will," "should," "would" and "could" are intended to identify such forward-looking statements. Readers should not rely solely on the forward-looking statements and should consider all risks and uncertainties discussed in this prospectus supplement and the accompanying prospectus and the documents incorporated by reference herein and therein under the captions "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" and elsewhere in those documents. The statements are representative only as of the date they are made, and we undertake no obligation to update any forward-looking statement.

All forward-looking statements, by their nature, are subject to risks and uncertainties. Our actual future results may differ materially from those set forth in our forward-looking statements. We face risks that are inherent in the businesses and the market places in which we operate. While management believes these forward-looking statements are accurate and reasonable, uncertainties, risks and factors, including those discussed in this prospectus supplement and the accompanying prospectus and the documents incorporated by reference herein and therein under the captions "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" and elsewhere in those documents, could cause actual results to differ materially from those reflected in the forward-looking statements.



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Factors that may cause the actual outcome and results to differ materially from those expressed in, or implied by, these forward-looking statements include, but are not necessarily limited to the following:

adverse economic conditions could impact our ability to realize operating plans if the demand for our products declines, and such conditions could adversely affect our liquidity and ability to continue to operate and cause a write down of long-lived assets or goodwill;

an increase in the cost or a decrease in the availability of our principal or single-sourced raw materials;

changes in the competitive environment;

uncertainty of the timing of customer product qualifications in heavily regulated industries;

economic, political or regulatory changes in the countries in which we operate;

difficulties, delays or unexpected costs in completing the restructuring plan;

acquisitions and other strategic transactions expose us to a variety of risks;

acquisition of TOKIN may not achieve all of the anticipated results;

our business could be negatively impacted by increased regulatory scrutiny and litigation;

difficulties in attracting and training effective employees and management;

the need to develop innovative products to maintain customer relationships and offset potential price erosion in older products;

exposure to claims alleging product defects;

the impact of laws and regulations that apply to our business, including those relating to environmental matters;

the impact of laws relating to trade, export controls and foreign corrupt practices;

changes impacting international trade and corporate tax provisions related to the global manufacturing and sales of our products may have an adverse effect on our financial condition and results of operations;

volatility of financial and credit markets affecting our access to capital;

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the need to reduce the total costs of our products to remain competitive;

potential limitation on the use of net operating losses to offset possible future taxable income;

restrictions in our debt agreements that could limit our flexibility in operating our business;

any failure of our information technology systems to function properly or control unauthorized access to our systems may cause business disruptions;

the exercise of the warrant by K Equity which could potentially result in the existence of a significant stockholder who could seek to influence our corporate decisions;

any economic and demographic experience for our pension plan and other post-retirement benefit plans that is less favorable than our assumptions;

fluctuation in distributor sales could adversely affect our results of operations; and

earthquakes and other natural disasters could disrupt our operations and have a material adverse effect on our financial condition and results of operations.

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Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations and also could cause actual results to differ materially from those included, contemplated or implied by the forward-looking statements made, or incorporated by reference, in this prospectus supplement and the accompanying prospectus, and the reader should not consider the above list of factors to be a complete set of all potential risks or uncertainties.

Table of Contents**SELLING SECURITYHOLDER****Beneficial Ownership**

This prospectus supplement relates to the sale of 8,416,814 shares of our common stock which are subject to the Platinum Warrant. K Financing received the Platinum Warrant to purchase 26,848,484 shares of our common stock, subject to certain adjustments, in connection with the entry into the Platinum Credit Facility among us, K Financing and certain of our subsidiaries. K Financing was subsequently merged with and into K Equity. In December 2010, K Equity sold a portion of the Platinum Warrant equal to 10,893,608 shares and in May 2011, K Equity sold a portion of the Platinum Warrant equal to 7,538,062 shares. The Platinum Warrant is currently immediately exercisable for the remaining 8,416,814 shares at an exercise price of \$1.04999 per share. Pursuant to its terms, the Platinum Warrant may be exercised on a net exercise basis or for cash. The underwriter has agreed to exercise in full the Platinum Warrant it acquires in connection with this offering on a cash exercise basis by paying us an aggregate exercise price of approximately \$8,837,570.54 for the 8,416,814 shares of common stock underlying the Platinum Warrant.

The following table sets forth information with respect to the beneficial ownership of our common stock held as of September 5, 2017 by the selling securityholder, the number of shares being offered hereby and information with respect to shares to be beneficially owned by the selling securityholder following this offering.

Name	Shares Beneficially	Shares	Shares Beneficially	
	Owned Prior	Offered	Owned After	
	to the Offering	Hereby	the Offering	
	Number	Number	Number	Percentage
K Equity, LLC(1)	8,416,814	8,416,814	0	0.0%

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(1)

K Holdings, LLC ("K Holdings") is the sole member of K Equity; Platinum Equity Capital Partners II, L.P. ("PECP II") is the controlling member of K Holdings; Platinum Equity Partners II, LLC ("Platinum Partners") is the general partner of PECP II; Platinum Equity Investment Holdings II, LLC ("Platinum Investment") is the senior managing member of Platinum Partners; Platinum Equity, LLC ("Platinum Equity") is the sole member of Platinum Investment; and Tom Gores, a natural person, is the ultimate beneficial owner and Chairman of Platinum Equity. Each of the foregoing may be deemed to have shared power to direct the voting and disposition of the Platinum Warrant (as well as the shares of common stock underlying the Platinum Warrant) held by K Equity. Each of the foregoing disclaims beneficial ownership of the Platinum Warrant (as well as the shares of common stock underlying the Platinum Warrant) except to the extent of their respective pecuniary interest therein. The principal place of business and principal office of each of the foregoing is 360 North Crescent Drive, South Building, Beverly Hills, California 90210.

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**USE OF PROCEEDS**

We will not receive any of the proceeds from the sale of the shares in this offering. We will receive approximately \$8,837,570.54 from the underwriter in connection with the cash exercise of the Platinum Warrant for all 8,416,814 shares underlying the Platinum Warrant at an exercise price of \$1.04999 per share. We intend to use the net proceeds, after expenses, for general corporate purposes.

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**MATERIAL UNITED STATES FEDERAL INCOME AND  
ESTATE TAX CONSEQUENCES TO NON-U.S. HOLDERS**

The following is a summary of material United States federal income and estate tax consequences to a non-U.S. holder (as defined below) of the purchase, ownership and disposition of our common stock sold pursuant to this offering. Except where noted, this summary deals only with common stock that is held as a "capital asset" within the meaning of Section 1221 of the Code (generally, property held for investment). This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the "Code"), U.S. Treasury regulations, rulings and judicial decisions as of the date hereof, all of which are subject to change or differing interpretation, possibly with retroactive effect. We have not sought any ruling from the Internal Revenue Service ("IRS") with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS or a court will agree with such statements and conclusions.

A "non-U.S. holder" means a beneficial owner of our common stock (other than an entity treated as a partnership for United States federal income tax purposes) that is not for United States federal income tax purposes any of the following:

an individual who is a citizen or resident of the United States;

a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

an estate the income of which is subject to United States federal income taxation regardless of its source; or

a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary does not address all aspects of United States federal income and estate taxes and does not deal with foreign, state, local, gift or other tax considerations, including tax treaties, which may be relevant to non-U.S. holders in light of their particular circumstances. This summary also does not address any tax consequences arising under the Medicare contribution tax on net investment income. There can be no assurance that a change in law will not alter significantly the tax considerations that we describe in this summary. In addition, this summary does not address all United States federal income tax consequences relevant to a non-U.S. holder subject to special treatment under the United States federal income tax laws, including, without limitation:

banks, insurance companies or other financial institutions;

tax-exempt or governmental entities;

dealers in securities or foreign currencies;

traders in securities that use the mark-to-market method of accounting for U.S. federal income tax purposes;

persons subject to the alternative minimum tax;

partnerships or other pass-through entities for U.S. federal income tax purposes or holders of interests therein;

persons deemed to sell our common stock under the constructive sale provisions of the Code;



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persons that acquired our common stock through the exercise of employee stock options or otherwise as compensation or through a tax-qualified retirement plan;

former citizens or long-term residents of the United States;

controlled foreign corporations;

passive foreign investment companies;

real estate investment trusts or regulated investment companies; and

persons that hold our common stock as part of a straddle, appreciated financial position, synthetic security, hedge, conversion transaction or other integrated investment or risk reduction transaction.

If an entity treated as a partnership for United States federal income tax purposes holds our common stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner, activities of the partnership and certain determinations made at the partner level. If you are a partner of a partnership holding our common stock, you should consult your tax advisors.

**EACH HOLDER SHOULD CONSULT ITS TAX ADVISOR REGARDING THE SPECIFIC U.S. FEDERAL, STATE AND LOCAL AND NON-U.S. TAX CONSIDERATIONS OF OWNING AND DISPOSING OF OUR COMMON STOCK.**

**Dividends**

We do not intend to pay dividends on our common stock in the foreseeable future. If, however, we do make distributions of cash or property on our common stock, such distributions will constitute dividends for United States federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under United States federal income tax principles. To the extent those distributions exceed our current and accumulated earnings and profits, the distributions will be treated as a non-taxable return of capital to the extent of the non-U.S. holder's tax basis in our common stock (determined on a share-by-share basis) and thereafter as capital gain from the sale or exchange of such common stock. See "Gain on Disposition of Common Stock."

Subject to the withholding requirements under FATCA (as defined below) and with respect to effectively connected dividends, each of which is discussed below, dividends paid to a non-U.S. holder generally will be subject to withholding of United States federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. However, dividends that are effectively connected with the conduct of a trade or business by the non-U.S. holder within the United States are not subject to the withholding tax (provided certain certification and disclosure requirements are satisfied), unless an applicable income tax treaty provides otherwise. Instead, such dividends are subject to United States federal income tax on a net income basis in the same manner as if the non-U.S. holder were a United States person as defined under the Code unless an applicable income tax treaty provides otherwise. A non-U.S. holder that is a corporation may also be subject to a "branch profits tax" at a 30% rate (or such lower rate specified by an applicable income tax treaty) on such effectively connected dividends, as adjusted for certain items.

A non-U.S. holder who wishes to claim the benefit of an applicable treaty rate and avoid backup withholding, as discussed below, for dividends will be required (a) to complete an Internal Revenue Service Form W-8BEN or W-8BEN-E (or other applicable documentation) and certify under penalty of perjury that such holder is not a United States person as defined under the Code and is eligible for treaty benefits or (b) if our common stock is held through certain foreign intermediaries, to satisfy the relevant certification requirements of applicable United States Treasury regulations. A non-U.S. holder whose dividends are effectively connected with a United States trade or business will not be subject to U.S. withholding tax if the non-U.S. holder satisfies certain certification requirements by providing the



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applicable withholding agent a properly executed IRS Form W-8ECI (or, in certain cases, IRS Form W-8BEN-E or W-8BEN) certifying eligibility for exemption. Special certification and other requirements apply to certain non-U.S. holders that are pass-through entities rather than corporations or individuals.

A non-U.S. holder eligible for a reduced rate of United States withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

**Gain on Disposition of Common Stock**

While backup withholding and withholding under FATCA may apply upon the disposition of our common stock (see the discussion below), any gain realized on the disposition of our common stock generally will not be subject to United States federal income tax unless:

the gain is effectively connected with a trade or business of the non-U.S. holder in the United States (and, if required by an applicable income tax treaty, is attributable to a United States permanent establishment of the non-U.S. holder);

the non-U.S. holder is a nonresident alien individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or

we are or have been a "United States real property holding corporation" ("USRPHC") for United States federal income tax purposes and certain other conditions are met.

A non-U.S. holder described in the first bullet point immediately above will be subject to tax on its net gain in the same manner as if it were a United States person as defined under the Code. In addition, if a non-U.S. holder that is a foreign corporation falls under the first bullet point immediately above, it may be subject to the branch profits tax equal to 30% (or such lower rate specified by an applicable income tax treaty) of its effectively connected earnings and profits, subject to adjustments.

An individual non-U.S. holder described in the second bullet point immediately above will be subject to a flat 30% tax (or such lower rate specified by an applicable income tax treaty) on the gain derived from the disposition, which may be offset by United States source capital losses (even though the individual is not considered a resident of the United States), provided the non-U.S. holder has timely filed United States federal income tax returns with respect to such losses.

With respect to the third bullet point immediately above, we believe we are not and do not anticipate becoming a USRPHC for United States federal income tax purposes.

**Federal Estate Tax**

Common stock held by an individual non-U.S. holder (as specially defined for U.S. federal estate tax purposes) at the time of death will be included in such holder's gross estate for United States federal estate tax purposes and, therefore, may be subject to U.S. federal estate tax, unless an applicable estate tax treaty provides otherwise.

**Information Reporting and Backup Withholding**

Information reporting generally will apply to the amount of dividends paid to each non-U.S. holder and the tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the non-U.S. holder resides under the provisions of an applicable income tax treaty.

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A non-U.S. holder will be subject to backup withholding for dividends paid to such holder unless such holder certifies under penalty of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that such holder is a United States person as defined under the Code), or such holder otherwise establishes an exemption.

Proceeds of a disposition of our common stock conducted through a non-United States office of a non-United States broker generally will not be subject to information reporting or backup withholding. However, information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a disposition of our common stock within the United States or conducted through certain United States-related financial intermediaries, unless the beneficial owner certifies under penalty of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that the beneficial owner is a United States person as defined under the Code), or such owner otherwise establishes an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-U.S. holder's United States federal income tax liability provided the required information is timely furnished to the Internal Revenue Service.

**Additional Withholding Requirements**

Under Sections 1471 through 1474 of the Code (such Sections commonly referred to as the Foreign Account Tax Compliance Act, or "FATCA"), a 30% United States federal withholding tax may apply to any dividends paid on our common stock and, for a disposition of our common stock occurring after December 31, 2018, the gross proceeds from such disposition, in each case paid to (i) a "foreign financial institution" (as specifically defined in the Code) which does not provide sufficient documentation, typically on IRS Form W-8BEN-E, evidencing either (x) an exemption from FATCA, or (y) its compliance (or deemed compliance) with FATCA (which may alternatively be in the form of compliance with an intergovernmental agreement with the United States) in a manner which avoids withholding, or (ii) a "non-financial foreign entity" (as specifically defined in the Code) which does not provide sufficient documentation, typically on IRS Form W-8BEN-E, evidencing either (x) an exemption from FATCA, or (y) adequate information regarding certain substantial United States beneficial owners of such entity (if any). Certain countries have entered into intergovernmental agreements with the United States implementing FATCA and such agreements may provide different rules with respect to a foreign financial institution in such countries. Withholding under FATCA applies to payments as described above regardless of whether the recipient receives the payments as a beneficial owner or acting as an intermediary. If a dividend payment is both subject to withholding under FATCA and subject to the withholding tax discussed above under "Dividends," the withholding under FATCA may be credited against, and therefore reduce, such other withholding tax. You should consult your tax advisor regarding these requirements and whether they may be relevant to your ownership and disposition of our common stock.

**THE UNITED STATES FEDERAL INCOME TAX SUMMARY SET FORTH ABOVE IS FOR GENERAL INFORMATION PURPOSES ONLY, DOES NOT PURPORT TO BE A COMPLETE DESCRIPTION OF THE POTENTIAL TAX CONSIDERATIONS RELATING TO OUR SHARES OF COMMON STOCK AND IS NOT TAX ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE SPECIFIC TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SHARES OF COMMON STOCK.**

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**UNDERWRITING**

Subject to the terms and conditions of the underwriting agreement by and among us, the selling securityholder and UBS Securities LLC, as the underwriter, the underwriter has agreed to purchase from the selling securityholder, K Equity, the full remaining portion of the Platinum Warrant. Upon acquiring the warrant, the underwriter will exercise the warrant in full on a cash exercise basis, and we will issue all of the 8,416,814 common shares so issuable upon such exercise of the warrant to the underwriter. For a description of the effect of a cash exercise of the warrant, see the section entitled "Selling Securityholder" in this prospectus supplement.

The underwriting agreement provides that the obligation of the underwriter to purchase the warrant is subject to certain conditions precedent.

The underwriter has agreed to purchase and exercise the warrant for an aggregate price of \$        per underlying share, which includes the cash exercise price of \$1.04999 per underlying share to be paid by the underwriter to us and which will result in \$        million of proceeds to the selling securityholder, before expenses. The underwriter may receive from purchasers of the shares normal brokerage commissions in amounts agreed with such purchasers. The underwriter proposes to offer the shares of common stock from time to time for sale in one or more transactions on the NYSE, in the over-the-counter market, through negotiated transactions or otherwise, at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices, subject to receipt and acceptance by the underwriter and subject to the underwriter's right to reject any order in whole or in part. The underwriter may effect such transactions by selling shares of common stock to or through dealers and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriter and/or purchasers of shares of common stock for whom they may act as agents or to whom they may sell as principal. The underwriter is committed to take and pay for all of the shares being offered, if any are taken.

In connection with the offering, the underwriter may purchase and sell shares of our common stock in the open market. These transactions may include short sales, purchases to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriter of a greater number of shares than it is required to purchase in the offering. The underwriter must close out any short position by purchasing shares in the open market. A short position is more likely to be created if the underwriter is concerned that there may be downward pressure on the price of the shares in the open market prior to the completion of the offering. Stabilizing transactions consist of various bids for or purchases of our common stock made by the underwriter in the open market prior to the completion of the offering.

Purchases to cover a short position and stabilizing transactions may have the effect of preventing or slowing a decline in the market price of our common stock. Additionally, these purchases, along with the imposition of any penalty bid, may stabilize, maintain or otherwise affect the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the NYSE, in the over-the-counter market or otherwise.

Neither we nor the underwriter makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor the underwriter make any representation that the underwriter will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Pursuant to the underwriting agreement we have entered into with the selling securityholder and the underwriter, we remain responsible for certain expenses in connection with the offering of our shares pursuant to this prospectus supplement. We estimate that our share of the total expenses of this

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offering, which do not include discounts paid by the selling securityholder, will be approximately \$450,000.

We and the selling securityholder have agreed to indemnify the underwriter against some specified types of liabilities, including liabilities under the Securities Act, and to contribute to payments the underwriter may be required to make in respect of any of these liabilities.

We have entered into a lock-up agreement with the underwriter. Under this agreement, which is subject to certain limited exceptions as described below, we may not, directly or indirectly, offer, sell, short sell or otherwise dispose of any shares of our common stock or other securities convertible into or exchangeable or exercisable for shares of our common stock or derivative of our common stock without the prior written consent of the underwriter for a period of 30 days from the date of this prospectus supplement. This consent may be given at any time and without public notice. The foregoing restrictions do not apply to any issuances, grants or awards under the Company's new or existing option, incentive or other equity-based compensation plans (or the issuance of shares of common stock with respect to any awards under such plans, whether such awards are outstanding now or may hereafter become outstanding under such plans), or the issuance of shares upon exercise of the Platinum Warrant.

Our common stock is listed on the NYSE under the symbol "KEM."

**Other Relationships**

The underwriter and its affiliates have in the past provided, are currently providing and may in the future from time to time provide, investment banking and other services to us or our subsidiaries and to the selling securityholder or its affiliates, for which they have received, and may in the future receive, customary fees and payment of expenses for the transactions.

In addition, in the ordinary course of its business activities, the underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriter and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

**Notice to Prospective Investors in Australia**

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission ("ASIC"), in relation to the offering. This prospectus supplement and the accompanying prospectus do not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001 (the "Corporations Act"), and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the securities offered pursuant to this prospectus supplement and the accompanying prospectus (the "Securities") may only be made to persons (the "Exempt Investors") who are "sophisticated investors" (within the meaning of section 708(8) of the Corporations Act), "professional investors" (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the Securities without disclosure to investors under Chapter 6D of the Corporations Act.

The Securities applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in

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circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring Securities must observe such Australian on-sale restrictions.

This prospectus supplement and the accompanying prospectus contain general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus supplement and the accompanying prospectus are appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

**Notice to Prospective Investors in the Dubai International Financial Centre**

This prospectus supplement and the accompanying prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("DFSA"). This prospectus supplement and the accompanying prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus supplement and the accompanying prospectus nor taken steps to verify the information set forth herein and has no responsibility for this prospectus supplement and the accompanying prospectus. The Securities to which this prospectus supplement and the accompanying prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Securities offered should conduct their own due diligence on the Securities. If you do not understand the contents of this prospectus supplement and the accompanying prospectus you should consult an authorized financial advisor.

**Notice to Prospective Investors in European Economic Area**

In relation to each member state of the European Economic Area, no offer of Securities which are the subject of the offering may be made to the public in that Member State, other than under the following exemptions under the Prospectus Directive:

- A. to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- B. to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the underwriter for any such offer; or
- C. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Securities referred to in (a) to (c) above shall result in a requirement for the Company or the underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person located in a Member State to whom any offer of Securities is made or who receives any communication in respect of any offer of ordinary shares, or who initially acquires any Securities will be deemed to have represented, warranted, acknowledged and agreed to and with the underwriter and the Company that (1) it is a "qualified investor" within the meaning of the law in that Member State implementing Article 2(1)(e) of the Prospectus Directive; and (2) in the case of any Securities acquired by it as a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, the Securities acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the underwriter has been given to the offer or resale; or where ordinary shares have been

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acquired by it on behalf of persons in any Member State other than qualified investors, the offer of those ordinary shares to it is not treated under the Prospectus Directive as having been made to such persons.

The Company, the underwriter and their respective affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgments and agreements.

This prospectus supplement and the accompanying prospectus has been prepared on the basis that any offer of Securities in any Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Securities. Accordingly any person making or intending to make an offer in that Member State of Securities which are the subject of the offering contemplated in this prospectus supplement and the accompanying prospectus may only do so in circumstances in which no obligation arises for the Company or the underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Company nor the underwriter has authorized, nor do they authorize, the making of any offer of Securities in circumstances in which an obligation arises for the Company or the underwriter to publish a prospectus for such offer.

For the purposes of this provision, the expression an "offer of Securities to the public" in relation to any Securities in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (as amended) and includes any relevant implementing measure in each Member State.

The above selling restriction is in addition to any other selling restrictions set out below.

**Notice to Prospective Investors in Hong Kong**

The Securities have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Securities has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

**Notice to Prospective Investors in Switzerland**

We have not and will not register with the Swiss Financial Market Supervisory Authority ("FINMA") as a foreign collective investment scheme pursuant to Article 119 of the Federal Act on Collective Investment Scheme of 23 June 2006, as amended ("CISA"), and accordingly the securities being offered pursuant to this prospectus supplement and the accompanying prospectus have not and will not be approved, and may not be licenseable, with FINMA. Therefore, the securities have not been authorized for distribution by FINMA as a foreign collective investment scheme pursuant to Article 119 CISA and the securities offered hereby may not be offered to the public (as this term is defined in Article 3 CISA) in or from Switzerland. The securities may solely be offered to "qualified investors," as this term is defined in Article 10 CISA, and in the circumstances set out in Article 3 of the Ordinance

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on Collective Investment Scheme of 22 November 2006, as amended ("CISO"), such that there is no public offer. Investors, however, do not benefit from protection under CISA or CISO or supervision by FINMA. This prospectus supplement and the accompanying prospectus and any other materials relating to the securities are strictly personal and confidential to each offeree and do not constitute an offer to any other person. This prospectus supplement and the accompanying prospectus may only be used by those qualified investors to whom it has been handed out in connection with the offer described herein and may neither directly or indirectly be distributed or made available to any person or entity other than its recipients. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in Switzerland or from Switzerland. This prospectus supplement and the accompanying prospectus does not constitute an issue prospectus as that term is understood pursuant to Article 652a and/or 1156 of the Swiss Federal Code of Obligations. We have not applied for a listing of the securities on the SIX Swiss Exchange or any other regulated securities market in Switzerland, and consequently, the information presented in this prospectus supplement and the accompanying prospectus does not necessarily comply with the information standards set out in the listing rules of the SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange.

**Notice to Prospective Investors in the United Kingdom**

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

**Notice to Prospective Investors in Canada**

The Securities may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus supplement and the accompanying prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the underwriter is not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

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**Notice to Investors**

Each purchaser of our common stock that is (1) an employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (2) a plan or account subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code") or (3) an entity deemed to hold "plan assets" of any such employee benefit plan, plan or account, by acceptance of any common stock, will be deemed to have represented and warranted that a fiduciary acting on its behalf is causing it to purchase the common stock and that such fiduciary:

- a) Is a bank, an insurance carrier, a registered investment adviser, a registered broker-dealer or an independent fiduciary with at least \$50 million of assets under management or control as specified in 29 CFR Section 2510.3-21(c)(1)(i) (excluding the IRA owner if the purchaser is an IRA);
- b) Is independent (for purposes of 29 CFR Section 2510.3-21(c)(1)) of the Company, the selling securityholder, the underwriter and their respective affiliates (the "Transaction Parties");
- c) Is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies, including the purchaser's transactions with the Transaction Parties contemplated hereby;
- d) Has been advised that none of the Transaction Parties has undertaken or will undertake to provide impartial investment advice, or has given or will give advice in a fiduciary capacity, in connection with the purchaser's transactions with the Transaction Parties contemplated hereby;
- e) Is a "fiduciary" under Section 3(21)(a) of ERISA or Section 4975(e)(3) of the Code, or both, as applicable, with respect to, and is responsible for exercising independent judgment in evaluating, the purchaser's transactions with the Tr