KKR & Co. L.P.
Form S-4/A
March 21, 2014

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As filed with the Securities and Exchange Commission on March 21, 2014

Registration No. 333-193359

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 4
to

Form S-4

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

KKR & CO. L.P.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**6282**	**26-0426107**
(State or other jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

9 West 57th Street, Suite 4200
New York, New York 10019
Telephone: (212) 750-8300
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

David J. Sorkin, Esq.
General Counsel
KKR & Co. L.P.
9 West 57th Street, Suite 4200
New York, New York 10019
Telephone: (212) 750-8300
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Gary I. Horowitz, Esq.	**Edward D. Herlihy, Esq.**
Joseph H. Kaufman, Esq.	**David E. Shapiro, Esq.**
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425 Lexington Avenue	**51 West 52nd Street**

New York, New York 10017-3954
Telephone: (212) 455-2000
Facsimile: (212) 455-2502

New York, New York 10019
Telephone: (212) 403-1000
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Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after the effectiveness of this registration statement and the satisfaction or waiver of all other conditions to the closing of the merger described herein.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)	o
Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)	o

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this proxy statement/prospectus is subject to completion and amendment. A registration statement relating to the securities described in this proxy statement/prospectus has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy these securities be accepted prior to the time the registration statement becomes effective. This proxy statement/prospectus shall not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of these securities in any jurisdiction, in which such offer, solicitation or sale would be unlawful prior to registration under the securities laws of any such jurisdiction.

PRELIMINARY SUBJECT TO COMPLETION, DATED MARCH 21, 2014

MERGER PROPOSAL YOUR VOTE IS VERY IMPORTANT

March 24, 2014

Dear KFN Common Shareholder:

On December 16, 2013, KKR Financial Holdings LLC, which is referred to as KFN, and KKR & Co. L.P., which is referred to as KKR, entered into a merger agreement pursuant to which KFN will become an indirect subsidiary of KKR. The KFN board of directors has determined, upon the unanimous recommendation of a transaction committee of the KFN board of directors composed solely of independent directors, that the merger and the merger agreement are fair to and in the best interests of KFN and its common shareholders, and has approved the merger agreement and the merger.

If the merger is completed, each outstanding KFN common share will be converted into the right to receive 0.51 common units representing limited partner interests of KKR, which are referred to as KKR common units. The consideration to be received by KFN common shareholders is valued at $12.79 per KFN common share based on KKR's closing price as of December 16, 2013, representing a 35% premium to KFN's closing price on such date. The common shares of KFN are traded on the New York Stock Exchange under the symbol "KFN," and the KKR common units are traded on the New York Stock Exchange under the symbol "KKR."

Immediately following completion of the merger, based on the number of outstanding KFN common shares (including restricted shares) outstanding as of March 18, 2014, it is expected that KFN common shareholders will own approximately 25.8% of the outstanding KKR common units (or 13.1% of the outstanding KKR common units, if you include KKR common units that could be deemed to be beneficially owned by KKR principals and other persons through KKR Holdings L.P. by virtue of certain exchange rights).

We are holding a special meeting of KFN common shareholders on April 30, 2014 at 9:00 a.m., local time, at The Bently Reserve, Gateway Room, 301 Battery Street, San Francisco, California 94111, to obtain your vote to adopt the merger agreement. **Your vote is very important, regardless of the number of common shares you own. The merger cannot be completed unless the holders of at least a majority of the outstanding KFN common shares, including a majority of the outstanding KFN common shares held by common shareholders other than KKR and its affiliates, vote for the adoption of the merger agreement at the special meeting.**

The KFN board of directors, upon the unanimous recommendation of a transaction committee of the KFN board of directors composed solely of independent directors, recommends that KFN common shareholders vote "FOR" the adoption of the merger agreement and "FOR" the adjournment of the KFN special meeting if necessary to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the KFN special meeting.

On behalf of the KFN board of directors, I invite you to attend the special meeting. Whether or not you expect to attend the KFN special meeting in person, we urge you to submit your proxy as promptly as possible through one of the delivery methods described in the accompanying proxy statement/prospectus.

In addition, we urge you to read carefully the accompanying proxy statement/prospectus (and the documents incorporated by reference into the accompanying proxy statement/prospectus) which includes important information about the merger agreement, the proposed merger, KFN, KKR and the

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special meeting. **Please pay particular attention to the section titled "Risk Factors" beginning on page 104 of the accompanying proxy statement/prospectus.**

On behalf of the KFN board of directors, thank you for your continued support.

Sincerely,

Craig Farr
Chief Executive Officer and Director

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the merger or the securities to be issued under the accompanying proxy statement/prospectus, passed upon the merits or fairness of the merger or determined that the accompanying proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

The accompanying proxy statement/prospectus is dated March 24, 2014 and is first being mailed to the common shareholders of KFN on or about March 24, 2014.

555 California Street, 50th Floor
San Francisco, CA 94104

NOTICE OF SPECIAL MEETING OF COMMON SHAREHOLDERS

To the Common Shareholders of KKR Financial Holdings LLC:

Notice is hereby given that a special meeting of common shareholders of KKR Financial Holdings LLC, which is referred to as KFN, a Delaware limited liability company, will be held on April 30, 2014 at 9:00 a.m., local time, at The Bently Reserve, Gateway Room, 301 Battery Street, San Francisco, California 94111, solely for the following purposes:

Proposal 1: to consider and vote on a proposal to adopt the Agreement and Plan of Merger, dated as of December 16, 2013 (as it may be amended from time to time), which is referred to as the merger agreement, by and among KFN, KKR & Co. L.P., which is referred to as KKR, KKR Fund Holdings L.P. and Copal Merger Sub LLC, a direct, wholly owned subsidiary of KKR Fund Holdings L.P., a copy of which agreement is attached as Annex A to the proxy statement/prospectus accompanying this notice; and

Proposal 2: to consider and vote on a proposal to approve the adjournment of the KFN special meeting, if necessary to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the special meeting.

These items of business, including the merger agreement and the proposed merger, are described in detail in the accompanying proxy statement/prospectus. **The KFN board of directors has determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are fair to and in the best interests of KFN and its common shareholders and recommends that KFN common shareholders vote "FOR" the proposal to adopt the merger agreement and "FOR" the adjournment of the KFN special meeting if necessary to solicit additional proxies in favor of such adoption.**

Only common shareholders of record as of the close of business on February 26, 2014, the record date for the special meeting, are entitled to notice of the KFN special meeting and to vote at the KFN special meeting or at any adjournment or postponement thereof. A list of common shareholders entitled to vote at the special meeting will be available in our offices located at 555 California Street, 50th Floor, San Francisco, CA 94104, during regular business hours for a period of ten days before the special meeting, and at the place of the special meeting during the special meeting.

Adoption of the merger agreement by the KFN common shareholders is a condition to the consummation of the merger and requires the affirmative vote of holders of at least a majority of the outstanding KFN common shares, including a majority of the outstanding KFN common shares held by common shareholders other than KKR and its affiliates. Therefore, your vote is very important. **Your failure to vote your shares will have the same effect as a vote "AGAINST" the adoption of the merger agreement.**

By order of the board of directors,

Nicole J. Macarchuk
General Counsel

San Francisco, California
March 24, 2014

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YOUR VOTE IS IMPORTANT!

WHETHER OR NOT YOU EXPECT TO ATTEND THE KFN SPECIAL MEETING IN PERSON, WE URGE YOU TO SUBMIT YOUR PROXY AS PROMPTLY AS POSSIBLE (1) THROUGH THE INTERNET, (2) BY TELEPHONE OR (3) BY MARKING, SIGNING AND DATING THE ENCLOSED PROXY CARD AND RETURNING IT IN THE POSTAGE-PAID ENVELOPE PROVIDED. You may revoke your proxy or change your vote at any time before the KFN special meeting. If your common shares are held in the name of a bank, broker or other fiduciary, please follow the instructions on the voting instruction card furnished to you by such record holder.

We urge you to read the accompanying proxy statement/prospectus, including all documents incorporated by reference into the accompanying proxy statement/prospectus, and its annexes carefully and in their entirety. If you have any questions concerning the merger, the adjournment vote, or the special meeting or the accompanying proxy statement/prospectus, would like additional copies of the accompanying proxy statement/ prospectus or need help voting your KFN common shares, please contact KFN's proxy solicitor, Innisfree M&A Incorporated, toll-free at (888) 750-5834.

ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates by reference important business and financial information about KKR and KFN from other documents filed with the Securities and Exchange Commission, referred to in this proxy statement/prospectus as the SEC, that are not included in or delivered with this proxy statement/prospectus. See "Where You Can Find More Information" beginning on page 234 of this proxy statement/prospectus.

Documents incorporated by reference are available to you without charge upon written or oral request. You can obtain any of these documents by requesting them in writing or by telephone from the appropriate party at the following addresses, telephone numbers and email addresses.

KKR & Co. L.P.	KKR Financial Holdings LLC
Attention: Investor Relations	Attention: Investor Relations
9 West 57th Street, Suite 4200	555 California Street, 50th Floor
New York, New York 10019	San Francisco, CA 94104
(877) 610-4910	(855) 374-5411
Email: Investor-Relations@kkr.com	Email: KFN.IR@kkr.com

To receive timely delivery of the requested documents in advance of the KFN special meeting, you should make your request no later than April 23, 2014.

ABOUT THIS DOCUMENT

This document, which forms part of a registration statement on Form S-4 filed with the SEC by KKR (Registration No. 333-193359), constitutes a prospectus of KKR under Section 5 of the Securities Act of 1933, as amended, which is referred to in this proxy statement/prospectus as the Securities Act, with respect to the KKR common units to be issued pursuant to the merger agreement. This document also constitutes a notice of meeting and a proxy statement under Section 14(a) of the Securities Exchange Act of 1934, as amended, which is referred to in this proxy statement/prospectus as the Exchange Act, with respect to the special meeting of KFN common shareholders, at which KFN common shareholders will be asked to consider and vote on, among other matters, a proposal to adopt the merger agreement.

You should rely only on the information contained in or incorporated by reference into this proxy statement/prospectus. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this proxy statement/prospectus. This proxy statement/prospectus is dated March 24, 2014. The information contained in this proxy statement/prospectus is accurate only as of that date or, in the case of information in a document incorporated by reference, as of the date of such document, unless the information specifically indicates that another date applies. Neither the mailing of this proxy statement/prospectus to KFN common shareholders nor the issuance by KKR of its common units pursuant to the merger agreement will create any implication to the contrary.

This proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction in which or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction.

The information concerning KKR contained in this proxy statement/prospectus or incorporated by reference has been provided by KKR, and the information concerning KFN contained in this proxy statement/prospectus or incorporated by reference has been provided by KFN.

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QUESTIONS AND ANSWERS

Set forth below are questions that you, as a common shareholder of KKR Financial Holdings LLC, which is referred to in this proxy statement/prospectus as KFN, may have regarding the merger described below, the adjournment proposal and the KFN special meeting, and brief answers to those questions. You are urged to read carefully this proxy statement/prospectus and the other documents referred to in this proxy statement/prospectus in their entirety, including the merger agreement, which is attached as Annex A to this proxy statement/prospectus, and the documents incorporated by reference into this proxy statement/prospectus, because this section may not provide all of the information that is important to you with respect to the merger, the adjournment proposal and the special meeting. You may obtain a list of the documents incorporated by reference into this proxy statement/prospectus in the section titled "Where You Can Find More Information" beginning on page 234.

Q:

Why am I receiving this proxy statement/prospectus?

A:

KKR & Co. L.P., which is referred to in this proxy statement/prospectus as KKR, and KFN have agreed to a merger, which we refer to in this proxy statement/prospectus as the merger, pursuant to which KFN will become an indirect subsidiary of KKR and the common shares of KFN will cease to be publicly traded. In order to complete the merger, KFN common shareholders must vote to adopt the Agreement and Plan of Merger, dated as of December 16, 2013, among KFN, KKR, KKR Fund Holdings L.P., a subsidiary of KKR which is referred to in this proxy statement/prospectus as Fund Holdings, and Copal Merger Sub LLC, a subsidiary of Fund Holdings which is referred to in this proxy statement/prospectus as Merger Sub, which agreement, as it may be amended from time to time, is referred to in this proxy statement/prospectus as the merger agreement. KFN is holding a special meeting of its common shareholders to obtain such shareholder approval.

In the merger, KKR will issue common units representing limited partner interests in KKR, which are referred to this proxy statement/prospectus as KKR common units, as the consideration to be paid to holders of KFN common shares. This document is being delivered to you as both a proxy statement of KFN and a prospectus of KKR in connection with the merger. It is the proxy statement by which the KFN board of directors is soliciting proxies from you to vote on the adoption of the merger agreement at the special meeting or at any adjournment or postponement of the special meeting, and the approval of the adjournment of the special meeting under certain circumstances. It is also the prospectus by which KKR will register the KKR common units to be received by you in the merger.

Q:

What am I being asked to vote on?

A:

KFN's common shareholders are being asked to vote on the following proposals:

Proposal 1: to adopt the merger agreement, a copy of which is attached as Annex A to this proxy statement/prospectus; and

Proposal 2: to approve the adjournment of the KFN special meeting, if necessary to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the special meeting.

The approval of the proposal to adopt the merger agreement by a majority of the outstanding KFN common shares, including a majority of the outstanding KFN common shares held by shareholders other than KKR and its affiliates, is a condition to the completion of the merger. The approval of the proposal to adjourn the KFN special meeting is not a condition to the obligations of KFN or KKR to complete the merger.

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Q: **Does KFN's board of directors recommend that its common shareholders adopt the merger agreement?**

A: Yes. The KFN board of directors, upon the unanimous recommendation of a transaction committee of the KFN board of directors consisting solely of independent directors, which is referred to in this proxy statement/prospectus as the KFN transaction committee, has approved the merger agreement and the transactions contemplated thereby, including the merger, and determined that these transactions are fair to and in the best interests of the KFN common shareholders. Therefore, the KFN board of directors recommends that you vote "**FOR**" the proposal to adopt the merger agreement at the special meeting. See "Special Factors Recommendation of the KFN Board of Directors and Reasons for the Merger; Fairness of the Merger" beginning on page 38 of this proxy statement/prospectus.

In considering the recommendation of the KFN board of directors with respect to the merger agreement and the transactions contemplated thereby, including the merger, you should be aware that directors and executive officers of KFN are parties to agreements or participants in other arrangements that give them interests in the merger that may be different from, or in addition to, your interests as a common shareholder of KFN, including certain indemnification, exculpation and expense advancement rights provided pursuant to the merger agreement. You should consider these interests in voting on this proposal. These different interests are described under "Special Factors Interests of Directors and Executive Officers of KFN in the Merger" beginning on page 97 of this proxy statement/prospectus.

Q: **Does KFN's board of directors recommend that its common shareholders approve the adjournment of the KFN special meeting, if necessary?**

A: Yes. KFN's board of directors recommends that you vote "**FOR**" the proposal to adjourn the KFN special meeting if necessary to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the KFN special meeting. See "Approval of Adjournment of the KFN Special Meeting" beginning on page 231 of this proxy statement/prospectus.

Q: **What will happen in the merger?**

A: In the merger, Merger Sub, a direct, wholly owned subsidiary of Fund Holdings that was formed solely for the purpose of the merger, will be merged with and into KFN. KFN will be the surviving entity in the merger and will be an indirect subsidiary of KKR following completion of the merger. KFN's outstanding preferred shares will remain outstanding as preferred shares of KFN following the merger.

Q: **What will I receive in the merger?**

A: If the merger is completed, each of your KFN common shares will be cancelled and converted automatically into the right to receive 0.51 KKR common units. KFN common shareholders will receive cash for any fractional KKR common units that they would otherwise receive in the merger.

Based on the closing price for KKR common units on the New York Stock Exchange, which is referred to in this proxy statement/prospectus as the NYSE, on December 16, 2013, the last trading day prior to the public announcement of the merger agreement, the merger consideration represented approximately $12.79 in value for each KFN common share, implying a 35% premium to KFN's closing price as of December 16, 2013. Based on the closing price of $23.46 for KKR common units on the NYSE on March 20, 2014, the most recent practicable trading day prior to the date of this proxy statement/prospectus, the merger consideration represented approximately $11.96 in value for each KFN common share. Because KFN common shareholders will receive a fixed fraction of a KKR common unit in exchange for each common share of KFN held by such KFN common shareholder, the value of the merger consideration that KFN common shareholders will receive in the merger will depend on the market price of KKR common units at the time the merger is completed. The market price of KKR common units will fluctuate prior to the merger, and the market price of KKR common units when received by KFN common shareholders after the merger is completed could be greater or less than the current market price of KKR common units or the market price of KKR common units at the time of the special meeting. See "Risk Factors" beginning on page 104 of this proxy statement/prospectus.

Q:

What will happen to my KFN options, phantom shares, restricted shares and preferred shares in the merger?

A:

If the merger is completed, each outstanding KFN option to acquire common shares, whether vested or unvested, will be cancelled and converted into the right to receive an amount in cash equal to the excess of (1) the cash value of the number of KKR common units that a holder of a KFN common share would be entitled to receive (determined by reference to the average closing price of a KKR common unit over the 10 trading day period ending on the trading day immediately preceding the closing date), over (2) the exercise price per KFN common share subject to the option immediately prior to the merger. Each KFN phantom share will automatically be converted into the right to receive 0.51 KKR common units for each KFN common share subject to such award, but such KKR common units will remain subject to the terms of the award plan following the merger. Each restricted KFN common share will be automatically converted in the merger into 0.51 restricted KKR common units having the same terms and conditions as applied to such restricted KFN common shares. The board of directors of KFN has the ability under the merger agreement to accelerate the vesting of KFN phantom shares and restricted KFN common shares prior to the effectiveness of the merger. Each preferred share of KFN will remain an outstanding preferred share of KFN, as the surviving entity in the merger, following the merger. See "The Merger Agreement Treatment of Equity Awards" beginning on page 140 of this proxy statement/prospectus.

Q:

What happens if the merger is not completed?

A:

If the merger agreement is not adopted by KFN common shareholders or if the merger is not completed for any other reason, you will not receive any form of consideration for your KFN common shares in connection with the merger. Instead, KFN will remain an independent public company and its common shares will continue to be listed and traded on the NYSE. If the merger agreement is terminated under specified circumstances, KFN may be required to pay Merger Sub or its designee a termination payment of $26,250,000 or to reimburse KKR in respect of certain of its expenses related to the merger, as described under "The Merger Agreement Termination Payment and Expenses" beginning on page 143 of this proxy statement/prospectus.

Q:

Will I continue to receive future distributions on my KFN common shares?

A:

Before completion of the merger, KFN expects to continue to pay distributions to its common and preferred shareholders, depending on market conditions, KFN's liquidity needs, legal and contractual restrictions on the payment of distributions (including a restriction in the merger agreement on KFN paying a quarterly distribution in excess of $0.22 per KFN common share without KKR's consent), the amount of KFN's ordinary taxable income or loss, and gains or losses recognized by KFN. Additionally, the merger agreement provides that KFN and KKR will coordinate the timing of distribution declarations leading up to the merger so that, in any quarter, a holder of KFN common shares will not receive distributions in respect of both its KFN common shares and in respect of the KKR common units that such holder will receive in the merger.

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Receipt of any regular distribution from KFN will not reduce the merger consideration you receive. After completion of the merger, you will be entitled only to distributions on any KKR common units you receive in the merger and hold through the applicable distribution record date.

Q:

What shareholder vote is required for the approval of each proposal?

A:

The following are the vote requirements for the proposals:

Proposal 1: *Adoption of the Merger Agreement.* The affirmative vote of holders of at least a majority of the outstanding KFN common shares entitled to vote thereon, including a majority of the outstanding KFN common shares entitled to vote thereon held by shareholders other than KKR and its affiliates. Accordingly, abstentions and unvoted common shares will have the same effect as votes "AGAINST" the adoption of the merger agreement.

Proposal 2: *Adjournment of the KFN Special Meeting (if necessary).* The affirmative vote of holders of at least a majority of the outstanding KFN common shares entitled to vote thereon present in person or represented by proxy at the special meeting. Accordingly, an abstention on this proposal will have the same effect as a vote "AGAINST" the proposal, although an unvoted common share will have no effect on the proposal assuming that a quorum is present at the special meeting.

Q:

What constitutes a quorum for the special meeting?

A:

The presence, in person or by proxy, of the holders of KFN common shares entitled to cast a majority of all the votes entitled to be cast at the special meeting will constitute a quorum.

Q:

When is this proxy statement/prospectus being mailed?

A:

This proxy statement/prospectus and the proxy card are first being sent to KFN common shareholders on or about March 24, 2014.

Q:

Who is entitled to vote at the special meeting?

A:

All holders of KFN common shares who hold such shares at the close of business on the record date for the special meeting (February 26, 2014) are entitled to receive notice of and to vote at the special meeting provided that such shares remain outstanding on the date of the special meeting. As of the close of business on the record date, there were 204,824,159 KFN common shares outstanding. Each KFN common share is entitled to one vote.

Holders of KFN preferred shares are not entitled to vote at the special meeting and no vote of KFN's preferred shares is necessary for the completion of the merger.

Q:

When and where is the special meeting?

A:

The special meeting will be held at The Bently Reserve, Gateway Room, 301 Battery Street, San Francisco, California 94111, on April 30, 2014 at 9:00 a.m., local time.

Q:

How do I vote my common shares at the special meeting?

A:

If you are entitled to vote at the KFN special meeting and hold your common shares in your own name, you can submit a proxy or vote in person by completing a ballot at the special meeting. However, KFN encourages you to submit a proxy before the special meeting even if you plan to attend the special meeting. A proxy is a legal designation of another person to vote your KFN common shares on your behalf. If you hold common shares in your own name, you may submit a proxy for your common shares by:

- calling the toll-free number specified on the enclosed proxy card and following the instructions when prompted;
- accessing the Internet website specified on the enclosed proxy card and following the instructions provided to you; or
- filling out, signing and dating the enclosed proxy card and mailing it in the prepaid envelope included with these proxy materials.

If you submit a proxy by telephone or the Internet, please do not return your proxy card by mail. See the response to the next question for how to vote common shares held through a broker or other nominee.

Q:

If my common shares are held in "street name" by my broker, will my broker automatically vote my common shares for me?

A:

No. As a KFN common shareholder your broker or other nominee does not have the authority to vote on the merger proposal. Your broker or other nominee will vote your common shares held by it in "street name" only if you provide instructions to it on how to vote. You should follow the directions your broker or other nominee provides. If you do not provide voting instructions to your broker or other nominee, your common shares will not be voted. This failure to vote will have the same effect as a vote "AGAINST" the adoption of the merger agreement.

If you hold common shares through a broker or other nominee and wish to vote your common shares in person at the special meeting, you must obtain a proxy from your broker or other nominee and present it to the inspector of election with your ballot when you vote at the special meeting.

Q:

How will my common shares be voted at the special meeting?

A:

If you submit your proxy by telephone, the Internet or by signing and returning your proxy card, the officers named in your proxy card will vote your common shares in the manner you requested if you correctly submitted your proxy. If you sign your proxy card and return it without indicating how you would like to vote your common shares, your proxy will be voted as the KFN board of directors recommends, which is:

- ***Proposal 1:*** "**FOR**" the adoption of the merger agreement; and
- ***Proposal 2:*** "**FOR**" the approval of the adjournment of the KFN special meeting, if necessary to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the special meeting.

Q:

Who may attend the special meeting?

A:

KFN common shareholders at the close of business on the record date for the special meeting (February 26, 2014) or their authorized representatives may attend the special meeting.

Q:

Is my vote important?

A:

Yes, your vote is very important. If you do not submit a proxy or vote in person at the special meeting, it will be more difficult for KFN to obtain the necessary quorum to hold the special meeting. In addition, an abstention or your failure to submit a proxy or to vote in person will have the same effect as a vote "AGAINST" the adoption of the merger agreement. If you hold your

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common shares through a broker or other nominee, your broker or other nominee will not be able to cast a vote on the adoption of the merger agreement without instructions from you. The KFN board of directors recommends that you vote "**FOR**" the adoption of the merger agreement.

Q:

Can I revoke my proxy or change my voting instructions?

A:

Yes. You may revoke your proxy and/or change your vote at any time before your proxy is voted at the special meeting. If you are a common shareholder of record, you can do this by:

- sending a duly signed revocation to KFN at 555 California Street, 50^{th} Floor, San Francisco, CA, 94104, Attn: Corporate Secretary, that bears a date later than the date of the proxy you want to revoke and is received prior to the special meeting;

- submitting a valid, later-dated proxy by mail, telephone or Internet that is received prior to the special meeting; or

- attending the special meeting and voting by ballot in person (your attendance at the special meeting will not, by itself, revoke any proxy that you have previously given).

If you hold your KFN common shares through a broker or other nominee, you must follow the directions you receive from your broker or other nominee in order to revoke your proxy or change your voting instructions.

Q:

What happens if I sell my common shares after the record date but before the special meeting?

A:

The record date for the special meeting (the close of business on February 26, 2014) is earlier than the date of the special meeting and the date that the merger is expected to be completed. If you sell or otherwise transfer your KFN common shares after the record date but before the date of the special meeting, you will retain your right to vote at the special meeting (unless otherwise agreed between you and the transferee). However, you will not have the right to receive the merger consideration to be received by KFN's common shareholders in the merger. In order to receive the merger consideration, you must hold your common shares through completion of the merger.

Q:

What do I do if I receive more than one set of voting materials?

A:

You may receive more than one set of voting materials for the special meeting, including multiple copies of this proxy statement/prospectus, proxy cards and/or voting instruction forms. This can occur if you hold your common shares in more than one brokerage account, if you hold common shares directly as a record holder and also in "street name," or otherwise through a nominee, and in certain other circumstances. If you receive more than one set of voting materials, we encourage you to vote and/or return each set separately in order to ensure that all of your common shares are voted.

Q:

Am I entitled to appraisal rights if I vote against the adoption of the merger agreement?

A:

No. Appraisal rights, which generally confer on holders of securities who do not vote in favor of or consent to a merger the right to demand payment of fair value for their securities as determined by a court in a judicial proceeding instead of receiving the consideration offered to such holders in connection with the merger, are not available in connection with the merger under the Delaware Limited Liability Company Act or under KFN's Second Amended and Restated Operating Agreement, as amended, which is referred to in this proxy statement/prospectus as KFN's operating agreement.

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Q:

Is completion of the merger subject to any conditions?

A:

Yes. In addition to the adoption of the merger agreement by KFN common shareholders, completion of the merger requires the receipt of the necessary governmental clearances and the satisfaction or, to the extent permitted by applicable law, waiver of the other conditions specified in the merger agreement. For a more complete summary of the conditions that must be satisfied (or, to the extent permitted by applicable law, waived) prior to completion of the merger, see "The Merger Agreement Conditions to Consummation of the Merger" beginning on page 134 of this proxy statement/prospectus.

Q:

When do you expect to complete the merger?

A:

KFN and KKR are working towards completing the merger promptly. KFN and KKR currently expect to complete the merger in the first half of 2014, subject to receipt of KFN shareholder approval, regulatory approvals and clearances and other usual and customary closing conditions. However, no assurance can be given as to when, or if, the merger will occur.

Q:

What are the expected U.S. federal income tax consequences to a KFN common shareholder as a result of the transactions contemplated by the merger agreement?

A:

The merger will be a taxable transaction for U.S. federal income tax purposes. If you are a U.S. holder of KFN common shares, for U.S. federal income tax purposes, your receipt of KKR common units and cash in lieu of fractional units in exchange for your KFN common shares in the merger generally will cause you to recognize gain or loss measured by the difference, if any, between (i) the sum of (A) the fair market value of any KKR common units received, (B) the amount of cash received and (C) your share of KFN's nonrecourse debt immediately prior to the merger and (ii) your adjusted tax basis in your KFN common shares. Any such gain or loss recognized generally will be treated as capital gain or loss and will be long-term capital gain or loss if your holding period for your KFN common shares exceeds one year. However, a portion of any such gain will be treated as ordinary income to the extent attributable to your allocable share of unrealized gain or loss in KFN's assets as described in Section 751 of the U.S. Internal Revenue Code, which is referred to in this proxy statement/prospectus as the Code. If you are a non-U.S. holder of KFN common shares, a portion of any gain recognized by you in the merger (which will be calculated in the same manner described above for a U.S. holder) may be treated for U.S. federal income tax purposes as effectively connected income, and hence you may be subject to U.S. federal income tax on such portion. All holders of KFN common shares should consult their own tax advisor for a full understanding of how the merger will affect their taxes. See "Material U.S. Federal Income Tax Consequences of the Merger" beginning on page 172 of this proxy statement/prospectus for further discussion of the U.S. federal income tax consequences of the merger.

Q:

What are the expected U.S. federal income tax consequences for a KFN common shareholder of the ownership of KKR common units after the merger is completed?

A:

Subject to the requirements below, KKR will be treated, for U.S. federal income tax purposes, as a partnership and not as an association or a publicly traded partnership taxable as a corporation. As a result, a U.S. KKR common unitholder will be subject to U.S. federal, state, local and possibly, in some cases, foreign income taxation on its allocable share of KKR's items of income, gain, loss, deduction and credit (including its allocable share of those items of any entity in which KKR invests that is treated as a partnership or is otherwise subject to tax on a flow-through basis) for each of KKR's taxable years ending with or within the unitholder's taxable year, regardless of whether or when such unitholder receives cash distributions. KKR will be treated, for U.S. federal income tax purposes, as a partnership described above so long as 90% of KKR's gross income for

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each taxable year constitutes qualifying income as defined in Section 7704 of the Code and KKR is not required to register as an investment company under the U.S. Investment Company Act of 1940, as amended, which is referred to in this proxy statement/prospectus as the Investment Company Act, on a continuing basis, assuming there is no change in law.

KKR expects that it will be engaged in a U.S. trade or business for U.S. federal income tax purposes, including by reason of investments in U.S. real property holding corporations, real estate assets and natural resource and oil and gas investments, in which case some portion of KKR's income would be treated as effectively connected income with respect to non-U.S. holders, or ECI. To the extent KKR's income is treated as ECI, non-U.S. KKR common unitholders generally would be subject to withholding tax on their allocable share of such income, would be required to file a U.S. federal income tax return for such year reporting their allocable share of income effectively connected with such trade or business and any other income treated as ECI, and would be subject to U.S. federal income tax at regular U.S. tax rates on any such income (state and local income taxes and filings may also apply in that event). Non-U.S. KKR common unitholders that are corporations may also be subject to a 30% branch profits tax (potentially reduced under an applicable treaty) on their actual or deemed distributions of such income. In addition, distributions to non-U.S. KKR common unitholders that are attributable to profits on the sale of a U.S. real property interest may also be subject to 30% withholding tax. Also, non-U.S. KKR common unitholders may be subject to 30% withholding on allocations of KKR's income that are U.S. source fixed or determinable annual or periodic income under the Code, unless an exemption from or a reduced rate of such withholding applies (under an applicable treaty of the Code) and certain tax status information is provided.

All holders of KFN common shares should consult their own tax advisor for a full understanding of the tax consequences of the ownership of KKR common units after the merger is completed. See "Material U.S. Federal Tax Consequences of KKR Common Unit Ownership" beginning on page 184 of this proxy statement/prospectus for further discussion of the U.S. federal income tax consequences of the ownership of KKR common units.

Q:

What do I need to do now?

A:

Carefully read and consider the information contained in and incorporated by reference into this proxy statement/prospectus, including its annexes. Then, please vote your KFN common shares, which you may do by:

- submitting your proxy by telephone or via the Internet by following the instructions included on your proxy card;

- completing, dating, signing and returning the enclosed proxy card in the accompanying postage-paid envelope; or

- attending the special meeting and voting by ballot in person.

If you hold KFN common shares through a broker or other nominee, please instruct your broker or nominee to vote your KFN common shares by following the instructions that the broker or nominee provides to you with these materials.

Q:

Should I send in my share certificates now?

A:

No. KFN shareholders should not send in their share certificates at this time. After completion of the merger, KKR's exchange agent will send you a letter of transmittal and instructions for exchanging your KFN common shares for the merger consideration. The KKR common units you receive in the merger will be issued in book-entry form.

Q:

Whom should I call with questions?

A:

KFN shareholders should call Innisfree M&A Incorporated, KFN's proxy solicitor, toll-free at (888) 750-5834 (banks and brokers call collect at (212) 750-5833) with any questions about the merger or the special meeting, or to obtain additional copies of this proxy statement/prospectus, proxy cards or voting instruction forms.

SUMMARY

This summary highlights selected information from this proxy statement/prospectus. You are urged to read carefully the entire proxy statement/prospectus and the other documents referred to in this proxy statement/prospectus because the information in this section does not provide all the information that might be *important to you with respect to the merger agreement, the merger and the other matters being considered at the KFN special meeting. See "Where You Can Find More Information" beginning on page 234 of this proxy statement/prospectus.*

The Parties (See page 127)

KKR Financial Holdings LLC

KFN is a Delaware limited liability company whose common shares are publicly traded on the NYSE under the symbol "KFN." KFN is a specialty finance company with expertise in a range of asset classes. The principal executive offices of KFN are located at 555 California Street, 50th Floor, San Francisco, California 94104, and its telephone number is (415) 315-3620.

KKR & Co. L.P.

KKR is a Delaware limited partnership whose common units are publicly traded on the NYSE under the symbol "KKR." KKR is a global investment firm with $94.3 billion in assets under management as of December 31, 2013. The principal executive offices of KKR are located at 9 West 57th Street, Suite 4200, New York, New York 10019, and its telephone number is (212) 750-8300. KKR and its subsidiaries are referred to in this proxy statement/prospectus as the KKR Group.

KKR Fund Holdings L.P.

Fund Holdings is an exempted limited partnership formed under the laws of the Cayman Islands and is a subsidiary of KKR. The principal executive offices of Fund Holdings are located c/o KKR 9 West 57th Street, Suite 4200, New York, New York 10019, and its telephone number is (212) 750-8300.

Copal Merger Sub LLC

Merger Sub is a Delaware limited liability company and is a direct, wholly owned subsidiary of Fund Holdings. The principal executive offices of Merger Sub are located at 9 West 57th Street, Suite 4200, New York, New York 10019, and its telephone number is (212) 750-8300.

The Merger (See page 133)

KFN, KKR, Fund Holdings and Merger Sub have entered into the merger agreement. Subject to the terms and conditions of the merger agreement and in accordance with Delaware law, Merger Sub will be merged with and into KFN, with KFN continuing as the surviving entity. Upon completion of the merger, KFN will be a direct subsidiary of Fund Holdings, and KFN common shares will no longer be publicly traded. KFN's preferred shares will remain outstanding and listed on the NYSE after completion of the merger.

Merger Consideration (See page 140)

The merger agreement provides that, at the effective time of the merger, each KFN common share issued and outstanding immediately prior to the effective time will be converted into the right to receive 0.51 KKR common units. Each KFN common share that is held by Fund Holdings or any subsidiary of Fund Holdings immediately prior to the effective time of the merger will be cancelled without any conversion or payment of consideration in respect thereof.

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KKR will not issue any fractional KKR common units in the merger. Instead, the total number of KKR common units that each KFN common shareholder will receive in the merger will be rounded down to the nearest whole number, and each KFN common shareholder will receive cash, without interest, for any fractional KKR common unit that such person would otherwise receive in the merger.

Treatment of Equity Awards (See page 140)

Options. Each KFN option to purchase a KFN common share that is outstanding and unexercised immediately prior to the effective time of the merger will be cancelled and converted into the right to receive an amount in cash equal to the excess of the cash value of 0.51 KKR common units over the exercise price per KFN common share subject to such option.

Restricted Shares. Each restricted KFN common share that is outstanding immediately prior to the effective time of the merger will be converted into 0.51 restricted KKR common units having the same terms and conditions as applied to such restricted KFN common share immediately prior to the effective time.

Phantom Shares. Each outstanding phantom share under KFN's Non-Employee Directors' Deferred Compensation and Share Award Plan will be converted into a phantom share in respect of 0.51 KKR common units and will otherwise remain subject to the terms of the plan.

KFN Special Shareholder Meeting; Shareholders Entitled to Vote; Vote Required (See page 129)

Meeting. The KFN special meeting will be held at The Bently Reserve, Gateway Room, 301 Battery Street, San Francisco, California 94111, on April 30, 2014, at 9:00 a.m., local time. At the special meeting, KFN common shareholders will be asked to vote on the following proposals:

> ***Proposal 1:*** *Adoption of the Merger Agreement.* The affirmative vote of holders of at least a majority of the outstanding KFN common shares entitled to vote thereon, including a majority of the outstanding KFN common shares entitled to vote thereon held by shareholders other than KKR and its affiliates. Accordingly, abstentions and unvoted shares will have the same effect as votes "AGAINST" the adoption of the merger agreement.

> ***Proposal 2:*** *Adjournment of the KFN Special Meeting (if necessary).* The affirmative vote of holders of at least a majority of the outstanding KFN common shares entitled to vote thereon present in person or represented by proxy at the special meeting. Accordingly, an abstention will have the same effect as a vote "AGAINST" the proposal, although an unvoted share will have no effect on the proposal assuming that a quorum is present at the special meeting.

Record Date. Only KFN common shareholders of record as of the close of business on February 26, 2014 will be entitled to receive notice of and to vote at the special meeting. As of the close of business on the record date of February 26, 2014, there were 204,824,159 KFN common shares outstanding and entitled to vote at the special meeting, including 4,658,021 shares held by KKR and its affiliates. Each holder of a KFN common share is entitled to one vote for each common share owned as of the record date.

Required Vote. To adopt the merger agreement, holders of at least a majority of the outstanding KFN common shares entitled to vote thereon, including a majority of the outstanding KFN common shares entitled to vote thereon held by shareholders other than KKR and its affiliates, must vote in favor of the adoption of the merger agreement. **The merger cannot be completed unless KFN common shareholders adopt the merger agreement**. **Because approval is based on the affirmative vote of at least a majority of the outstanding KFN common shares, a KFN common shareholder's failure to vote, an abstention from voting or the failure of a KFN common shareholder who holds his or her units in**

"street name" through a broker or other nominee to give voting instructions to such broker or other nominee will have the same effect as a vote "AGAINST" the adoption of the merger agreement.

To approve the adjournment of the KFN special meeting, if necessary to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the special meeting, the affirmative vote of holders of at least a majority of the outstanding KFN common shares entitled to vote thereon present in person or represented by proxy at the special meeting is required. Because approval of this proposal is based on the voting power present with respect to such proposal, abstentions will have the same effect as a vote "AGAINST" the proposal, and failures to be present to vote and failures of KFN common shareholders who hold their shares in "street name" through brokers or other nominees to give voting instructions to such brokers or other nominees will have no effect on the vote held on such proposal provided that a quorum is present.

Share Ownership of KFN's Directors and Executive Officers. As of the close of business on the record date for the special meeting, KFN's directors and executive officers beneficially owned and had the right to vote 1,662,070 common shares at the special meeting, representing approximately 0.8% of the KFN common shares entitled to vote at the special meeting.

It is expected that KFN's directors and executive officers will vote their shares "**FOR**" the adoption of the merger agreement and "**FOR**" the proposal to adjourn the special meeting, if necessary, although none of them has entered into any agreement requiring them to do so.

Share Ownership of Affiliates of KKR. As of the close of business on the record date for the special meeting, affiliates of KKR beneficially owned and had the right to vote 4,658,021 common shares at the special meeting, representing approximately 2.3% of the KFN common shares entitled to vote at the special meeting.

It is expected that the affiliates of KKR will vote their shares "**FOR**" the adoption of the merger agreement and "**FOR**" the proposal to adjourn the special meeting, if necessary, although none of them has entered into any agreement requiring them to do so. Any such affirmative vote will not, however, affect the required approval of the proposal to adopt the merger agreement by the affirmative vote of a majority of KFN common shares entitled to vote thereon other than KFN common shares held by KKR and its affiliates.

Recommendation of the KFN Board of Directors and Reasons for the Merger; Fairness of the Merger (See page 38)

The KFN board of directors, upon the unanimous recommendation of a transaction committee consisting solely of independent directors, recommends that KFN shareholders vote "**FOR**" the adoption of the merger agreement.

In the course of reaching its decision to approve the merger agreement and the transactions contemplated by the merger agreement, the KFN board of directors considered a number of factors in its deliberations. For a more complete discussion of these factors, see "Special Factors Recommendation of the KFN Board of Directors and Reasons for the Merger; Fairness of the Merger" beginning on page 38 of this proxy statement/prospectus.

Opinion of the Financial Advisor to the KFN Transaction Committee (See page 42)

Sandler O'Neill & Partners, L.P., referred to in this proxy statement/prospectus as Sandler O'Neill, acted as financial advisor to the transaction committee in connection with the proposed transaction and participated in certain of the negotiations leading to the execution of the merger agreement. At the December 13, 2013 meeting of the transaction committee, Sandler O'Neill delivered to the transaction committee its oral opinion, which was subsequently confirmed in writing on December 16, 2013, that, as of December 16, 2013, the merger consideration was fair to the holders of KFN common shares from a financial point of view**. The full text of Sandler O'Neill's opinion is attached as Annex B to this proxy statement/prospectus. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler O'Neill in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the full text of the opinion. Holders of KFN common shares are urged to read the entire opinion carefully in connection with their consideration of the proposed merger.**

KKR Unitholder Approval is Not Required (See page 101)

KKR unitholders are not required to adopt the merger agreement or approve the merger or the issuance of KKR common units in connection with the merger.

Ownership of KKR after the Merger

Based on the number of outstanding KFN common shares (including restricted shares) outstanding as of March 18, 2014, KKR expects to issue approximately 104.5 million KKR common units to KFN common shareholders pursuant to the merger agreement. The actual number of KKR common units to be issued pursuant to the merger agreement will be determined at the completion of the merger based on the exchange ratio of 0.51 and the number of KFN common shares (including restricted shares) outstanding at that time.

As of March 18, 2014, KKR Holdings L.P., which is referred to in this proxy statement/prospectus as KKR Holdings, owns 393,357,457 partnership interests of each of KKR Management Holdings L.P. and Fund Holdings (the holding companies of the KKR business) which are referred to, together, in this proxy statement/prospectus as the KKR Group Partnerships. These partnership interests are referred to in this proxy statement/prospectus as the KKR Group Partnership units, and may be collectively exchanged, on a quarterly basis, for KKR common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications.

As of March 18, 2014, KKR had 300,354,288 of its common units outstanding, which excludes KKR common units beneficially owned by KKR Holdings through its ownership of KKR Group Partnership units, KKR common units available for future issuances under the KKR & Co. L.P. 2010 Equity Incentive Plan and KKR common units available for future issuance in connection with KKR's acquisitions. Based on the number of KKR common units outstanding as of March 18, 2014 referenced in the immediately preceding sentence, it is anticipated that, immediately after the completion of the merger, former KFN common shareholders will own approximately 25.8% of the outstanding KKR common units. However, assuming all of the KKR Group Partnership units held by KKR Holdings as of March 18, 2014 were exchanged into KKR common units prior to the merger, it is anticipated that, immediately after the completion of the merger, former KFN common shareholders will own approximately 13.1% of the outstanding KKR common units. See " Organizational Chart" for a simplified diagram showing KKR's organizational structure.

Holders of KKR common units do not elect KKR's managing partner or its board of directors and, unlike the holders of KFN's common shares with respect to KFN, have only limited voting rights on matters affecting KKR's business and therefore limited ability to influence decisions regarding KKR's business, which is run by its managing partner. See "Comparison of KKR Common Units and KFN Common Shares" beginning on page 212 of this proxy statement/prospectus.

Interests of Directors and Executive Officers of KFN in the Merger (See page 98)

KFN's executive officers and directors have interests in the merger that are different from, or in addition to, their interests as common shareholders of KFN. The members of the KFN board of directors were aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and in recommending to KFN's common shareholders that the merger agreement be adopted. KFN's executive officers (including any executive officers who are members of the KFN board of directors) did not participate in the vote by the KFN board of directors relating to the merger. The merger agreement provides for the conversion of KFN restricted common shares and KFN phantom shares into awards in respect of KKR common units, with the number of KFN common shares underlying such converted awards to be adjusted on the same basis as KFN common shares. In addition, KFN's executive officers and directors are entitled to continued exculpation, indemnification, expense advancement rights and insurance coverage under indemnification agreements and the merger agreement. These different interests are described under "Special Factors Interests of Directors and Executive Officers of KFN in the Merger" beginning on page 98 of this proxy statement/prospectus.

Risks Relating to the Merger and Ownership of KKR Common Units (See page 104)

KFN common shareholders should consider carefully all the risk factors, together with all of the other information included or incorporated by reference, in this proxy statement/prospectus before deciding how to vote. Risks relating to the merger and the ownership of KKR common units are described in the section titled "Risk Factors" beginning on page 104 of this proxy statement/prospectus. Some of these risks include, but are not limited to, those described below:

- Because the exchange ratio is fixed, KFN common shareholders cannot be sure of the market value of the KKR common units they will receive as merger consideration relative to the value of the KFN common shares they exchange.

- KFN and KKR may be unable to obtain the regulatory clearances and approvals required to complete the merger or may be required to comply with material restrictions or satisfy material conditions.

- The merger agreement contains provisions that limit KFN's ability to pursue alternatives to the merger and, in specified circumstances, could require KFN to pay a termination payment of $26,250,000 to Merger Sub or its designee.

- Executive officers and directors of KFN have certain interests that are different from those of KFN common shareholders generally. See "Special Factors Interests of Directors and Executive Officers of KFN in the Merger" beginning on page 98 of this proxy statement/prospectus.

- KFN common shareholders will have a reduced ownership interest and will not have a voting interest in most matters after the merger and will exercise materially less or no influence over management.

- KKR common units to be received by KFN common shareholders as a result of the merger have materially different rights than KFN common shares.

- KFN common shareholders are expected to recognize taxable income or gain for U.S. federal income tax purposes as a result of the merger.

- KKR is an affiliate of KFN's external manager, which provides executive officers and other services to KFN.

Material U.S. Federal Income Tax Consequences of the Merger (See page 172)

The merger will be a taxable transaction for U.S. federal income tax purposes. If you are a U.S. holder of KFN common shares, for U.S. federal income tax purposes, your receipt of KKR common units and cash in lieu of fractional units in exchange for your KFN common shares in the merger generally will cause you to recognize gain or loss measured by the difference, if any, between (i) the sum of (a) the fair market value of any KKR common units received, (b) the amount of cash received and (c) your share of KFN's nonrecourse debt immediately prior to the merger and (ii) your adjusted

tax basis in your KFN common shares. Any such gain or loss recognized generally will be treated as capital gain or loss and will be long-term capital gain or loss if your holding period for your KFN common shares exceeds one year. However, a portion of any such gain will be treated as ordinary income to the extent attributable to your allocable share of unrealized gain or loss in KFN's assets to the extent described in Section 751 of the Code. If you are a Non-U.S. holder of KFN common shares, a portion of any gain recognized by you in the merger (which will be calculated in the same manner described above for a U.S. holder) may be treated for U.S. federal income tax purposes as effectively connected income, and hence you may be subject to U.S. federal income tax on such portion. All holders of KFN common shares should consult their own tax advisor for a full understanding of how the merger will affect their taxes. See "Material U.S. Federal Income Tax Consequences of the Merger" beginning on page 172 of this proxy statement/prospectus for further discussion of the U.S. federal income tax consequences of the merger.

Accounting Treatment of the Merger (See page 100)

The merger will be accounted for by KKR using the acquisition method of accounting. Under this method of accounting, the purchase price will be allocated to the fair value of the net assets acquired at the date of completion of the merger. The excess purchase price over the fair value of the net assets acquired will be recorded as goodwill.

Listing of KKR Common Units; Delisting and Deregistration of KFN Common Shares (See page 101)

KKR common units are currently listed on the NYSE under the ticker symbol "KKR." It is a condition to closing of the merger that the KKR common units to be issued in the merger to KFN common shareholders be approved for listing on the NYSE, subject to official notice of issuance.

KFN's common shares are currently listed on the NYSE under the ticker symbol "KFN." If the merger is completed, KFN's common shares will cease to be listed on the NYSE and will be deregistered under the Exchange Act.

No Appraisal Rights (See page 99)

Under Delaware law and pursuant to KFN's operating agreement, KFN common shareholders will not have appraisal rights in connection with the merger.

Conditions to Consummation of the Merger (See page 134)

KKR and KFN currently expect to complete the merger in the first half of 2014, subject to receipt of required KFN shareholder approval and regulatory approvals and clearances and subject to the satisfaction or waiver of the other conditions to the merger described below.

As more fully described in this proxy statement/prospectus, each party's obligation to complete the merger depends on a number of conditions being satisfied or, to the extent permitted by applicable law, waived, including the following:

- the merger agreement must have been adopted by the affirmative vote of the holders of at least a majority of the outstanding KFN common shares entitled to vote thereon on the record date, including the holders of a majority of the outstanding KFN common shares other than those KFN common shares held by KKR or any affiliate of KKR;

- the waiting period applicable to the merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which is referred to in this proxy statement/prospectus as the HSR Act, must have been terminated or expired, and all consents required under any other antitrust law must have been obtained or any applicable waiting period thereunder must have been terminated or expired;

- there must be no outstanding judgment, injunction, order or decree of a competent U.S. federal or state governmental authority prohibiting or enjoining the completion of the merger or the other transactions contemplated by the merger agreement;

- the registration statement of which this proxy statement/prospectus forms a part must have been declared effective by the SEC and must not be subject to a stop order or similar restraining order by the SEC; and

- the KKR common units to be issued in the merger must have been approved for listing on the NYSE, subject to official notice of issuance.

The obligations of each of KKR, Fund Holdings and Merger Sub to effect the merger are subject to the satisfaction or waiver of the following additional conditions:

- the representations and warranties of KFN in the merger agreement being true and correct both when made and at and as of the date of the closing of the merger, subject to certain standards, including materiality and material adverse effect qualifications, as described under "The Merger Agreement Conditions to Consummation of the Merger" beginning on page 134 of this proxy statement/prospectus;

- KFN having performed in all material respects all obligations required to be performed by it under the merger agreement at or before the closing;

- there not having occurred any events that, individually or in the aggregate, constitute a material adverse effect with respect to KFN since the date of the merger agreement;

- the receipt of an officer's certificate executed by an executive officer of KFN certifying that the three preceding conditions have been satisfied;

- the receipt of a payoff letter reasonably acceptable to KKR with respect to the termination of KFN's existing $150 million credit facility and any amounts outstanding thereunder (under which $75.0 million of borrowings were outstanding as of December 31, 2013); and

- receipt of a statement in accordance with Treasury Regulation Section 1.1445-11T(d)(2) certifying that 50% or more of the value of the gross assets of KFN does not consist of U.S. real property interests, or that 90% or more of the value of the gross assets of KFN does not consist of U.S. real property interests plus cash or cash equivalents.

The obligations of KFN to effect the merger are subject to the satisfaction or waiver of the following additional conditions:

- the representations and warranties of KKR in the merger agreement being true and correct both when made and at and as of the date of the closing of the merger, subject to certain standards, including materiality and material adverse effect qualifications, as described under "The Merger Agreement Conditions to Consummation of the Merger" beginning on page 134 of this proxy statement/prospectus;

- each of KKR, Fund Holdings and Merger Sub having performed in all material respects, all obligations required to be performed by it under the merger agreement at or before the closing;

there not having occurred any events that, individually or in the aggregate, constitute a material adverse effect with respect to KKR since the date of the merger agreement; and

the receipt of an officer's certificate executed by an executive officer of KKR certifying that the three preceding conditions have been satisfied.

Regulatory Approvals and Clearances Required for the Merger (See page 100)

Consummation of the merger is subject to the expiration or termination of the waiting period under the HSR Act applicable to the merger. On February 20, 2014, KKR and KFN each filed a notification and report form under the HSR Act with the Antitrust Division of the Department of Justice, which is referred to in this proxy statement/prospectus as the Antitrust Division, and the Federal Trade Commission, which is referred to in this proxy statement/prospectus as the FTC. On March 6, 2014, the FTC granted early termination of the waiting period under the HSR Act. See "Special Factors Regulatory Approvals and Clearances Required for the Merger" beginning on page 100 of this proxy statement/prospectus.

No Solicitation by KFN of Alternative Proposals (See page 137)

Under the merger agreement, KFN has agreed that it will not, and it will use reasonable best efforts to cause its and its subsidiaries' directors, officers, employees, agents, investment bankers, attorneys, accountants and other representatives not to, directly or indirectly, except as otherwise permitted by the merger agreement:

- initiate or solicit or knowingly encourage any inquiries with respect to, or the making of, an acquisition proposal;
- engage in any negotiations concerning, or provide any confidential information or data to any person relating to, an acquisition proposal;
- approve or recommend, or propose publicly to approve or recommend, any acquisition proposal;
- approve or recommend, or propose publicly to approve or recommend, or execute or enter into, any letter of intent, agreement in principle, merger agreement, acquisition agreement, option agreement or other similar agreement relating to any acquisition proposal; or
- propose publicly or agree to do any of the foregoing relating to any acquisition proposal.

In addition, the merger agreement requires KFN and its subsidiaries to (1) cease and cause to be terminated any existing activities, discussions or negotiations with any person conducted prior to the date of the merger agreement with respect to an acquisition proposal and (2) request that each third party that executed a confidentiality agreement that relates to an acquisition proposal before the date of the merger agreement return or destroy all confidential information furnished to the third party by KFN or on its behalf before the date of the merger agreement.

Notwithstanding these restrictions, the merger agreement provides that, under specified circumstances at any time before KFN shareholders vote in favor of the adoption of the merger agreement, if KFN receives a written unsolicited bona fide acquisition proposal after the date of the merger agreement that the board of directors of KFN has determined in good faith, after consultation with its outside legal counsel and financial advisors (1) constitutes a superior proposal (as described below) or (2) could reasonably be expected to result in a superior proposal, KFN may:

- furnish nonpublic information to a third party that makes an acquisition proposal, if, before furnishing the information, KFN receives an executed confidentiality agreement with provisions no less restrictive to the third party with respect to the use or disclosure of nonpublic information than the confidentiality agreement in effect between KFN and KKR; and
- engage in discussions or negotiations with the third party with respect to the acquisition proposal.

KFN has also agreed in the merger agreement that it will promptly orally notify KKR of any request for information or any inquiries, proposals or offers relating to an acquisition proposal indicating, in connection with the notice, the name of the person making the request, inquiry, proposal

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or offer and the material terms and conditions of any proposals or offers, and that it will provide to KKR written notice of any inquiry, proposal or offer within 24 hours of the request or inquiry, proposal or offer and copies of any written or electronic correspondence to or from any person making an acquisition proposal. KFN is required to keep KKR informed orally, as soon as reasonably practicable, of the status of any acquisition proposal, including with respect to the status and terms of any proposal or offer and whether any proposal or offer has been withdrawn or rejected, and to provide to KKR written notice of any withdrawal or rejection and copies of any written proposals or requests for information within 24 hours. KFN has also agreed to provide any information to KKR (not previously provided to KKR) that it provides to another person pursuant to these provisions at substantially the same time it provides the information to the other person.

Change in KFN Board Recommendation (See page 138)

The merger agreement provides that the KFN board of directors will not, directly or indirectly, withdraw, modify or qualify, in a manner adverse to KKR, the KFN board of directors' recommendation that KFN's common shareholders adopt the merger agreement or approve, adopt or recommend, or publicly propose to approve, adopt or recommend, any alternative acquisition proposal.

Notwithstanding the above, subject to certain procedural requirements and limitations as provided for in the merger agreement and described under "The Merger Agreement Change in KFN Board Recommendation" beginning on page 138 of this proxy statement/prospectus, if KFN receives a written unsolicited bona fide acquisition proposal or in response to an intervening event, the KFN board of directors may effect a change of recommendation under certain circumstances.

Termination of the Merger Agreement (See page 142)

KKR or KFN may terminate the merger agreement at any time prior to the closing, whether before or after KFN common shareholders have approved the merger agreement:

- by mutual written consent;

- if there is any law or regulation that makes completion of the merger illegal or otherwise prohibited, or if any judgment, injunction, order or decree of a competent U.S. federal or state governmental authority enjoining the parties from completing the merger is entered and has become final and nonappealable;

- if the merger is not completed on or before September 16, 2014;

- if KFN common shareholders do not adopt the merger agreement at the special meeting (including any adjournment or postponement of the special meeting); or

- if the other party has materially breached any of its representations, warranties, covenants or agreements contained in the merger agreement, or if any fact, circumstance, event, change, occurrence or effect has occurred, which breach or fact, circumstance, event, change, occurrence or effect would result in the failure of certain closing conditions to be satisfied on or prior to September 16, 2014, and the breach or fact, circumstance, event, change, occurrence or effect is not capable of being cured or is not cured by the earlier of (1) 30 business days after written notice is received by the party alleged to be in breach or with respect to which a fact, circumstance, event, change, occurrence or effect is alleged to have occurred and (2) September 16, 2014.

In addition, KKR may terminate the merger agreement if, at any time before KFN common shareholders have adopted the merger agreement:

- a change of recommendation has occurred; or

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an alternative acquisition proposal in respect of KFN is publicly announced or disclosed (or any person publicly announces an intention (whether or not conditional) to make an acquisition proposal) after the date of the merger agreement and the board of directors of KFN fails to affirm the recommendation in favor of the adoption of the merger agreement during the time periods required under the merger agreement.

In addition, KFN may terminate the merger agreement at any time before KFN common shareholders have adopted the merger agreement in order to enter into a definitive written agreement with respect to a superior proposal provided that KFN has complied in all material respects with its obligations under described under "The Merger Agreement No Solicitation by KFN of Alternative Proposals" and "The Merger Agreement Change in KFN Board Recommendation" beginning on pages 139 and 140, respectively, of this proxy statement/prospectus and pays the applicable termination payment described herein.

Expenses and Termination Payments Relating to the Merger (See page 143)

Generally, all fees and expenses incurred in connection with the merger will be the obligation of the respective party incurring such fees and expenses, except that (1) expenses incurred in connection with filing, printing and mailing of the registration statement of which this proxy statement/prospectus forms a part and this proxy statement/prospectus (including filing fees) will be shared equally by Fund Holdings and KFN and (2) KKR will be responsible for all filing fees under the HSR Act and other antitrust laws.

Following termination of the merger agreement under specified circumstances, KFN may be required to pay Merger Sub or its designee (unless the payment obligation is waived by Merger Sub) a termination payment of $26,250,000 or to reimburse KKR for its merger-related expenses not to exceed $7.5 million.

The parties agreed that the amount of KFN's third-party expenses accrued in the fourth quarter of 2013 in connection with the consideration by KFN of the KKR acquisition proposal would reduce the amount of management fees paid by KFN to a subsidiary of KKR under the management agreement in an amount equal to such third-party expenses paid.

Comparison of KKR Common Units and KFN Common Shares (See page 212)

KFN common shareholders receiving KKR common units in the merger will have materially different rights once they become holders of KKR's common units due to differences between the governing documents of KFN and the governing documents of KKR. These differences are described in more detail under "Comparison of KKR Common Units and KFN Common Shares" beginning on page 212.

Litigation Relating to the Merger (See page 101)

Fifteen putative stockholder class action lawsuits, referred to in this proxy statement/prospectus as the merger lawsuits, were filed against KFN and certain other defendants in connection with KFN's entering into the merger agreement. Five of the merger lawsuits were filed in the Superior Court of California, County of San Francisco; one of the merger lawsuits was filed in the United States District Court for the District of Northern California; and nine of the merger lawsuits were filed in the Court of Chancery of the State of Delaware. The five California state court actions have been consolidated. The plaintiff in the federal action has moved for an order scheduling a preliminary injunction hearing and authorizing expedited discovery, but later withdrew his motion for expedited discovery; the defendants have not been served in the federal action. Two of the Delaware court actions were voluntarily dismissed, and the remaining seven Delaware court actions were consolidated. All defendants have moved to dismiss the complaint filed in the consolidated Delaware action. Each of the

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merger lawsuits was filed on behalf of a putative class of KFN common shareholders against KFN, the individual members of KFN's board of directors, KKR, Fund Holdings, and Merger Sub. The merger lawsuits allege variously that the members of the KFN board of directors breached their fiduciary duties owed to KFN common shareholders by approving the proposed merger for inadequate consideration; approving the transaction in order to obtain benefits not equally shared by other KFN common shareholders; entering into the merger agreement containing preclusive deal protection devices; failing to take steps to maximize the value to be paid to the KFN common shareholders; and failing to disclose material information necessary for KFN common shareholders to make a fully informed decision about the proposed merger. The merger lawsuits also seek to state claims against KFN, KKR, Fund Holdings, and Merger Sub for aiding and abetting these alleged breaches of fiduciary duties. In addition, certain of the complaints allege that KKR controlled KFN by means of a management agreement between KFN and KKR Financial Advisors LLC, and that, as a consequence, KKR breached fiduciary duties it owed to KFN common shareholders by causing KFN to approve the merger agreement. The relief sought by the plaintiffs in the merger lawsuits includes, among other things, declaratory and injunctive relief concerning the alleged breaches of fiduciary duties, injunctive relief prohibiting the consummation of the acquisition, rescission, an accounting by defendants, damages and attorneys' fees and costs, and other relief.

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Organizational Chart

The following diagram depicts a simplified organizational structure of KKR following the merger.

(1) KKR Management LLC serves as the general partner of KKR, which is governed by a board of directors consisting of a majority of independent directors. KKR Management LLC does not hold any economic interests in KKR and is owned by senior KKR principals.

(2) KKR Holdings is the holding vehicle through which KKR principals and other persons indirectly own their interests in KKR's business through ownership of KKR Group Partnership units. As of March 18, 2014, KKR Holdings and KKR held 56.7% and 43.3%, respectively, of the KKR Group Partnership units. KKR Group Partnership units held by KKR Holdings represent interests in KKR's business that are not attributable to holders of KKR common units. KKR Group Partnership units that are held by KKR Holdings are exchangeable for KKR common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit

distributions and reclassifications and compliance with applicable vesting and transfer restrictions. As limited partner interests, these KKR Group Partnership units are non-voting and do not entitle KKR Holdings to participate in the management of KKR's business and affairs.

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(3)

KKR Holdings holds special non-economic voting units in KKR that entitle it to cast, with respect to those limited matters that may be submitted to a vote of KKR's unitholders, a number of votes equal to the number of KKR Group Partnership units that it holds from time to time.

(4)

Because the income of KKR Management Holdings L.P. is likely to be primarily non-qualifying income for purposes of the qualifying income exception to the publicly traded partnership rules, KKR formed KKR Management Holdings Corp., which is subject to taxation as a corporation for U.S. federal income tax purposes, to hold its KKR Group Partnership units in KKR Management Holdings L.P. Accordingly, KKR's allocable share of the taxable income of KKR Management Holdings L.P. will be subject to taxation at a corporate rate. KKR Management Holdings L.P., which is treated as a partnership for U.S. federal income tax purposes, was formed to hold interests in KKR's fee generating businesses and other assets that may not generate qualifying income for purposes of the qualifying income exception to the publicly traded partnership rules. Fund Holdings, which is also treated as a partnership for U.S. federal income tax purposes, was formed to hold interests in KKR's businesses and assets that will generate qualifying income for purposes of the qualifying income exception to the publicly traded partnership rules.

(5)

40% of the carried interest earned in relation to KKR's investment funds and carry paying co-investment vehicles is allocated to a carry pool from which carried interest is allocated to KKR principals, other professionals and selected other individuals who work in these operations, thereby reducing the amount of carried interest allocable to KKR Holdings and holders of KKR common units.

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Selected Historical Consolidated Financial Data of KKR

The following tables set forth KKR's selected historical consolidated and combined financial data as of and for the years ended December 31, 2013, 2012, 2011, 2010 and 2009. The historical consolidated financial data as of December 31, 2013 and 2012 and for each of the years ended December 31, 2013, 2012 and 2011 are derived from KKR's audited consolidated financial statements contained in KKR's Annual Report on Form 10-K for the year ended December 31, 2013, which has been incorporated by reference in this proxy statement/prospectus. The historical consolidated and combined financial data as of December 31, 2011, 2010 and 2009 and for the years ended December 31, 2010 and 2009 are derived from KKR's audited consolidated and combined financial statements that are not included or incorporated by reference in this proxy statement/prospectus. The following information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and notes thereto set forth in KKR's Annual Report on Form 10-K for the year ended December 31, 2013 incorporated by reference in this proxy statement/prospectus. See "Where You Can Find More Information" beginning on page 234 of this proxy statement/prospectus.

	Year Ended December 31,				
	2013	2012	2011	2010	2009(1)
	($ in thousands, except unit and per unit data)				
Statement of Operations Data:					
Fees	$ 762,546	$ 568,442	$ 723,620	$ 435,386	$ 331,271
Less: Total Expenses	1,767,138	1,598,788	1,214,005	1,762,663	1,195,710
Total Investment Income (Loss)	8,896,746	9,101,995	1,456,116	9,179,108	7,753,808
Income (Loss) Before Taxes	7,892,154	8,071,649	965,731	7,851,831	6,889,369
Income Taxes	37,926	43,405	89,245	75,360	36,998
Net Income (Loss)	7,854,228	8,028,244	876,486	7,776,471	6,852,371
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	62,255	34,963	4,318		
Net Income (Loss) Attributable to Noncontrolling Interests	7,100,747	7,432,445	870,247	7,443,293	6,002,686
Net Income (Loss) Attributable to KKR & Co. L.P.(2)	$ 691,226	$ 560,836	$ 1,921	$ 333,178	$ 849,685

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	Year Ended December 31, 2013	2012	2011	2010	October 1, 2009 through December 31, 2009
	($ in thousands, except unit and per unit data)				
Net Loss Attributable to KKR & Co. L.P.					$ (78,221)
Distributions Declared per KKR & Co. L.P. Common Unit	$ 1.40	$ 1.22	$ 0.74	$ 0.60	$ 0.08
Net Income (Loss) Attributable to KKR & Co. L.P. Per Common Unit					
Basic	$ 2.51	$ 2.35	$ 0.01	$ 1.62	$ (0.38)
Diluted	$ 2.30	$ 2.21	$ 0.01	$ 1.62	$ (0.38)
Weighted Average Common Units Outstanding					
Basic	274,910,628	238,503,257	220,235,469	206,031,682	204,902,226
Diluted	300,254,090	254,093,160	222,519,174	206,039,244	204,902,226
Statement of Financial Condition Data (period end):					
Total Assets	$ 51,427,201	$ 44,426,353	$ 40,377,645	$ 38,391,157	$ 30,221,111
Total Liabilities	$ 4,842,383	$ 3,020,899	$ 2,692,995	$ 2,391,115	$ 2,859,630
Redeemable Noncontrolling Interests	$ 627,807	$ 462,564	$ 275,507	$	$
Noncontrolling Interests	$ 43,235,001	$ 38,938,531	$ 36,080,445	$ 34,673,549	$ 26,347,632
Total KKR & Co. L.P. Partners' Capital(3)	$ 2,722,010	$ 2,004,359	$ 1,328,698	$ 1,326,493	$ 1,013,849

(1) The financial information reported for periods prior to October 1, 2009 does not give effect to the acquisition of all of the assets and liabilities of KKR & Co. (Guernsey) L.P., formerly known as KKR Private Equity Investors L.P., by affiliates of KKR on October 1, 2009 and the related reorganization of KKR's business into a holding company structure in connection with such acquisition. The acquisition of such assets and liabilities and the related reorganization of KKR's business into a holding company structure is referred to in this proxy statement/prospectus as the KPE Transaction.

(2) Subsequent to the KPE Transaction, net income (loss) attributable to KKR reflects only those amounts that are allocable to KKR's interest in the business. Net income (loss) that is allocable to KKR Holdings' interest in the business is reflected in net income (loss) attributable to noncontrolling interests.

(3) Total KKR partners' capital reflects only the portion of equity attributable to KKR. KKR Holdings' interest in the KKR Group Partnerships is reflected as noncontrolling interests and is not included in the total KKR partners' capital.

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Selected Historical Consolidated Financial Data of KFN

The following historical consolidated financial data as of December 31, 2013 and 2012 and for each of the years ended December 31, 2013, 2012 and 2011 are derived from KFN's audited consolidated financial statements contained in KFN's Annual Report on Form 10-K for the year ended December 31, 2013, which has been incorporated by reference in this proxy statement/prospectus. The following historical consolidated financial data as of December 31, 2011, 2010 and 2009 and for the years ended December 31, 2010 and 2009 are derived from KFN's audited consolidated financial statements that are not included or incorporated by reference in this proxy statement/prospectus. You should read the following data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the related notes thereto set forth in KFN's Annual Report on Form 10-K for the year ended December 31, 2013 incorporated by reference in this proxy statement/prospectus. See "Where You Can Find More Information" beginning on page 234 of this proxy statement/prospectus.

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	($ in thousands, except per share data)				
Consolidated Statements of Operations Data					
Total revenues	$ 545,906	$ 555,473	$ 542,021	$ 505,359	$ 572,725
Total investment costs and expenses	305,705	318,375	215,162	188,952	329,169
Total other income (loss)	150,925	205,822	93,447	143,352	(96,275)
Total other expenses	97,429	98,157	94,223	87,993	70,061
Income before income taxes	293,697	344,763	326,083	371,766	77,220
Income tax expense (benefit)	467	(3,467)	8,011	702	284
Net income	293,230	348,230	318,072	371,064	76,936
Preferred share distributions	27,411				
Net income available to common shareholders	265,819	348,230	318,072	371,064	76,936
Distributions declared per common share	$ 0.90	$ 0.86	$ 0.67	$ 0.43	$ 0.05
Consolidated Balance Sheet Data					
Cash and cash equivalents	$ 157,167	$ 237,606	$ 392,154	$ 313,829	$ 97,086
Restricted cash and cash equivalents	350,385	896,396	399,620	571,425	342,706
Securities	573,312	533,520	922,603	932,823	803,258
Corporate loans, net	6,466,720	5,947,857	6,443,399	6,321,444	6,543,643
Residential mortgage loans					2,097,699
Equity investments, at estimated fair value	181,212	161,621	189,845	99,955	120,269
Oil and gas properties, net	400,369	289,929	138,525	33,797	
Interests in joint ventures and partnerships	436,241	149,534			
Total assets	8,717,198	8,358,879	8,647,228	8,418,412	10,300,005
Total borrowings	6,020,465	6,338,407	6,778,208	6,642,455	8,970,591
Total liabilities	6,189,464	6,519,757	6,971,396	6,775,364	9,133,347
Total shareholders' equity	2,527,734	1,839,122	1,675,832	1,643,048	1,166,658
Book value per common share	$ 10.58	$ 10.31	$ 9.41	$ 9.24	$ 7.37

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Ratio of Earnings to Fixed Charges and Ratio of Earnings to Fixed Charges and Preferred Share Distributions of KFN

The following table presents KFN's ratio of earnings to fixed charges and ratio of earnings to fixed charges and preferred share distributions for the fiscal periods indicated. For purposes of determining the ratio of earnings to fixed charges, earnings are defined as earnings before income taxes and fixed charges. Fixed charges consist of interest expense.

	Year Ended December 31,	
	2013	2012
	($ in thousands, except ratios)	
Earnings:		
Income before income taxes	$ 293,697	$ 348,230
Add: Fixed charges from below	190,159	216,608
Total earnings before income taxes and fixed charges	$ 483,856	$ 564,838
Fixed charges:		
Interest expense	$ 190,159	$ 216,608
Total fixed charges	$ 190,159	$ 216,608
Ratio of earnings to fixed charges	2.5x	2.6x
Total fixed charges	$ 190,159	$ 216,608
Preferred share distributions	27,411	
Total fixed charges and preferred share distributions	$ 217,570	$ 216,608
Ratio of earnings to fixed charges and preferred share distributions	2.2x	2.6x

Unaudited Comparative Per Unit Information

The following table summarizes unaudited per common unit/share data for (i) KKR and KFN on a historical basis for the years ended December 31, 2013 and 2012, (ii) KKR on a pro forma combined basis giving effect to the proposed transactions (collectively referred to in this proxy statement/prospectus as the pro forma events) and (iii) KFN on a pro forma equivalent basis based on the exchange ratio of 0.51 KKR common units for each KFN common share. It has been assumed for purposes of the unaudited pro forma condensed combined financial information provided below that the pro forma events occurred on January 1, 2012 for earnings per common unit purposes and on December 31, 2013 for book value per common unit purposes. The historical earnings per common unit/share information should be read in conjunction with the historical consolidated financial statements and notes thereto of KKR and KFN incorporated by reference into this proxy statement/prospectus. See "Where You Can Find More Information" on page 234 of this proxy statement/prospectus. The unaudited pro forma combined earnings per share information is derived from, and should be read in conjunction with, the section entitled "Unaudited Pro Forma Condensed Combined Financial Statements" and related notes included in this proxy statement/prospectus beginning on page 151. The pro forma information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the pro forma

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events had occurred as of the beginning of the periods presented, nor is it necessarily indicative of the future operating results or financial position of the combined company.

	As of / For the Year Ended December 31, 2013	As of / For the Year Ended December 31, 2012
KKR Historical per Common Unit Data:		
Net income (loss) attributable to KKR & Co. L.P. Basic	$ 2.51	$ 2.35
Net income (loss) attributable to KKR & Co. L.P. Diluted	2.30	2.21
Book Value(1)	9.45	7.91
KFN Historical per Common Share Data:		
Net income (loss) Basic	1.31	1.95
Net income (loss) Diluted	1.31	1.87
Book Value(1)	10.58	10.31
Unaudited Pro Forma Combined per KKR Common Unit Data:		
Net income (loss) attributable to KKR & Co. L.P. Basic(2)	2.48	2.49
Net income (loss) attributable to KKR & Co. L.P. Diluted(2)	2.32	2.38
Book Value(1)	13.70	N/A
Unaudited Pro forma Equivalent per KFN Common Share Data:		
Net income (loss) Basic(3)	1.26	1.27
Net income (loss) Diluted(3)	1.18	1.21
Book Value(1)(3)	6.99	N/A

(1) Historical book value per common unit/share is computed by dividing total partners' capital/common shareholders' equity by the number of KKR common units or KFN common shares, as applicable, outstanding as of December 31, 2013 and 2012. Pro forma combined book value per common unit is computed by dividing pro forma partners' capital by the pro forma number of KKR common units that would have been outstanding as of December 31, 2013. Pro forma book value per common unit/share as of December 31, 2012 is not meaningful as the estimated pro forma adjustments were calculated as of December 31, 2013.

(2) The pro forma net income (loss) per common unit of the combined company are calculated by dividing the pro forma income (loss) by the pro forma weighted average number of common units outstanding.

(3) The pro forma equivalent share amounts were calculated by multiplying the pro forma combined per share amounts by the exchange ratio in the merger (0.51 KKR common units for each KFN common share). This information shows how each KFN common share would have participated in the combined company's net income (loss) and book value if the pro forma events had occurred on the relevant dates.

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Comparative Unit Prices and Distributions

KKR common units are currently listed on the NYSE under the ticker symbol "KKR." KFN common shares are currently listed on the NYSE under the ticker symbol "KFN." The table below sets forth, for the calendar quarters indicated, the high and low sale prices per KKR common unit on the NYSE and per KFN common share on the NYSE. The table also shows the amount of cash distributions declared on KKR common units and KFN common shares, respectively, in the calendar quarters indicated. The amount of cash distributions declared on KKR common units and KFN common shares in any calendar quarter shown in the table below relate to the earnings of KKR and KFN, respectively, for the immediately preceding calendar quarter.

	KKR Common Units			KFN Common Shares		
	High	Low	Cash Distributions	High	Low	Cash Distributions
2014 (through March 20, 2014)						
First quarter	$ 26.50	$ 22.75	$ 0.48	$ 13.38	$ 11.51	$ 0.22
2013						
Fourth quarter	25.87	19.68	0.23	12.39	8.91	0.22
Third quarter	21.78	18.74	0.42	11.31	10.02	0.21
Second quarter	21.60	17.27	0.27	11.30	10.05	0.21
First quarter	20.00	15.38	0.70	11.93	10.74	0.26
2012						
Fourth quarter	15.49	13.35	0.24	10.89	9.30	0.21
Third quarter	15.68	12.74	0.13	10.36	8.53	0.21
Second quarter	15.50	11.03	0.15	9.47	7.95	0.18
First quarter	15.20	12.74	0.32	9.54	8.70	0.26
2011						
Fourth quarter	14.58	8.95	0.10	8.85	6.68	0.18
Third quarter	16.70	10.07	0.11	9.92	7.36	0.18
Second quarter	19.16	15.10	0.21	10.35	9.43	0.16
First quarter	18.29	14.09	0.29	10.60	8.80	0.15

The following table presents per unit closing prices for KKR common units and KFN common shares on December 16, 2013, the last trading day before the public announcement of the merger agreement, and on March 20, 2014, the last practicable trading day before the date of this proxy statement/prospectus. This table also presents the equivalent market value per KFN common shares on such dates. The equivalent market value per KFN common share has been determined by multiplying the closing prices of KKR common units on those dates by the exchange ratio of 0.51 of a KKR common unit.

	KKR Common Units	KFN Common Shares	Equivalent Market Value per KFN Common Share
December 16, 2013	$ 25.08	$ 9.45	$ 12.79
March 20, 2014	$ 23.46	$ 11.86	$ 11.96

Although the exchange ratio is fixed, the market prices of KKR common units and KFN common shares will fluctuate prior to the consummation of the merger and the market value of the merger consideration ultimately received by KFN common shareholders will depend on the closing price of KKR common units on the day the merger is consummated. Thus, KFN common shareholders will not know the exact market value of the merger consideration they will receive until the closing of the merger.

SPECIAL FACTORS

This section of the proxy statement/prospectus describes the material aspects of the merger and certain special factors concerning the merger of which you should be aware. This section may not contain all of the information that is important to you. You should carefully read this entire proxy statement/prospectus and the documents incorporated herein by reference, including the full text of the merger agreement (which is attached as Annex A), for a more complete understanding of the merger. In addition, important business and financial information about each of KKR and KFN is included in or incorporated into this proxy statement/prospectus by reference. See "Where You Can Find More Information" beginning on page 234 of this proxy statement/prospectus.

Effect of the Merger

Subject to the terms and conditions of the merger agreement and in accordance with Delaware law, the merger agreement provides for the merger of Merger Sub with and into KFN. KFN will survive the merger and the separate existence of Merger Sub will cease. Following the merger, KFN will be a direct subsidiary of Fund Holdings. After the completion of the merger, the certificate of formation of KFN and the operating agreement of KFN as in effect immediately prior to the effective time will be the certificate of formation and operating agreement of the surviving entity, in each case until amended in accordance with applicable law. The officers of KFN immediately prior to the effective time of the merger will be the officers of the surviving entity, and the members of the board of directors of the surviving entity will be those individuals designed by KKR prior to the closing date, until their respective successors are duly elected, appointed or qualified or until their earlier death, resignation or removal in accordance with the operating agreement of the surviving entity and applicable law.

The merger agreement provides that, at the effective time of the merger, each KFN common share issued and outstanding immediately prior to the effective time of the merger will be converted into the right to receive 0.51 KKR common units. Each KFN common share that is held by Fund Holdings or any subsidiary of Fund Holdings immediately prior to the effective time of the merger will be cancelled without any conversion or payment of consideration in respect thereof.

Because the exchange ratio was fixed at the time the merger agreement was executed and because the market value of KKR common units and KFN common shares will fluctuate prior to the consummation of the merger, KFN common shareholders cannot be sure of the value of the merger consideration they will receive relative to the value of the KFN common shares they are exchanging. For example, decreases in the market value of KKR common units will negatively affect the value of the merger consideration that they receive, and increases in the market value of KFN common shares may mean that the merger consideration that they receive will be worth less than the market value of the KFN common shares such shareholders are exchanging. See "Risk Factors Risk Factors Relating to the Merger Because the exchange ratio is fixed and because the market price of KKR common units will fluctuate prior to the consummation of the merger, KFN common shareholders cannot be sure of the market value of the KKR common units they will receive as merger consideration relative to the value of KFN common shares they exchange" beginning on page 104 of this proxy statement/prospectus.

KKR will not issue any fractional KKR common units in the merger. Instead, each holder of KFN common shares that are converted pursuant to the merger agreement who otherwise would have received a fraction of a KKR common unit will be entitled to receive, from the exchange agent appointed by KKR pursuant to the merger agreement, a cash payment in lieu of such fractional KKR common units representing such holder's proportionate interest in the proceeds from the sale by the exchange agent of the number of excess KKR common units represented by the aggregate amount of fractional KKR common units.

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Each KFN option or similar right to purchase KFN common shares that was granted under a KFN equity incentive plan and that is outstanding and unexercised immediately prior to the effective time (whether or not then vested or exercisable), as of the effective time of the merger, by virtue of the occurrence of the consummation of the merger and without any action on the part of the holder of such KFN option, will be cancelled, and the holder of such KFN option will be entitled to receive an amount in cash equal to the excess, if any, of (1) 0.51 multiplied by the average closing price of a KKR common unit on the NYSE over the ten trading day period ending on the trading day immediately preceding the closing date of the merger over (2) the exercise price per KFN common share subject to such KFN option as in effect immediately prior to the effective time of the merger. In the event that any option to purchase KFN common shares has an exercise price per KFN common share that is greater than 0.51 multiplied by the average closing price of a KKR common unit on the NYSE over the ten trading day period ending on the trading day immediately preceding the closing date of the merger, such option will be cancelled without payment in respect thereof as of the effective time of the merger, without liability to KKR, KFN or any of their affiliates.

Each restricted KFN common share that was granted under a KFN equity incentive plan and that is outstanding immediately prior to the effective time of the merger (whether or not then vested), other than vested and unvested KFN common shares held by KKR Financial Advisors LLC, as of the effective time of the merger, by virtue of the occurrence of the consummation of the merger and without any action on the part of the holder of such KFN restricted common share, will be converted into 0.51 restricted KKR common units having the same terms and conditions, including applicable vesting requirements, as applied to such restricted KFN common share immediately prior to the effective time of the merger, with fractional KKR common units to be aggregated and rounded to the nearest whole unit, and KKR will assume the related equity incentive plan and any award agreement issued thereunder pursuant to which any such restricted KFN common share has been granted in order to provide for the foregoing. Each restricted KFN common share held by KFN Financial Advisors as of the effective time of the merger will automatically be cancelled and retired.

Each KFN phantom share that was granted under KFN's Non-Employee Directors' Deferred Compensation and Share Award Plan will be converted into a phantom share in respect of 0.51 KKR common units and will otherwise remain subject to the terms of the plan.

The table below sets forth the direct and indirect interests of the KKR Participants and KKR Holdings in the net book value and net earnings of KFN prior to and immediately after the merger, based upon the net book value of KFN at December 31, 2013 and net income of KFN for the year ended December 31, 2013.

Prior to the Merger(1)

Name	Interest in KFN's Net Book Value $ (in thousands)	%	Interest in KFN's Net Earnings $ (in thousands)	%	Interest in KFN's Net Earnings Net of Preferred Share Distributions $ (in thousands)	%
KKR(1)	824	0.03	96	0.03	87	0.03
Fund Holdings	0	0	0	0	0	0
Merger Sub	0	0	0	0	0	0
KKR Management LLC	0	0	0	0	0	0
KKR Group Holdings L.P.	824	0.03	96	0.03	87	0.03
KKR Fund Holdings GP Limited	0	0	0	0	0	0
KKR Group Limited	0	0	0	0	0	0
KKR Holdings(1)	1,079	0.04	125	0.04	113	0.04

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Immediately after the Merger(2)

Name	Interest in KFN's Net Book Value $ (in thousands)	%	Interest in KFN's Net Earnings $ (in thousands)	%	Interest in KFN's Net Earnings Net of Preferred Share Distributions $ (in thousands)	%
KKR(2)	1,282,009	50.7	148,720	50.7	134,817	50.7
Fund Holdings(3)	1,282,009	50.7	148,720	50.7	134,817	50.7
Merger Sub	N/A	N/A	N/A	N/A	N/A	N/A
KKR Management LLC	0	0	0	0	0	0
KKR Group Holdings L.P.	1,282,009	50.7	148,720	50.7	134,817	50.7
KKR Fund Holdings GP Limited	0	0	0	0	0	0
KKR Group Limited	0	0	0	0	0	0
KKR Holdings(2)	1,245,725	49.3	144,510	49.3	131,002	49.3

(1) As of March 18, 2014, KKR Holdings and KKR have an indirect interest in approximately 56.7% and 43.3%, respectively, of the 65,011 unvested restricted KFN common shares and 89,150 vested KFN common shares held by KKR Financial Advisors LLC, which is an indirect wholly-owned subsidiary of KKR Management Holdings L.P., one of the KKR Group Partnerships.

(2) Based on the number of KKR Group Partnership units held as of March 18, 2014 and giving effect to only the anticipated KKR common units to be issued in connection with the merger, KKR Holdings and KKR would hold approximately 49.3% and 50.7%, respectively, of the KKR Group Partnership units.

(3) Following the consummation of the merger, all of the outstanding KFN common shares will be held by Fund Holdings, one of the KKR Group Partnerships.

Background of the Merger

The KFN board of directors regularly reviews and discusses at board meetings KFN's performance, risks, opportunities and strategy. KFN's board of directors and management team review and evaluate various options as part of KFN's ongoing efforts to strengthen its business and enhance shareholder value, taking into account economic, regulatory, competitive and other conditions and KFN's status as an externally managed company.

KFN is externally managed and advised by KKR Financial Advisors LLC, which is referred to in this proxy statement/prospectus as the manager, pursuant to a management agreement between KFN and the manager, which has been in place since before the KFN initial public offering. The manager is a subsidiary of KKR Asset Management LLC, and an indirect subsidiary of Kohlberg Kravis Roberts & Co. L.P., which is an indirect subsidiary of KKR. Pursuant to the management agreement, the manager is responsible for KFN's operations and performs all services relating to the management of KFN's assets, liabilities and operations, and provides KFN with its management team and with appropriate support personnel. All of KFN's executive officers are employees of one or more subsidiaries of KKR. The manager operates under the direction of the KFN board of directors, and is required to manage KFN's business affairs in conformity with the investment guidelines that are approved by a majority of KFN's independent directors. Due to the relationship created by the management agreement, members of the KFN board of directors and the KFN management team routinely interact with representatives of KKR in the course of their normal dealings with respect to KFN.

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In October 2013, Henry Kravis and George Roberts, the co-chief executive officers of KKR's managing partner, informed Paul Hazen, the chairman of the board of directors of KFN, through Craig Farr, the CEO of KFN, that KKR was considering making an offer for an acquisition of KFN by KKR, but did not make any specific proposal or discuss any transaction terms. Mr. Hazen informed KKR through Mr. Farr that he would report the matter to the KFN board of directors and that pending instruction from the board neither KKR nor the manager should have any discussions with representatives of KFN regarding any potential transaction unless and until the board of KFN authorized them to do so.

On October 22, 2013, the KFN board of directors held a regularly scheduled meeting in New York. At this meeting, Mr. Hazen informed the other members of the KFN board of directors of the statements made by KKR regarding the possibility of making an offer to acquire KFN. The board discussed the possibility of such an offer, including that the confidentiality restrictions in the management agreement could be read to require that KKR obtain authorization from KFN prior to completing the analysis necessary to make any acquisition proposal. After discussion, so that the board could become fully informed regarding its options to maximize value for KFN's common shareholders, the board granted KKR permission to use the information it had about KFN, as well as to access additional information about KFN, to make an acquisition proposal. The board also resolved that if there were an acquisition proposal made by KKR, it would be reviewed by a transaction committee of the board which would make a recommendation to the full board of directors and which would have the full authority of the board to negotiate the terms of any acquisition proposal with KKR, reject any such proposal, consider whether KFN should pursue any alternative transactions and retain professional advisors that such transaction committee may deem necessary or appropriate. The board also discussed retaining potential financial advisors. Scott Nuttall and Mr. Farr, the two members of the board of directors who were employed by KKR, were not present for the discussion. Mr. Nuttall and Mr. Farr did not attend any of the KFN board of directors meetings at which a potential transaction with KKR was discussed.

Following the October 22, 2013 board meeting, Mr. Hazen instructed Wachtell, Lipton, Rosen & Katz, which is referred to in this proxy statement/prospectus as Wachtell Lipton, to inform David Sorkin, the general counsel of KKR's managing partner, that the KFN board of directors had agreed to permit KKR to use the information it had about KFN, as well as to access additional information about KFN, to make a proposal to acquire KFN.

Additionally, prior to the formation of the transaction committee, Mr. Hazen discussed with Mr. Farr the possibility of modifying or eliminating the termination fee in the management agreement if there were a change of control of KFN. Mr. Farr discussed with Mr. Sorkin and Robert Lewin, the head of corporate development and treasurer of the KKR Group, and was informed that KKR was unwilling to modify or eliminate the termination fee if there were a change of control of KFN.

On October 30, 2013, KKR submitted a letter to KFN making a proposal to acquire KFN for consideration consisting entirely of KKR common units, at an exchange ratio of 0.46 KKR common units per KFN common share, in a taxable transaction. The October 30 letter conditioned KKR's offer on the approval of the transaction by a committee of independent directors of KFN and the approval of a majority of unaffiliated KFN shareholders.

On October 31, 2013, the KFN board of directors held a telephonic meeting attended by the directors who were not employed by KKR. Pursuant to the resolutions adopted on October 22, 2013, the board designated a transaction committee of independent directors not affiliated with KKR and instructed them to select a time to meet, retain advisors and review the proposal. The transaction committee was ultimately comprised of Tracy Collins, Robert Edwards, Vincent Paul Finigan, Ross Kari, Deborah McAneny and Scott Ryles.

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On November 6, 2013, the transaction committee of the KFN board of directors held a telephonic meeting with Robert Edwards acting as chair, with Sandler O'Neill as financial advisors and Wachtell Lipton as legal advisors. The transaction committee selected Sandler O'Neill to act as financial advisors upon the collective recommendation of the members of the transaction committee, who were familiar with Sandler O'Neill from Sandler O'Neill's prior engagement on behalf of the independent members of the KFN board of directors (other than Mr. Edwards and Mr. Ryles who had not yet been appointed to the KFN board of directors at the time of such prior engagement), due to their experience in transactions of this type involving financial companies and the absence of any conflicts with respect to either KKR or KFN. At the meeting, the transaction committee discussed the terms of the acquisition proposal made by KKR, and determined to engage in further discussion and analysis of the proposal prior to responding to KKR. The transaction committee also reviewed with its advisors the existing terms of the management agreement between KFN and the manager. The transaction committee and its advisors discussed the fact that the management agreement could not be terminated unless KFN either had "cause" to do so (limited to circumstances involving the manager's continued material breach of the management agreement, fraud or gross negligence or a bankruptcy or change of control of the manager), or by the vote of a majority of KFN's shareholders or independent directors finding that either the manager's performance under the management agreement was unsatisfactory in a way that has been materially detrimental to KFN or that the fees payable to the manager are not fair (and, in such case, the manager must be given the opportunity to agree to a reduced fee prior to any termination). The transaction committee and its advisors also discussed the fact that, in connection with any termination of the management agreement other than for "cause," KFN would be required to pay a termination fee to the manager equal to approximately four times the sum of the average annual base management fee and the average annual incentive fee, in each case calculated for the two twelve-month periods immediately prior to the termination. The transaction committee and its advisors discussed whether a potential buyer for KFN would be interested in buying KFN subject to the termination provisions and other terms of the management agreement. The transaction committee with its advisors concluded that the foregoing made it highly unlikely that an acquisition of KFN would be of interest to any person other than KKR. The transaction committee also considered that any acquisition agreement between KFN and KKR would likely include provisions allowing an interested third party to submit a superior proposal. On consideration of the preceding factors, the transaction committee determined not to solicit alternative proposals.

On November 12, 2013, the transaction committee of the KFN board of directors met. At the request of the transaction committee, representatives of Wachtell Lipton and Sandler O'Neill were in attendance. At the meeting, the transaction committee discussed the terms of the acquisition proposal made by KKR with its advisors and determined to inform KKR that the transaction committee believed the proposed exchange ratio of 0.46 KKR common units per KFN common share did not offer sufficient value to KFN's shareholders, that the transaction committee was not interested in pursuing a transaction at this value, and that the transaction committee's preference in any transaction was for merger consideration consisting entirely of cash. The transaction committee's preference for cash merger consideration was due to both the inherent uncertainty in the value of merger consideration consisting of equity securities of another entity and the fact that an acquisition of KFN by KKR would be taxable to KFN common shareholders regardless of the form of merger consideration paid, but would not provide them with cash that could be used to pay such taxes if the merger consideration consisted entirely of KKR common units.

On or about November 13, 2013, each of Mr. Sorkin and Mr. Lewin were separately informed of the transaction committee's determination, and Mr. Sorkin and Mr. Lewin each responded that KKR would consider the transaction committee's response. On November 13, 2013, Mr. Sorkin informed Wachtell Lipton and Mr. Lewin informed a representative of Sandler O'Neill that KKR was unwilling to consider a cash transaction.

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On November 19, 2013, a representative of Sandler O'Neill informed Mr. Lewin that a diligence session scheduled for that day would be cancelled unless KKR increased the proposed exchange ratio. That same day, Mr. Lewin contacted representatives of Sandler O'Neill to communicate a revised proposal for KKR to acquire KFN for consideration consisting entirely of KKR common units, at an exchange ratio of 0.48 KKR common units per KFN common share, in a taxable transaction. Mr. Lewin informed the Sandler O'Neill representatives that KKR was unwilling to consider a transaction in which any portion of the consideration included cash.

On November 19, 2013, at the request of the transaction committee, representatives of Sandler O'Neill met with representatives of KKR, including Mr. Sorkin, Mr. Lewin and William Janetschek, the chief financial officer of KKR's managing partner, and representatives of Goldman Sachs in order to discuss the potential transaction. At this meeting, the representatives of KKR presented the Sandler O'Neill representatives with KKR's stated rationale for pursuing the potential transaction, which included the expectation that a transaction would increase the predictability of KKR's distributable income, permit KKR to diversify its balance sheet, increase the liquidity of the market for KKR's common units through the issuance of additional units as merger consideration, and allow KKR to redeploy KFN's capital over time into higher returning businesses.

On November 21, 2013, the transaction committee of the KFN board of directors held a telephonic meeting. At the request of the transaction committee, representatives of Wachtell Lipton and Sandler O'Neill were in attendance. Mr. Hazen, who was not a member of the transaction committee, also attended a portion of the meeting, in order to update the members of the transaction committee on KFN's financial performance, including KFN operating as a stand-alone entity and the potential ability of KFN to pursue a share repurchase program in the event that a transaction with KKR was not agreed. Following Mr. Hazen's departure from the meeting, the transaction committee discussed the terms of the revised acquisition proposal made by KKR with its advisors, including a comparison of the terms of such proposal to alternatives such as a share repurchase by KFN. The transaction committee determined to inform KKR that the transaction committee believed that the proposed exchange ratio of 0.48 KKR common units per KFN common share still did not offer sufficient value to KFN's common shareholders, and that the transaction committee continued to view a transaction including cash consideration as preferable to an all-equity transaction.

On or about November 22, 2013, a representative of Sandler O'Neill informed Mr. Lewin of the transaction committee's determination. Mr. Lewin informed the representative of the transaction committee that KKR would consider the transaction committee's response.

On November 24, 2013, at the request of the transaction committee, Sandler O'Neill sent a presentation relating to the value of KFN to representatives of KKR. The presentation was also sent to the members of the transaction committee. The presentation described potential reasons for an increase in the then-offered merger consideration, including the current relationship between the trading prices of KKR common units and KFN common shares as compared to historical levels, factors that could currently be negatively affecting the trading price of KFN common shares, the expected future trading price of KFN common shares based on comparable companies and historical trading multiples, KFN's ability to potentially conduct a share repurchase, premiums paid in comparable transactions involving affiliated entities and the benefit to KKR of entering into the proposed merger as compared to potential other capital-raising alternatives that might be available to KKR.

On November 26, 2013, Mr. Kravis contacted a representative of Sandler O'Neill to communicate a revised proposal for KKR to acquire KFN for consideration consisting entirely of KKR common units, at an exchange ratio of 0.50 KKR common units per KFN common share, in a taxable transaction. Mr. Kravis informed the representative of Sandler O'Neill that KKR remained unwilling to consider a transaction in which the consideration included any portion of cash, and that the current proposed exchange ratio represented KKR's best and final offer to acquire KFN.

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On November 27, 2013, the transaction committee of the KFN board of directors held a telephonic meeting. At the request of the transaction committee, representatives of Wachtell Lipton and Sandler O'Neill were in attendance. The transaction committee discussed with its advisors the terms of the revised acquisition proposal made by KKR, including KKR's statement that the proposal represented KKR's best and final offer to acquire KFN, and determined to meet again to further consider the appropriate response to KKR. The transaction committee, through a representative of one of its advisors, requested that the transaction committee be given the opportunity to meet with members of KKR's senior management in order to gather further information regarding KKR's business and the value of the KKR common units that were proposed to be paid as merger consideration in connection with the potential transaction.

During this period, the parties and their advisors engaged in ongoing due diligence investigations of the business and prospects of each of KKR and KFN.

On December 6, 2013, the transaction committee of the KFN board of directors held a telephonic meeting. At the request of the transaction committee, representatives of Wachtell Lipton and Sandler O'Neill were in attendance. The representatives of Sandler O'Neill discussed with the members of the transaction committee KKR's responses to its diligence questions regarding KKR's business. In addition, a member of Sandler O'Neill's equity research group attended the meeting in order to discuss KKR's business with the members of the transaction committee. At this meeting, the members of the transaction committee discussed the possibility that R. Glenn Hubbard, KFN's lead independent director, could reiterate the views of the transaction committee and the KFN board of directors on the proposed transaction, and specifically reiterate the request for an increase in the proposed merger consideration, and concluded that Mr. Hubbard should be asked to reinforce KFN's position in that regard at a meeting scheduled with Mr. Kravis and Mr. Roberts on December 9, 2013.

Also on December 6, 2013, at the request of Wachtell Lipton, Simpson Thacher & Bartlett LLP, which is referred to in this proxy statement/prospectus as Simpson Thacher, legal advisor to KKR, sent a draft merger agreement to Wachtell Lipton.

On December 9, 2013, at the request of the transaction committee, Mr. Hubbard met with Mr. Kravis and Mr. Roberts in order to discuss the proposed transaction. At this meeting, Mr. Hubbard requested that KKR increase the proposed consideration above the most recently proposed exchange ratio of 0.50 KKR common units per KFN common share. Mr. Kravis and Mr. Roberts informed Mr. Hubbard that KKR was unwilling to do so.

On December 10, 2013, both the KFN board of directors (other than the members of the board of directors that were employed by KKR) and the transaction committee held meetings in New York. At the request of the transaction committee, representatives of Wachtell Lipton and Sandler O'Neill were in attendance. During this meeting, the members of the board of directors were informed of the results of the December 9 conversations among Mr. Hubbard, Mr. Kravis and Mr. Roberts. At the request of the transaction committee, Mr. Kravis, Mr. Roberts, Mr. Sorkin, Mr. Lewin and Mr. Janetschek, attended a portion of the board of directors meeting in order to discuss KKR's business with the members of the board. In addition, at this meeting, Mr. Kravis and Mr. Roberts confirmed that in the event the KFN board of directors decided not to pursue the potential transaction with KKR, KKR did not anticipate any changes in KFN's relationship with KFN's manager, the KFN management team or the KFN operating plan, and KKR would remain committed to facilitating KFN's success as a standalone entity. After Mr. Kravis, Mr. Roberts and other representatives of KKR left the meeting, the members of the transaction committee instructed representatives of Sandler O'Neill to communicate to KKR that the transaction committee continued to believe the proposed consideration did not offer sufficient value to KFN's shareholders, and that the transaction committee would not be willing to recommend that the KFN board of directors approve any transaction with KKR in which the merger consideration consisted of KKR common units without an increase in the proposed merger consideration.

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Following the meeting, representatives of Sandler O'Neill communicated the transaction committee's position to Mr. Lewin, and requested that KKR increase the proposed merger consideration. Subsequently, Mr. Kravis and Mr. Roberts informed Sandler O'Neill representatives that KKR was willing to increase the proposed consideration to 0.51 KKR common units per KFN common share, in a taxable transaction with consideration consisting entirely of KKR common units. Mr. Kravis and Mr. Roberts further stated that KKR would not under any circumstances further increase its offer. The Sandler O'Neill representatives communicated the revised proposal to Mr. Edwards and Mr. Edwards determined to schedule a meeting of the transaction committee to consider the proposal.

Later in the day on December 10, 2013, Mr. Hazen, at Mr. Edwards' request, contacted Mr. Roberts to request that KKR increase the proposed exchange ratio to 0.52 KKR common units per KFN common share, and was informed by Mr. Roberts that the currently proposed exchange ratio of 0.51 KKR common units per KFN common share represented KKR's best and final offer to acquire KFN.

On December 13, 2013, the KFN board of directors (other than the members of the board of directors who were employed by KKR) held a telephonic meeting in order to discuss the proposed transaction. At the request of the board, representatives of Wachtell Lipton and Sandler O'Neill were in attendance. The representatives of Wachtell Lipton reviewed with the members of the board the material terms of the latest draft merger agreement with respect to the proposed transaction, including the required approval of KFN common shareholders (including the approval of the holders of a majority of the outstanding KFN common shares, other than those KFN common shares held by KKR or any affiliate of KKR) and the other closing conditions, the restrictions on the solicitation of alternative transactions by KFN and on changes in the KFN board recommendation, the merger consideration and treatment of outstanding KFN equity awards, the tax treatment of the merger, termination rights of the parties and potential termination payments payable by KFN, and restrictions on KFN's operations pending the closing of the merger. The meeting of the KFN board of directors was adjourned, and a meeting of the transaction committee was convened. At this meeting, representatives of Sandler O'Neill rendered an oral opinion to the transaction committee, which was subsequently confirmed by delivery of a written opinion dated December 16, 2013, to the effect that, as of such date, and subject to the assumptions, matters considered and limitations and qualifications described in such opinion, the consideration to be exchanged in the proposed merger was fair to the holders of KFN common shares, from a financial point of view. See " Opinion of the Financial Advisor to the KFN Transaction Committee" beginning on page 42 of this proxy statement/prospectus. Following discussion, the members of the transaction committee unanimously voted to recommend that the KFN board of directors approve the merger agreement. Immediately following the conclusion of the transaction committee meeting, the board meeting was reconvened in order to consider the proposed transaction. At this meeting, the members of the board were informed of the recommendation of the transaction committee. Following discussion, the members of the board, by the unanimous vote of all directors (other than the members of the board of directors who were employed by KKR and were not present at the meeting), approved and declared advisable the merger agreement and the merger.

On December 15, 2013, the board of directors of KKR's managing partner held a meeting to discuss the potential acquisition of KFN, which followed previous meetings of the board of directors of KKR's managing partner held on October 11, 2013, October 30, 2013, November 7, 2013 and November 25, 2013 also in regard to such potential acquisition. At the December 15, 2013 meeting, representatives of KKR management provided an update on the current status of the proposed transaction with KFN, including that the KFN board of directors approved a transaction at the proposed exchange ratio of 0.51 KKR common units per KFN common share, and also provided a presentation regarding, among other things, KFN's business and the potential financial implications of an acquisition of KFN, including a valuation analysis of KFN, an analysis of KFN's CLO portfolio, including the risks associated with such CLOs, and an accretion/dilution analysis of the pro forma financial effect of the proposed transaction on KKR. Also at this meeting, Mr. Sorkin advised the members of the board of directors of their duties in connection with the proposed transaction under Delaware law and under KKR's partnership agreement. Representatives of Simpson Thacher then reviewed with the board of directors of KKR's managing partner the findings of Simpson Thacher's legal due diligence review of KFN and the material terms of the latest draft merger agreement with respect to the proposed transaction, including the merger consideration and treatment of outstanding KFN equity awards, the closing conditions, the termination rights of the parties and termination payments payable by KFN, and restrictions on KKR's operations pending the closing of the merger. Representatives of Goldman, Sachs & Co., the financial advisor to KKR that is referred to in this proxy statement/prospectus as Goldman Sachs, were also present at this meeting and discussed with the board of directors Goldman Sachs' financial analysis of the proposed transaction, which is summarized in the section entitled " Opinion of the Financial Advisor to KKR" beginning on page 61 of this proxy statement/prospectus. At this meeting, Mr. Kravis and Mr. Roberts provided the requisite approval under KKR's managing partner's limited liability company agreement of the issuance of KKR common units in connection with the proposed transaction.

Also on December 15, 2013, a meeting of the conflicts committee of the board of directors of KKR's managing partner was held, which followed previous meetings of the conflicts committee held on November 25, 2013, November 26, 2013 and December 9, 2013 to discuss the proposed transaction. During the December 15, 2013 meeting, representatives of Cravath Swaine & Moore LLP, legal counsel to the conflicts committee that is referred to in this proxy statement/prospectus as Cravath, discussed the proposed acquisition of KFN with the conflicts committee and reviewed the approval process with respect to the proposed transaction. The conflicts committee discussed the analysis and advice presented by the representatives of KKR management and Goldman Sachs to the board of directors of KKR's managing partner.

On December 16, 2013, the conflicts committee of the board of directors of KKR's managing partner held a meeting, at which representatives of Lazard Frères & Co. LLC, the financial advisor to the conflicts committee that is referred to in this proxy statement/prospectus as Lazard, and Cravath were in attendance. At this meeting, representatives of Lazard rendered an oral opinion, subsequently confirmed in writing, to the independent directors constituting the conflicts committee of the board of directors of KKR's managing partner, that, as of such date, and based upon and subject to the assumptions, procedures, factors, qualifications and limitations set forth therein, the exchange ratio pursuant to the merger agreement was fair, from a financial point of view, to KKR. See " Opinion of the Financial Advisor to the Conflicts Committee of KKR's Managing Partner."

Also on December 16, 2013, a meeting of the board of directors of KKR's managing partner was held. At the request of the board of directors, representatives of Simpson Thacher, Cravath, Goldman Sachs, Lazard and KKR management were in attendance. At this meeting, Mr. Sorkin advised the board of directors that, subject to receipt of requisite board approval, KKR was in a position to execute the merger agreement with KFN and announce the transaction. At this meeting, representatives of Goldman Sachs rendered an oral opinion to the board of directors of KKR's managing partner, which was subsequently confirmed by delivery of a written opinion dated December 16, 2013, to the effect that, as of such date, and based upon and subject to the factors and assumptions set forth in such opinion, the exchange ratio pursuant to the merger agreement was fair from a financial point of view to KKR. See " Opinion of the Financial Advisor to KKR" beginning on page 61 of this proxy statement/prospectus. Following the receipt of the oral opinion of Goldman Sachs, by unanimous vote, the board of directors of KKR's managing partner approved and declared advisable the merger agreement and the merger. Immediately following the adjournment of the meeting of the board of directors of KKR's managing partner, a meeting of the conflicts committee of the board of directors of KKR's managing partner was reconvened. After due deliberation at this meeting, the conflicts committee determined that the proposed acquisition of KFN by KKR in accordance with the merger agreement was fair and reasonable to KKR and that such determination shall constitute a special approval as contemplated by KKR's partnership agreement.

On December 16, 2013, following the foregoing events, the merger agreement was executed by KKR, Fund Holdings, Merger Sub and KFN, and the parties issued a joint press release announcing the transaction.

Certain Relationships between KKR and KFN

KKR Financial Advisors LLC, an indirect subsidiary of KKR and referred to in this proxy statement/prospectus as the manager or KFN's manager, manages KFN's day to day operations (subject to the direction and oversight of the KFN board of directors) pursuant to a management agreement between KFN and the manager, which is referred to in this proxy statement/prospectus as the management agreement. Pursuant to the management agreement, the manager provides KFN with its management team, along with appropriate support personnel. All of KFN's executive officers and Scott Nuttall and Craig Farr, two of KFN's directors, are employees of KKR or one or more of its subsidiaries.

The management agreement contains certain provisions requiring KFN to indemnify the manager with respect to all losses or damages arising from acts not constituting bad faith, willful misconduct, or gross negligence.

For the years ended December 31, 2013, December 31, 2012 and December 31, 2011, KFN incurred $39.1 million, $28.2 million and $26.3 million, respectively, in base management fees under the management agreement. A portion of the CLO management fees received by an affiliate of the manager for certain of KFN's CLOs were credited to KFN via an offset of $10.0 million to the $39.1 million in base management fees incurred for the year ended December 31, 2013. Furthermore, during 2013, KFN invested in a transaction that generated placement fees paid to a minority-owned affiliate of KKR, and the manager agreed to reduce KFN's base management fee payable to the manager for the portion of these placement fees that were earned by KKR as a result of this minority-ownership. Separately, certain third party expenses accrued by KFN in the fourth quarter of 2013 in connection with the merger were used to reduce KFN's base management fees payable to the manager in an amount equal to such third-party expenses. In addition, KFN incurred share based compensation expenses of $3.5 million, $2.3 million and $2.4 million related to grants of restricted KFN common shares granted to the manager for the years ended December 31, 2013, December 31, 2012 and December 31, 2011, respectively.

For the years ended December 31, 2013, December 31, 2012 and December 31, 2011, the manager earned $22.7 million, $37.6 million and $34.2 million, respectively, of incentive fees under the management agreement.

Certain general and administrative expenses are incurred by the manager on KFN's behalf that are reimbursable to the manager pursuant to the management agreement. For the years ended December 31, 2013, December 31, 2012 and December 31, 2011, KFN reimbursed the manager for $9.8 million, $10.2 million and $8.2 million, respectively, for such expenses.

The management agreement expires on December 31 of each year, but is automatically renewed for a one year term on each December 31 unless terminated upon the affirmative vote of at least two thirds of KFN's independent directors, or by a vote of the holders of a majority of KFN's outstanding common shares, based upon (1) unsatisfactory performance by the manager that is materially detrimental to KFN or (2) a determination that the management fee payable to the manager is not fair, subject to the manager's right to prevent such a termination under clause (2) by accepting a mutually acceptable reduction of management fees. The manager is required to be provided with 180 days' prior written notice of any such termination and will be paid a termination fee by KFN equal to four times the sum of the average annual base management fee and the average annual incentive fee for the two 12-month periods immediately preceding the date of termination, calculated as of the end of the most recently completed fiscal quarter prior to the date of termination.

In addition, KFN holds corporate loans, debt securities and other investments of entities that are affiliates of KKR. As of December 31, 2013, the aggregate par amount of these affiliated instruments totaled $2.1 billion, or approximately 27% of KFN's total investment portfolio, and consisted of 28 issuers. The total $2.1 billion in affiliated investments was comprised of $1.9 billion of corporate loans, $52.8 million of corporate debt securities and $84.5 million of equity investments, at estimated fair value.

KFN holds interests in certain joint ventures and partnerships alongside affiliates of KKR. As of December 31, 2013, the aggregate cost amount of these interests in joint ventures and partnerships totaled $400.3 million.

Recommendation of the KFN Board of Directors and Reasons for the Merger; Fairness of the Merger

After consideration, the transaction committee of the KFN board of directors and the KFN board of directors has determined that the merger is fair to and in the best interests of KFN and the unaffiliated shareholders of KFN. In reaching its decision to recommend that KFN's board of directors approve the merger agreement and recommend that it be adopted by KFN's shareholders, the transaction committee of the KFN board of directors consulted with its legal and financial advisors and considered a number of factors, including, but not limited to, the following:

- its knowledge of KFN's business, financial condition, results of operations, industry, competitors and prospects as a standalone company, including the anticipated negative impact on results of operations of amortizing CLOs and declining gains;

- the transaction committee's belief that the price of KFN common shares reflected these challenges, which had been disclosed previously in connection with KFN's prior earnings announcement;

- its knowledge of KKR's business and investments, financial condition, results of operations and prospects, taking into account the results of the transaction committee's due diligence review of KKR and knowledge of KKR's management due to the existing relationships between KFN and KKR;

- the financial terms of the merger, including the fact that, based on the closing price on the NYSE of KFN common stock and KKR common units on December 13, 2013, the last trading day prior to the execution of the merger agreement, the merger consideration represented an approximate 34% premium over the closing price of KFN common shares as of such date and represented a significant premium above the 30 day volume-weighted average closing price based on the 30 day trading period ending on December 13, 2013;

- the nature of KFN's business, which is generally valued at or near book value, and the substantial premium to book value (as of September 30, 2013) of 16% implied by the exchange ratio based on the closing prices of KKR common units and KFN common shares on December 13, 2013;

- the fact that the transaction committee believed that, taking into account relative risk and potential upside, the merger would provide an attractive alternative to KFN shareholders given alternatives reasonably available to KFN (including (i) the continued operation of KFN as a standalone entity and the anticipated dividend payments to KFN common shareholders that the transaction committee believed would be available in the future if KFN's operations continued as anticipated (estimated to be equal to $0.88 annually through 2017, based on KFN's current distribution levels) and (ii) the repurchase of a portion of KFN's outstanding common shares with an estimated total repurchase price of $200 million (based on the amount of cash estimated to be reasonably available to KFN for such purpose), each of which the transaction committee

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believed would ultimately result in less value being created for KFN common shareholders than the proposed merger consideration);

the fact that the transaction committee believed that, taking into account relative risk and potential upside, the merger would offer attractive value to KFN common shareholders relative to the value that could be realized through a liquidation of KFN's assets and the distribution of the proceeds to KFN's creditors and equityholders, which the transaction committee believed would yield proceeds of less than KFN's book value, due in part to the negative effects that a liquidation would have on certain of KFN's assets such as KFN's CLO portfolio which would be anticipated to yield a lower amount available for distribution to KFN's common shareholders in a liquidation than could be produced over time, due to factors such as anticipated negative effects of sales of the underlying assets at a time when prices may not be favorable, liquidation costs and the loss of ongoing interest earnings;

KKR's stated intention to pass through 100% of its realized earnings from KFN's existing portfolio as a distribution to the holders of KKR common units, while maintaining its existing policy of passing through 40% of its net realized principal investment income from KKR's existing portfolio, following the closing of the merger, and the attractive post-closing distributions and yield profile that would therefore be available to former KFN common shareholders following the closing of the merger;

the belief of the transaction committee that the consummation of the merger could lead to an increase in the trading price of KKR's common units over time due to the positive effects of the transaction on the stability of KKR's balance sheet and quality of KKR's distributable earnings, thereby leading to an increase in the value of the KKR common units being offered to KFN's common shareholders as merger consideration;

the fact that KFN's common shareholders would have the benefit of a more diversified asset base as unitholders of KKR than would be available to them as shareholders of KFN, which would benefit KFN's common shareholders by providing them with increased protection against declines in a single asset class or type of investment and through KKR's relatively increased flexibility to deploy KFN's capital (including capital that is expected to run off from KFN's existing CLOs over time) in a manner designed to produce the highest returns in a variety of market conditions;

KKR's enhanced ability to raise funds and capital compared to KFN, and the corresponding benefits to KFN's common shareholders as KKR common unitholders of a combined company with significantly enhanced growth opportunities;

KKR's ability to mitigate existing tax inefficiencies to KFN common shareholders produced by KFN's current investment portfolio, corporate structure and distribution policies;

the fact that the exchange ratio is fixed and therefore the value of the merger consideration payable to KFN's shareholders will increase in the event that the trading price of KKR common units increases prior to closing;

the financial analyses presented by Sandler O'Neill to the transaction committee described under " Opinion of Sandler O'Neill & Partners, L.P." and the oral opinion of Sandler O'Neill, confirmed by delivery of a written opinion dated December 16, 2013, to the effect that, as of such date, and subject to the assumptions, matters considered and limitations and qualifications described in such opinion, the consideration to be exchanged in the proposed merger was fair to the holders of KFN common shares, from a financial point of view;

the transaction committee's belief that it was unlikely that any bidder for KFN, other than KKR, would pursue an acquisition of KFN because of, among other reasons, KKR's existing role as manager of KFN, including its selection and management of KFN's assets, the substantial premium to book value being offered by KKR for assets that are generally valued at or near

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book value and the provisions in the management agreement, including KFN's contractual obligation to pay an affiliate of KKR a fee in the event KFN terminates the management agreement;

the fact that exchanging KFN common shares for KKR common units would offer KFN's common shareholders significantly enhanced liquidity due to the trading volume and size of the public float of KKR as compared to KFN;

the transaction committee's belief that the proposed merger could be completed in a timely fashion and without significant delays due to required regulatory approvals;

the fact that the existing terms of the management agreement, pursuant to which KFN's business is managed by existing KKR employees, would lead to minimal disruption in the continued management of KFN's existing assets and investment portfolio following the merger and would allow for the completion of the integration of KKR and KFN in a timely and efficient manner; and

the other terms and conditions of the merger agreement.

In addition, the transaction committee of the KFN board of directors also considered a number of factors relating to the procedural safeguards involved in the negotiation of the merger, including those discussed below, each of which it believed supported its decision and provided assurance of the fairness of the merger to the unaffiliated common shareholders of KFN:

the creation of a transaction committee of the KFN board of directors composed of directors not affiliated with KKR, and the process followed by the transaction committee;

the fact that the consummation of the merger is conditioned on obtaining the approval of both a majority of the outstanding KFN common shares and a majority of the outstanding KFN common shares held by shareholders other than KKR and its affiliates;

the fact that, subject to compliance with certain terms and conditions, including the termination fee of $26,250,000 to KKR, KFN is permitted to terminate the merger agreement in order to accept a superior proposal and enter into a definitive agreement in connection therewith;

the fact that the transaction committee of the KFN board of directors made its evaluation of the merger agreement and the merger based upon the factors discussed in this proxy statement/prospectus, independent of management, and with knowledge of the interests of management in the merger;

the fact that the transaction committee of the KFN board of directors retained Sandler O'Neill to provide an opinion to the effect that, as of the date of such opinion, and subject to the assumptions, matters considered and limitations and qualifications described in such opinion, the consideration to be exchanged in the proposed merger was fair to the holders of KFN common shares, from a financial point of view;

the fact that the transaction committee of the KFN board of directors met numerous times during the course of negotiations with KKR to discuss the status of the negotiations with KKR, to review the terms of the proposed merger agreement and to consider the options reasonably available to KFN; and

the fact that the transaction committee and the KFN board of directors were aware of the existing relationships between KKR and KFN and could take such relationships into account when considering whether to recommend the proposed transaction on the contemplated terms, or at all.

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The transaction committee of the KFN board of directors also considered a variety of risks and other potentially negative factors concerning the merger agreement and the merger, including the following:

- the fact that the exchange ratio is fixed and therefore the value of the merger consideration payable to KFN common shareholders will decrease in the event that the trading price of KKR common units decreases prior to closing;

- the possibility that the merger may not be completed, or that completion may be unduly delayed, for reasons beyond the control of KFN;

- the risks and costs to KFN if the transactions are not completed, including the potential effect on the trading price of KFN's common shares, the potential diversion of management attention, and the potential effect on KFN's business and existing relationships;

- the fact that KFN's directors and executive officers may ultimately have interests in the transactions that may be different from, or in addition to, those of other KFN shareholders;

- the restrictions imposed by the merger agreement on the conduct of KFN's business prior to the consummation of the merger;

- the fact that the merger agreement contains provisions that limit KFN's ability to pursue alternatives to the merger;

- the risk that governmental entities may oppose or refuse to approve the transactions or impose conditions on KKR and/or KFN prior to approving the transactions;

- the fact that at the time of the approval and execution of the merger agreement, KKR common units were trading at a price near their 52-week high, while KFN common shares were trading at a price near their 52-week low;

- the management relationship between KKR and KFN, including the fact that KFN's management team is provided entirely by KKR and its affiliates;

- the fact that the transaction will be taxable to KFN common shareholders;

- the terms of the KKR common units to be issued as merger consideration and their differences from the terms of the KFN common shares, including the inability to vote to elect the members of the board of directors of KKR's general partner and the significant control which may be exercised over any vote of KKR's common units by certain controlling persons of KKR; and

- the risk of not realizing the anticipated benefits of the merger.

In reaching its decision to approve the merger agreement and recommend that it be adopted by KFN's common shareholders, the KFN board of directors considered a number of factors, including, but not limited to, the following:

- the unanimous recommendation of the transaction committee of the KFN board of directors which was composed of directors not affiliated with KKR;

the fact that the transaction is subject to the approval of a majority of KFN stockholders not affiliated with KKR;

the factors considered by the transaction committee, including the positive factors and potential benefits of the merger and the risks and other potentially negative factors concerning the merger, as described above; and

the fact that the merger consideration and the other terms of the merger agreement resulted from negotiations that involved the active participation of the transaction committee.

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In reaching its determination and making its recommendations, the transaction committee of the KFN board of directors did not establish a specific going concern value of KFN and did not believe that there is a single method for determining going concern value. However, the transaction committee of the KFN board of directors believed that each of Sandler O'Neill's valuation methodologies described in " Opinion of the Financial Advisor to the KFN Transaction Committee" represented a valuation of KFN as it continues to operate its business and, to that extent, such analyses could be collectively characterized as forms of going concern valuations and the transaction committee considered each of these analyses in reaching its determination and making its recommendation. Further, the transaction committee adopted the analyses and conclusions of Sandler O'Neill. As stated above, the transaction committee of the KFN board of directors believed that it was unlikely that another bidder would pursue an acquisition of KFN, and as a result did not seek to contact potential alternative bidders. As stated above, the transaction committee believed that the liquidation value to KFN's unaffiliated shareholders of KFN's assets would likely be lower than the book value of KFN's assets and would likely be lower than the value offered in the proposed merger, although no separate appraisal of KFN's assets was conducted because the transaction committee considered KFN to be a viable going concern and because KKR plans to continue to operate KFN's existing businesses following the merger. The transaction committee was not aware of any firm offer made to KFN by any unaffiliated person during the past two years for the merger or consolidation of KFN into another company, the sale or transfer of all or any substantial part of the assets of KFN to another company, or the purchase of a controlling stake in KFN by another company, and no such firm offer was considered as a factor in the transaction committee's decision.

In light of the procedural safeguards described above, including the creation of a transaction committee comprised solely of directors not affiliated with KKR and the retention by such committee of an independent financial advisor and independent legal counsel, the KFN transaction committee did not consider it necessary to retain an unaffiliated representative to act solely on behalf of KFN shareholders (other than KKR or any affiliate of KKR) for purposes of negotiating the terms of the merger agreement or preparing a report concerning the fairness of the merger agreement and the merger.

The KFN board of directors recommends that you vote "FOR" the adoption of the merger agreement and approval of the merger and "FOR" any adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the special meeting.

This discussion of the information and factors considered by each of the transaction committee of the KFN board of directors and the KFN board of directors includes the material positive and negative factors considered by the transaction committee of the KFN board of directors and/or the KFN board of directors , but is not intended to be exhaustive and may not include all of the factors considered by the transaction committee of the KFN board of directors and/or the KFN board of directors, or any individual. Neither the transaction committee of the KFN board of directors nor the KFN board of directors undertook to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to its ultimate determination, and did not quantify or assign any relative or specific weights to the various factors that it considered in making its ultimate decision. Rather, each of the transaction committee of the KFN board of directors and the KFN board of directors conducted an overall analysis of the factors described above. In addition, individual members of each of the transaction committee of the KFN board of directors and the KFN board of directors may have given different weight to different factors.

Opinion of the Financial Advisor to the KFN Transaction Committee

By letter dated December 10, 2013, KFN retained Sandler O'Neill to act as financial advisor to the transaction committee of the KFN board of directors, referred in this proxy statement/prospectus to as

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the transaction committee, in connection with a possible business combination transaction. Sandler O'Neill is a nationally recognized investment banking firm whose principal business specialty is financial institutions. In the ordinary course of its investment banking business, Sandler O'Neill is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions. The transaction committee selected Sandler O'Neill to act as the transaction committee's advisor in connection with a possible business combination based on its qualifications, expertise, reputation and experience in mergers and acquisitions involving financial institutions.

Sandler O'Neill acted as financial advisor to the transaction committee in connection with the proposed transaction and participated in certain of the negotiations leading to the execution of the merger agreement. At the December 13, 2013 meeting of the transaction committee, Sandler O'Neill delivered to the transaction committee its oral opinion, which was subsequently confirmed in writing on December 16, 2013, that, as of December 16, 2013, the merger consideration was fair to the holders of KFN common shares from a financial point of view**. The full text of Sandler O'Neill's opinion is attached as Annex B to this proxy statement/prospectus. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler O'Neill in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the full text of the opinion. Holders of KFN common shares are urged to read the entire opinion carefully in connection with their consideration of the proposed merger.**

Sandler O'Neill's opinion speaks only as of the date of the opinion. The opinion was directed to KFN's transaction committee and is directed only to the fairness of the merger consideration to the holders of KFN common shares from a financial point of view. It does not address the underlying business decision of KFN to engage in the merger or any other aspect of the merger and is not a recommendation to any holder of KFN common shares as to how such holder of KFN common shares should vote at the special meeting with respect to the merger or any other matter. Sandler O'Neill did not express any opinion as to the fairness of the amount or nature of the compensation to be received in connection with the merger by KFN's officers, directors, or employees, or any class of such persons, relative to the merger consideration to be received in the merger by any other shareholders of KFN.

In connection with rendering its opinion on December 16, 2013, Sandler O'Neill reviewed and considered, among other things:

- the merger agreement;
- certain publicly available financial statements and other historical financial information of KFN that Sandler O'Neill deemed relevant;
- certain publicly available financial statements and other historical financial information of KKR that Sandler O'Neill deemed relevant;
- publicly available mean analyst earnings estimates for KFN for the years ending December 31, 2013 and December 31, 2014 and publicly available mean analyst growth estimates for the years thereafter and in each case as discussed with the senior management of KFN;
- publicly available mean analyst economic net income estimates for KKR for the years ending December 31, 2013 and December 31, 2014 and publicly available mean analyst growth estimates for the years thereafter and in each case as discussed with the senior management of KKR;
- the pro forma financial impact of the merger on KKR, based on assumptions relating to transaction expenses, purchase accounting adjustments and cost savings determined by the senior management of KFN and KKR;
- the publicly reported historical price and trading activity for KFN's and KKR's common shares or units, as the case may be, including a comparison of certain financial and stock market

information for KFN and KKR and similar publicly available information for certain other companies similar to each of KFN and KKR, the securities of which are publicly traded;

the financial terms of certain recent business combinations involving companies in the financial services industry where the buyer and the target had commercial relationships similar to those between KFN and KKR, to the extent publicly available;

certain of the terms of the management agreement, pursuant to which KKR Financial Advisors LLC, an indirect subsidiary of KKR, manages KFN;

the current market environment generally and the financial services environment in particular; and

such other information, financial studies, analyses and investigations and financial, economic and market criteria as Sandler O'Neill considered relevant.

Sandler O'Neill also discussed with certain members of the senior management of KFN the business, financial condition, results of operations and prospects of KFN and held similar discussions with the senior management of KKR regarding the business, financial condition, results of operations and prospects of KKR.

In performing its reviews and analyses and in rendering its opinion, Sandler O'Neill relied upon the accuracy and completeness of all of the financial and other information that was available to Sandler O'Neill from public sources, that was provided to Sandler O'Neill by KFN or KKR or their respective representatives or that was otherwise reviewed by Sandler O'Neill and Sandler O'Neill assumed such accuracy and completeness for purposes of rendering its opinion. Sandler O'Neill further relied on the assurances of the senior management of each of KFN and KKR that they were not aware of any facts or circumstances that would make any of such information inaccurate or misleading in a material respect. Sandler O'Neill was not asked to undertake, and did not undertake, an independent verification of any of such information. Sandler O'Neill did not make an independent evaluation or appraisal of the specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of KFN or KKR or any of their respective subsidiaries.

Sandler O'Neill used mean publicly available earnings estimates for KFN and KKR and estimated long-term growth rates from analyst research estimates. Sandler O'Neill also received and used in its analyses certain projections of transaction costs, expected cost savings and other synergies which were provided by KKR's and KFN's respective management teams. With respect to those projections, estimates and judgments, the respective managements of KFN and KKR confirmed to us that those projections, estimates and judgments reflected the best currently available estimates and judgments of those respective managements of the future financial performance of KFN and KKR, respectively, and Sandler O'Neill assumed that such performance would be achieved. Sandler O'Neill expresses no opinion as to such estimates or the assumptions on which they are based. Sandler O'Neill assumed that there has been no material change in the respective assets, financial condition, results of operations, business or prospects of KFN and KKR since the date of the most recent financial data made available to Sandler O'Neill. Sandler O'Neill also assumed in all respects material to its analysis that KFN and KKR would remain as a going concern for all the periods relevant to its analyses. Sandler O'Neill expresses no opinion as to any of the legal, accounting and tax matters relating to the merger and any other transaction contemplated in connection therewith.

Sandler O'Neill's opinion was necessarily based on financial, economic, regulatory, market and other conditions as in effect on, and the information made available to Sandler O'Neill as of, the date of its opinion. Events occurring after the date thereof could materially affect its opinion. Sandler O'Neill has not undertaken to update, revise, reaffirm or withdraw its opinion or otherwise comment upon events occurring after the date of its opinion. Sandler O'Neill expressed no opinion as to the trading values at which the common shares or units, as the case may be, of KFN or KKR may trade at

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any time or what the value of KKR units will be once it is actually received by the holders of KFN common shares.

In rendering its December 16, 2013 opinion, Sandler O'Neill performed a variety of financial analyses. The following is a summary of the material analyses performed by Sandler O'Neill, but it is not a complete description of all the analyses underlying Sandler O'Neill's opinion. The summary includes information presented in tabular format. **In order to fully understand the financial analyses, these tables must be read together with the accompanying text. The tables alone do not constitute a complete description of the financial analyses. This information has not been prepared in accordance with U.S. GAAP and is unaudited.** The preparation of a fairness opinion is a complex process involving subjective judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. The process, therefore, is not necessarily susceptible to a partial analysis or summary description. Sandler O'Neill believes that its analyses must be considered as a whole and that selecting portions of the factors and analyses to be considered without considering all factors and analyses, or attempting to ascribe relative weights to some or all such factors and analyses, could create an incomplete view of the evaluation process underlying its opinion. Also, no company included in Sandler O'Neill's comparative analyses described below is identical to KFN or KKR and no transaction is identical to the merger. Accordingly, an analysis of comparable companies or transactions involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values or merger transaction values, as the case may be, of KFN and KKR and the companies to which they are being compared.

In performing its analyses, Sandler O'Neill also made numerous assumptions with respect to industry performance, business and economic conditions and various other matters, many of which cannot be predicted and are beyond the control of KFN, KKR and Sandler O'Neill. The analysis performed by Sandler O'Neill is not necessarily indicative of actual values or future results, both of which may be significantly more or less favorable than suggested by such analyses. Sandler O'Neill prepared its analyses solely for purposes of rendering its opinion and provided such analyses to the transaction committee at its December 13, 2013 meeting. Estimates of the values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold. Such estimates are inherently subject to uncertainty and actual values may be materially different. Accordingly, Sandler O'Neill's analyses do not necessarily reflect the value of KFN's common shares or the prices at which KFN's common shares may be sold at any time. The analyses of Sandler O'Neill and its opinion were among a number of factors taken into consideration by KFN's board of directors in making its determination to approve of KFN's entry into the merger agreement and the analyses described below should not be viewed as determinative of the decision of KFN's board of directors or management with respect to the fairness of the merger.

In arriving at its opinion Sandler O'Neill did not attribute any particular weight to any analysis or factor that it considered. Rather it made qualitative judgments as to the significance and relevance of each analysis and factor. Sandler O'Neill did not form an opinion as to whether any individual analysis or factor (positive or negative) considered in isolation supported or failed to support its opinions; rather Sandler O'Neill made its determination as to the fairness of the merger consideration on the basis of its experience and professional judgment after considering the results of all its analyses taken as a whole.

Transaction Multiples

Sandler O'Neill reviewed the financial terms of the proposed transaction. As described in the merger agreement, KFN shareholders have the right to receive consideration consisting of 0.51 nonassessable KKR common units in exchange for each KFN common share. Based upon KKR's closing price of $24.25 as of December 12, 2013, Sandler O'Neill calculated a merger consideration

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value of $12.37 per KFN common share. Based upon 204,824,159 common shares outstanding and using KKR's closing price of $24.25 as of December 12, 2013, Sandler O'Neill calculated an aggregate merger consideration value of $2,533 million. Based upon financial information as of the period ended September 30, 2013, Sandler O'Neill calculated the following transaction ratios:

Transaction Value / Book Value Per Share:	119%

Historical Stock Trading Analysis

Sandler O'Neill reviewed the one-year and three-year share trading activity in KFN common shares and noted that the merger consideration based on the closing price of KKR's common units on December 12, 2013, was in excess of the highest closing share price for both the one-year and three-year period. Additionally, Sandler O'Neill observed that the merger consideration reflected a premium to KFN's closing share price on December 12, 2013 of 34.6%.

Premium to KFN Stock Price (December 12, 2013):	34.6%

Sandler O'Neill also noted that the proposed merger consideration exceeded the highest one-year trading price of KFN's common shares of $11.67, as well as the one-year volume weighted average of $10.57 and the one-year low of $9.11. Sandler O'Neill did not analyze the premium to KFN's closing share price based on KKR's common unit price on any date other than December 12, 2013.

Comparable Company Analysis

Sandler O'Neill used publicly available information to compare selected financial information for KFN and a group of financial institutions selected by Sandler O'Neill based on Sandler O'Neill's professional judgment and experience. The peer group consisted of NASDAQ-and NYSE-traded business development companies and senior / floating fund business development companies.

The following financial institutions were selected for the comparison:

Business Development Companies:	
Apollo Investment Corporation	New Mountain Finance Corporation
Ares Capital Corporation	PennantPark Investment Corporation
Blackrock Kelso Capital Corp.	Prospect Capital Corporation
Fifth Street Finance Corporation	Solar Capital Ltd.
Golub Capital BDC, Inc.	TCP Capital Corporation
Hercules Technology Growth Capital, Inc.	THL Credit, Inc.
Main Street Capital Corporation	TICC Capital Corporation
Medley Capital Corporation	Triangle Capital Corporation
Investment Companies Focused on Senior and Floating Rate Loans:	
Fifth Street Senior Floating Rate Corp	PennantPark Floating Rate Capital
Oxford Lane Capital Corporation	Solar Senior Capital Ltd.

The analysis compared publicly available financial information for KFN and the mean and median financial and market trading data for the peer group as of or for the period ended September 30, 2013

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with pricing data as of December 12, 2013. The table below sets forth the data for KFN and the mean and median data for the peer group.

	KKR Financial (12/12/13 pricing)	BDC Median (12/12/13 pricing)	BDC Mean (12/12/13 pricing)	Inv. Co. - Senior / Floating Loans Median (12/12/13 pricing)	Inv. Co. - Senior / Floating Loans Mean (12/12/13 pricing)
Market Cap ($ in millions)	$ 1,882	$ 789	$ 1,292	$ 167	$ 159
Total Assets ($ in millions)	$ 8,472	$ 1,173	$ 1,837	$ 216	$ 215
LTM ROE	13.5%	10.5%	11.6%	9.0%	7.5%
Price / NAV	0.88x	1.08x	1.18x	1.00x	0.98x
Price / 2013E EPS	7.2x	11.0x	11.8x	14.5x	20.8x
Price / 2014E EPS	8.8x	10.4x	10.8x	12.2x	12.3x
Price / 2015E EPS	8.0x	9.7x	10.0x	12.6x	12.6x
Current Dividend Yield(1)	9.6%	9.0%	9.1%	7.8%	8.9%

(1) Dividend yield computed as most recent quarterly dividend annualized divided by closing price per share

Sandler O'Neill used publicly available information to compare selected financial information for KKR and a group of financial institutions selected by Sandler O'Neill based on Sandler O'Neill's professional judgment and experience. The peer group consisted of NASDAQ and NYSE-traded alternative asset managers.

The following companies were selected for the comparison:

Apollo Global Investment, LLC	Fortress Investment Group, LLC
The Blackstone Group	Oaktree Capital Group, LLC
The Carlyle Group, L.P.	Och-Ziff Capital Management Group

The analysis compared publicly available financial information for KKR and the mean and median financial and market trading data for the peer group as of or for the period ended September 30, 2013 with pricing data as of December 12, 2013. The table below sets forth the data for KKR and the mean and median data for the peer group.

	KKR (12/13/13 pricing)	Alternative Asset Managers Median (12/13/13 pricing)	Alternative Asset Managers Mean (12/13/13 pricing)
Closing Price as % of 52 Week High	98%	93%	93%
2015E Dividend Yield	6.3%	7.3%	7.6%
LTM AUM Growth	36%	15%	12%
Average Daily Trading Volume ($ in millions)	$ 42.1	$ 12.1	$ 29.2
Price / 2012 Adjusted Economic Net Income(1)	8.4x	13.8x	13.4x
Price / 2013E Economic Net Income	9.9x	10.5x	10.4x
Price / 2014E Economic Net Income	9.8x	10.6x	10.5x
Price / 2015E Economic Net Income	8.9x	9.7x	9.8x
Implied ENI Growth 2012 Adjusted-2013	(15)%	28%	29%
Implied ENI Growth 2013-2014	0%	(1)%	(0)%

(1) Excludes any one-time, non-recurring items

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Stock Price Performance

Sandler O'Neill reviewed the publicly reported trading prices of KFN's common shares for the one-year and three-year periods ended December 12, 2013. Sandler O'Neill then compared the relationship between the movements in the price of KFN's common shares against the movements in the prices of the peer groups referenced above and the S&P 500 Index.

One-Year Comparative Stock Performance

	Beginning Value December 12, 2012	**Ending Value December 12, 2013**
KFN	100%	88%
BDC Peers	100%	105%
Senior / Floating Fund Peers	100%	102%
S&P 500 Index	100%	124%

Three-Year Comparative Stock Performance

	Beginning Value December 12, 2010	**Ending Value December 12, 2013**
KFN	100%	101%
BDC Peers	100%	99%
Senior / Floating Fund Peers	100%	89%
S&P 500 Index	100%	143%

Sandler O'Neill reviewed the publicly reported trading prices of KKR's common units for the one-year and three-year periods ended December 12, 2013. Sandler O'Neill then compared the relationship between the movements in the price of KKR's common units against the movements in the prices of the peer group referenced above and the S&P 500 Index.

One-Year Comparative Stock Performance

	Beginning Value December 12, 2012	**Ending Value December 12, 2013**
KKR	100%	172%
Alternative Asset Managers	100%	176%
S&P 500 Index	100%	124%

Three-Year Comparative Stock Performance

	Beginning Value December 12, 2010	**Ending Value December 12, 2013**
KKR	100%	181%
Alternative Asset Managers	100%	171%
S&P 500 Index	100%	143%

Research Analyst Estimates and Price Targets

Sandler O'Neill reviewed analyst estimated earnings per share, or EPS, for KFN for 2013 and 2014 along with analyst estimated future price targets. The mean and median for 2013 and 2014 EPS were based on reports from five research analysts. The mean and median future price target for KFN were based on reports from five research analysts

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Summary of KFN Analyst Estimates

	EPS 2013	EPS 2014	Future Price Target
Mean	$ 1.27	$ 1.05	$ 11.70
Median	$ 1.26	$ 1.07	$ 12.00

Sandler O'Neill reviewed analyst estimated economic net income for KKR for 2013 and 2014 along with analyst estimated future price targets. The mean and median for 2013 and 2014 economic net income were based on reports from twelve research analysts. The future price target was based on reports from eleven research analysts. In some cases future price target information was not available.

Sandler O'Neill also noted the merger consideration exceeded the mean and median 12 month analyst target prices for KFN common shares and exceeded all but one of the individual analyst 12 month target prices for KFN common shares.

Summary of KKR Analyst Estimates

	Economic Net Income 2013	Economic Net Income 2014	Future Price Target
Mean	$ 2.46	$ 2.47	$ 25.91
Median	$ 2.49	$ 2.41	$ 26.00

KFN Net Present Value Analysis

Sandler O'Neill performed an analysis that estimated the net present value per KFN common share under various circumstances. Sandler O'Neill assumed that KFN performed in accordance with the publicly available mean analyst estimated earnings per share for the years ending December 31, 2013 and December 31, 2014 and an estimated long-term growth rate of 10% as provided by mean analyst research estimates for the years thereafter, and also included annual cash dividend payments, confirmed by senior management of KFN.

To approximate the terminal value of KFN common shares at December 31, 2017, Sandler O'Neill applied dividend yields ranging from 7.0% to 12.0%. The terminal values were then discounted to present values using different discount rates ranging from 7.0% to 12.0% chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of KFN's common shares.

As illustrated in the following tables, the analysis indicates an imputed range of values per KFN common share of $8.21 to $13.45 when applying dividend yields to the assumed quarterly dividend of $0.22 per KFN common share and $6.21 to $11.70 when applying multiples of tangible book value to the assumed tangible book value, calculated on the basis of analyst projections.

	Dividend Yields					
Discount Rate	7.0%	8.0%	9.0%	10.0%	11.0%	12.0%
7.00%	$ 13.45	$ 12.17	$ 11.17	$ 10.37	$ 9.72	$ 9.17
7.84%	$ 13.18	$ 11.92	$ 10.95	$ 10.17	$ 9.53	$ 9.00
8.00%	$ 13.13	$ 11.88	$ 10.91	$ 10.13	$ 9.50	$ 8.97
9.00%	$ 12.81	$ 11.60	$ 10.66	$ 9.90	$ 9.28	$ 8.77
10.00%	$ 12.51	$ 11.33	$ 10.41	$ 9.68	$ 9.08	$ 8.58
11.00%	$ 12.22	$ 11.07	$ 10.18	$ 9.46	$ 8.88	$ 8.39
12.00%	$ 11.94	$ 10.82	$ 9.95	$ 9.25	$ 8.69	$ 8.21

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	Tangible Book Value Multiples					
Discount Rate	**80%**	**90%**	**100%**	**110%**	**120%**	**130%**
7.00%	$ 7.20	$ 8.10	$ 9.00	$ 9.90	$ 10.80	$ 11.70
7.84%	$ 6.98	$ 7.85	$ 8.72	$ 9.59	$ 10.46	$ 11.34
8.00%	$ 6.93	$ 7.80	$ 8.67	$ 9.54	$ 10.40	$ 11.27
9.00%	$ 6.68	$ 7.52	$ 8.35	$ 9.19	$ 10.03	$ 10.86
10.00%	$ 6.44	$ 7.25	$ 8.05	$ 8.86	$ 9.67	$ 10.47
11.00%	$ 6.21	$ 6.99	$ 7.77	$ 8.55	$ 9.32	$ 10.10

Sandler O'Neill also considered and discussed with the KFN transaction committee how this analysis would be affected by possible changes in the underlying assumptions, including variations with respect to net income and dividends. To illustrate this impact, Sandler O'Neill performed a sensitivity analysis assuming KFN's net income varied from 25% above analyst projections to 25% below analyst projections and assuming that KFN's quarterly dividends paid varied from $0.165 per KFN common share to $0.275 per KFN common share. This sensitivity analysis resulted in the following range of per share values for KFN common shares, using the same dividend yields of 7.0% to 12.0% and a discount rate of 7.84%.

	Dividend Yields					
Annual Variance	**7.0%**	**8.0%**	**9.0%**	**10.0%**	**11.0%**	**12.0%**
-25.00%	$ 9.88	$ 8.94	$ 8.21	$ 7.63	$ 7.15	$ 6.75
-20.00%	$ 10.54	$ 9.54	$ 8.76	$ 8.14	$ 7.63	$ 7.20
-15.00%	$ 11.20	$ 10.14	$ 9.31	$ 8.64	$ 8.10	$ 7.65
-10.00%	$ 11.86	$ 10.73	$ 9.85	$ 9.15	$ 8.58	$ 8.10
-5.00%	$ 12.52	$ 11.33	$ 10.40	$ 9.66	$ 9.06	$ 8.55
0.00%	$ 13.18	$ 11.92	$ 10.95	$ 10.17	$ 9.53	$ 9.00
5.00%	$ 13.84	$ 12.52	$ 11.50	$ 10.68	$ 10.01	$ 9.45
10.00%	$ 14.49	$ 13.12	$ 12.04	$ 11.19	$ 10.49	$ 9.90
15.00%	$ 15.15	$ 13.71	$ 12.59	$ 11.70	$ 10.96	$ 10.35
20.00%	$ 15.81	$ 14.31	$ 13.14	$ 12.20	$ 11.44	$ 10.80
25.00%	$ 16.47	$ 14.90	$ 13.69	$ 12.71	$ 11.91	$ 11.25

The following table describes a discount rate calculation for KFN. The discount rate equals the risk free rate plus the product of two year beta and equity risk premium.

Risk Free Rate	2.88%	10 Year UST Yield
Two Year Beta	0.87	Per Bloomberg
Equity Risk Premium	5.70%	Ibbotson 60 year market analysis
Discount Rate	7.84%	

During the December 13, 2013 meeting of the KFN transaction committee, Sandler O'Neill noted that the net present value analysis is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, and the results thereof are not necessarily indicative of actual values or future results. Sandler O'Neill noted the merger consideration was within the range of the values indicated in the tables presented in the above net present value analysis of KFN common shares.

KKR Net Present Value Analysis

Sandler O'Neill also performed an analysis that estimated the net present value per KKR common unit under various circumstances. Sandler O'Neill assumed that KKR performed in accordance with publicly available mean analyst estimated economic net income per unit for the years ending

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December 31, 2013, December 31, 2014 and December 31, 2015 and an estimated long-term earnings growth rate of 6.9% as provided by mean analyst estimates for the years thereafter, and also included mean analyst estimates with respect to annual distributions / unit.

To approximate the terminal value of KKR common units at December 31, 2017, Sandler O'Neill applied economic net income multiples ranging from 8.0x to 13.0x, which Sandler O'Neill determined to be a standard deviation both up and down with the calculated discount rate at the mid-point of that range. The terminal values were then discounted to present values using different discount rates ranging from 8.0% to 13.0%, which Sandler O'Neill determined to be a standard deviation both up and down with the calculated discount rate at the mid-point of that range, and were chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of KKR's common units.

As illustrated in the following tables, the analysis indicates an imputed range of values per KKR common unit of $22.41 to $37.61 when applying economic net income multiples to applicable analyst projections for KKR.

	Economic Net Income Per Unit Multiples					
Discount Rate	**8.0x**	**9.0x**	**10.0x**	**11.0x**	**12.0x**	**13.0x**
8.00%	$ 25.28	$ 27.74	$ 30.21	$ 32.68	$ 35.14	$ 37.61
9.00%	$ 24.66	$ 27.06	$ 29.46	$ 31.86	$ 34.26	$ 36.66
9.94%	$ 24.10	$ 26.44	$ 28.78	$ 31.12	$ 33.45	$ 35.79
10.00%	$ 24.07	$ 26.40	$ 28.74	$ 31.07	$ 33.41	$ 35.74
11.00%	$ 23.50	$ 25.77	$ 28.04	$ 30.31	$ 32.58	$ 34.86
12.00%	$ 22.94	$ 25.15	$ 27.37	$ 29.58	$ 31.79	$ 34.00
13.00%	$ 22.41	$ 24.56	$ 26.72	$ 28.87	$ 31.02	$ 33.18

Sandler O'Neill also considered and discussed with the transaction committee how this analysis would be affected by possible changes in the underlying assumptions, including variations with respect to net income. To illustrate this impact, Sandler O'Neill performed a sensitivity analysis assuming KKR's economic net income and distributions / unit varied from 25% above analyst projections to 25% below analyst projections. This sensitivity analysis resulted in the following range of per unit values for KKR common units, using the same price to earnings multiples of 8.0x to 13.0x and a discount rate of 9.94%:

	Economic Net Income Multiples					
Annual Variance	**8.0x**	**9.0x**	**10.0x**	**11.0x**	**12.0x**	**13.0x**
-25.00%	$ 18.08	$ 19.83	$ 21.58	$ 23.34	$ 25.09	$ 26.84
-20.00%	$ 19.28	$ 21.15	$ 23.02	$ 24.89	$ 26.76	$ 28.63
-15.00%	$ 20.49	$ 22.47	$ 24.46	$ 26.45	$ 28.44	$ 30.42
-10.00%	$ 21.69	$ 23.80	$ 25.90	$ 28.00	$ 30.11	$ 32.21
-5.00%	$ 22.90	$ 25.12	$ 27.34	$ 29.56	$ 31.78	$ 34.00
0.00%	$ 24.10	$ 26.44	$ 28.78	$ 31.12	$ 33.45	$ 35.79
5.00%	$ 25.31	$ 27.76	$ 30.22	$ 32.67	$ 35.13	$ 37.58
10.00%	$ 26.51	$ 29.08	$ 31.66	$ 34.23	$ 36.80	$ 39.37
15.00%	$ 27.72	$ 30.41	$ 33.09	$ 35.78	$ 38.47	$ 41.16
20.00%	$ 28.92	$ 31.73	$ 34.53	$ 37.34	$ 40.15	$ 42.95
25.00%	$ 30.13	$ 33.05	$ 35.97	$ 38.90	$ 41.82	$ 44.74

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The following table describes a discount rate calculation for KKR. The discount rate equals the risk free rate plus the product of two year beta and equity risk premium.

Risk Free Rate	2.88%	10 Year UST Yield
Two Year Beta	1.24	Per Bloomberg
Equity Risk Premium	5.70%	Ibbotson 60 year market analysis
Discount Rate	9.94%	

At the December 13, 2013 meeting of the transaction committee, Sandler O'Neill noted that the net present value analysis is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, and the results thereof are not necessarily indicative of actual values or future results.

Sandler O'Neill noted that the trading price of KKR common units at the time of the presentation was within the range of the values indicated in the tables presented in the above net present value analysis of KKR common units.

Analysis of Selected Merger Transactions

Sandler O'Neill reviewed two groups of comparable mergers and acquisitions. The first group consisted of mergers and acquisitions of companies that were considered vehicles that were holders of financial assets and were managed by another party. The second group consisted of mergers and acquisitions of companies in the financial services industry where the buyer and the target had commercial relationships similar to those between KFN and KKR. In each group, these were the only transactions meeting the criteria described above and no transactions were excluded from either of the comparable merger and acquisition groups.

The first group of mergers and acquisitions included eleven transactions announced between January 30, 2011 and October 22, 2013 selected based on Sandler O'Neill's professional judgment and experience. The group was composed of the following transactions:

Buyer/Target

American Realty Capital Properties, Inc. / Cole Real Estate Investments, Inc.
Parkway Properties, Inc. / Thomas Properties Group, Inc.
Mid-America Apartment Communities, Inc. / Colonial Properties Trust
American Realty Capital Properties, Inc. / CapLease, Inc.
Annaly Capital Management, Inc. / CreXus Investment Corp.
Realty Income Corporation / American Realty Capital Trust, Inc.
HarbourVest Partners / Conversus Capital
Ventas, Inc. / Cogdell Spencer Inc.
HarbourVest Partners / Absolute Private Equity
Ventas, Inc. / Nationwide Health Properties, Inc.
AMB Property Corporation / ProLogis

The second group of mergers and acquisitions included seven transactions announced between November 20, 2006 and November 12, 2012 selected based on Sandler O'Neill's professional judgment and experience. In order to achieve a sufficient number of representative transactions deemed adequate by Sandler O'Neill, Sandler O'Neill expanded the range of dates used in selecting the second group as compared to that used in selecting the first group. The group was composed of the following transactions:

Buyer/Target

Annaly Capital Management, Inc. / CreXus Investment Corp.
Leucadia National Corp. / Jefferies Group, Inc.
Sovereign Bancorp, Inc. / Banco Santander SA
UnionBanCal Corp. / Bank of Tokyo-Mitsubishi UFJ Ltd.
Nationwide Financial Services, Inc. / Nationwide Mutual Insurance Co.
Alfa Corp. / Alfa Mutual
TD Banknorth, Inc. / Toronto-Dominion Bank

Sandler O'Neill then reviewed the following multiples for each of the transactions: transaction price to book value and transaction price to target company's stock price days before transaction announcement. As illustrated in the following table, Sandler O'Neill compared the proposed merger multiples to the median multiples of the comparable transactions.

	KKR / KFN	**First Group Transaction Medians**	**Second Group Transaction Medians**
Transaction Value / Book Value Per Share:	119%	103%	NM
Premium to KFN Stock Price (Dec. 12, 2013):	34.6%	8.4%	23.7%

Share Repurchase Analysis

Sandler O'Neill performed an analysis that estimated the earnings per share and tangible book value accretion to KFN common shares if KFN were to repurchase $200 million of its common shares at a range of prices between $9.19 to $10.00 per share. The analysis indicated that such share repurchase could be projected to result in 2015 earnings per share accretion to KFN common shares of between 3.8% to 4.8% in 2015. Additionally, Sandler O'Neill noted that based on the assumptions above, such share repurchase could be projected to result in tangible book value per share accretion to KFN common shares of between 0.4% to 1.4% as of September 30, 2013.

Pro Forma Results

Sandler O'Neill analyzed certain potential pro forma effects of the merger, assuming the following: (i) the merger closes on January 1, 2014; (ii) per share merger consideration value of $12.37, based on KKR's closing unit price on December 12, 2013 of $24.25; (iii) KKR is able to achieve cost savings of approximately $4.5 million and such savings are 100% realized in 2014; (iv) KFN's performance is consistent with publicly available mean analyst estimated earnings per share for the year ending December 31, 2014 and an estimated long-term growth rate of 10% for the years thereafter; (v) KKR's performance is consistent with publicly available mean analyst economic net income estimates for the years ending December 31, 2014 and December 31, 2015 and an estimated long-term growth rate of 6.9% for the years thereafter. The analyses indicated that (i) for the year ending December 31, 2014, the merger (excluding transaction expenses) would be dilutive to KKR's projected economic net income per unit, (ii) for the year ending December 31, 2015, the merger would be accretive to KKR's projected distributable earnings, and (iii) as of September 30, 2013, the merger would be accretive to KKR's book value per unit. The actual results achieved by the combined company, however, may vary from projected results and the variations may be material.

The table below shows Sandler O'Neill's projected accretion/dilution percentages for both KFN and KKR as of closing and for each of the years 2014-2015.

	Closing	Year Ending 12/31/2014	Year Ending 12/31/2015
KKR Economic Net Income Accretion / (Dilution) excluding transaction expenses		(1.9)%	(1.9)%
KFN EPS Accretion / (Dilution) excluding transaction expenses (assumes 100% stock allocation)		17.7%	17.3%
KKR Total Distributable Earnings Accretion / (Dilution) excluding transaction expenses		1.0%	0.8%
KKR Distributions / Unit Accretion / (Dilution)		6.9%	6.7%
KFN Income Distribution Accretion / (Dilution)		(15.7)%	(6.0)%
KKR BVPS Accretion / (Dilution)	17.5%		
KFN BVPS Accretion / (Dilution)	(42.1)%		

Preliminary Presentations by Sandler O'Neill

In addition to its December 13, 2013 fairness opinion presentation described above, Sandler O'Neill also made preliminary written presentations to the transaction committee of the KFN board of directors on the following dates, which are referred to in this proxy statement/prospectus as the preliminary Sandler presentations:

November 6, 2013

November 12, 2013

November 21, 2013

November 24, 2013

November 27, 2013

December 5, 2013

December 6, 2013

December 10, 2013

The preliminary Sandler presentations consisted of various summary data and analyses that Sandler O'Neill utilized in formulating its preliminary perspective on the merger, were for discussion purposes only, and did not present any findings or make any recommendations or constitute an opinion, or a part of any opinion, of Sandler O'Neill with respect to the fairness of the merger consideration. The only presentation in which Sandler O'Neill presented its findings with respect to the fairness of the consideration to be received by KFN shareholders was Sandler O'Neill's December 13, 2013 presentation described above. The preliminary Sandler presentations contained substantially similar analyses as described above in connection with the delivery of Sandler O'Neill's fairness opinion. The preliminary Sandler presentations primarily addressed the continued negotiations surrounding the proposed exchange ratio in the proposed transaction.

The November 6, 2013 preliminary Sandler presentation contained an overview of the proposed structure and terms of the merger, preliminary Sandler valuation analyses, a summary analysis of the proposed merger consideration, a review of the financial terms in selected previous business combinations, and analyst estimated future earnings per share, price targets and recommendations for KFN.

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The November 12, 2013 preliminary Sandler presentation contained updated Sandler valuation analyses, an update on the value of the proposed merger consideration and the resulting implied premiums, an accretion/dilution analysis of KKR and case studies of prior selected business combinations.

The November 21, 2013 preliminary Sandler presentation contained updated Sandler valuation analyses reflecting the revised proposed merger consideration and a summary description of Sandler O'Neill's meeting with KKR and its financial advisor regarding KKR's stated rationale for the transaction.

The November 24, 2013 preliminary Sandler presentation included a summary of the rationale to be expressed to KKR and its financial advisor by representatives of Sandler O'Neill for an increase in the value of the proposed merger consideration, and was also provided to representatives of KKR.

The November 27, 2013 preliminary Sandler presentation contained updated Sandler valuation analyses reflecting the revised proposed merger consideration.

The December 5, 2013 preliminary Sandler presentation summarized KKR's responses to certain questions regarding KKR's business asked by Sandler O'Neill during a conversation with members of KKR's management held on December 4, 2013. These included summaries of KKR's responses to certain questions posed by Sandler O'Neill regarding KKR's investing and financial performance and its management's evaluation of such performance, KKR's fundraising activities, the potential evolution of KKR's businesses and the composition of KKR's assets under management and the implications of such evolution, KKR's strategy and management plans, and KKR's fund investor base. In addition, the presentation summarized KKR's responses to certain questions regarding its plans following the completion of the transaction, including KKR's anticipated plan to distribute 100% of KFN's cash earnings, KKR's anticipated plan to initially maintain KFN as a separate legal entity, and KKR's investment expectations with respect to KFN's and KKR's balance sheet. The presentation also summarized KKR's expectations that potential synergies in the merger would amount to a few million dollars and anticipated reactions to the announcement of the merger.

The December 6, 2013 preliminary Sandler presentations contained a pro forma trading analysis of KKR, a summary of Sandler O'Neill's equity research coverage of KKR and of KKR's platform, managed assets and financial and stock price performance, and Sandler O'Neill's equity research analyst's views on the potential merger.

The December 10, 2013 preliminary Sandler presentation contained updated Sandler valuation analyses reflecting the revised proposed merger consideration.

Specifically, the presentations contained the following analyses:

- *proposed structure and terms of the transaction* including the then-current proposed merger consideration and the impact of the proposed merger consideration on holders of KFN common shares, calculated on November 21, 2013 at an amended proposed exchange ratio of 0.48 KKR common units per KFN common share, which would imply per share consideration of $10.91 based on the trading price of KKR common units of $22.73 on November 20, 2013. The aggregate transaction value as of November 21, 2013 would have been $2,235 million. Previously, similar calculations were performed as of November 6, 2013, at which time the proposed exchange ratio was 0.46 KKR common units per KFN common share, the trading price of KKR common units was $22.87 on November 4, 2013, and the implied per share consideration was $10.52. The final transaction proposal, which contemplated an exchange ratio of 0.51 KKR common units per KFN common share, would imply a per share price of $12.37 based on the $24.25 trading price of KKR common units on December 12, 2013.

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comparable public company analyses using the same methodology as that described on pages 46 and 47 above, and related information as of the date on which the analyses were performed;

precedent transaction analyses using the same methodology as that described on pages 52 and 53 above, and related information as of the date on which the analyses were performed;

pro forma financial analyses using the same methodology as described on page 53 and 54 above, and related information as of the date on which the analyses were performed;

discounted cash flow analyses, using the same methodology as described on pages 49 and 50 above, and related information as of the date on which the analyses were performed

historical stock price performance analysis of KFN and KKR as described on page 48 above, and related information as of the date on which the analysis were performed;

analyst price targets and EPS; and

accretion/dilution analyses in which Sandler O'Neill considered the standalone net income of each of KKR and KFN, then made adjustments for the proposed merger (including expense synergies, potential tax consequences and possible changes to business mix, among other pro forma adjustments, based on information provided by each of KKR and KFN):

In the November 12, 2013 preliminary presentation, Sandler O'Neill noted that based on information provided to Sandler O'Neill, the proposed acquisition of KFN could be projected to result in a range of earnings per share accretion/(dilution) to KKR of (4.6)% to 8.5% in 2015 under the strategic plan cases reflected in the KFN financial projections and various mixtures of stock and cash merger consideration. Additionally, Sandler O'Neill calculated a range of maximum prices that KKR could pay to KFN common shareholders and not suffer earnings per share dilution under the strategic plan cases reflected in the KFN financial projections and various mixtures of stock and cash merger consideration. The analysis indicated a range of $6.47 to $24.00 in per share merger consideration could be paid without earnings per share dilution to KKR.

In the November 21, 2013 preliminary presentation, Sandler O'Neill noted that based on information provided to Sandler O'Neill, the proposed acquisition of KFN could be projected to result in a range of earnings per share accretion/(dilution) to KKR of (5.1)% to 1.5% in 2015 under the strategic plan cases reflected in the KFN financial projections and assuming merger consideration consisting entirely of KKR common units. Sandler O'Neill also noted that the proposed acquisition of KFN could be projected to result in a range of earnings per share accretion/(dilution) to KFN common shareholders of (8.6)% to 68.6% in 2015 under the strategic plan cases reflected in the KFN financial projections and assuming merger consideration consisting entirely of KKR common units. Additionally, Sandler O'Neill calculated a range of maximum prices that KKR could pay to KFN common shareholders and not suffer earnings per share dilution under the strategic plan cases reflected in the KFN financial projections and assuming merger consideration consisting entirely of KKR common units. The analysis indicated a range of $6.27 to $12.27 in merger consideration could be paid without earnings per share dilution to KKR. Sandler O'Neill also noted that the proposed acquisition of KFN could be projected to result in a range of income distribution per share accretion to KKR of 0.2 to 12.1% in 2015 under the strategic plan cases reflected in the KFN financial projections and assuming merger consideration consisting entirely of KKR common units. Sandler O'Neill also noted that the proposed acquisition of KFN could be projected to result in a range of income distribution per share accretion/(dilution) to KFN common shareholders of (37.8)% to 9.7% in 2015 under the strategic plan cases reflected in the KFN financial projections and assuming merger consideration consisting entirely of KKR common units.

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In the November 27, 2013 preliminary presentation, Sandler O'Neill noted that based on information provided to Sandler O'Neill, the proposed acquisition of KFN could be projected to result in a range of earnings per share accretion/(dilution) to KKR of (5.6)% to 1.0% in 2015 under the strategic plan cases reflected in the KFN financial projections and assuming merger consideration consisting entirely of KKR common units. Sandler O'Neill also noted that the proposed acquisition of KFN could be projected to result in a range of earnings per share accretion/(dilution) to KFN common shareholders of (5.2)% to 74.8% in 2015 under the strategic plan cases reflected in the KFN financial projections and assuming merger consideration consisting entirely of KKR common units. Sandler O'Neill also noted that the proposed acquisition of KFN could be projected to result in a range of income distribution per share accretion/(dilution) to KKR of (0.3)% to 11.5% in 2015 under the strategic plan cases reflected in the KFN financial projections and assuming merger consideration consisting entirely of KKR common units. Sandler O'Neill also noted that the proposed acquisition of KFN could be projected to result in a range of income distribution per share dilution to KFN common shareholders of (13.9)% to (3.7)% in 2015 under the strategic plan cases reflected in the KFN financial projections and assuming merger consideration consisting entirely of KKR common units.

These numbers are in comparison to the December 13, 2013 presentation of Sandler O'Neill in which Sandler O'Neill noted that based on information provided to Sandler O'Neill, the proposed acquisition of KFN could be projected to result in earnings dilution to KKR of (1.9)% in 2014 and 2015. Sandler O'Neill also noted that the proposed acquisition of KFN could be projected to result in earnings accretion/(dilution) to KFN common shareholders of 17.7% in 2014 and 17.3% in 2015. Sandler O'Neill noted that the proposed acquisition of KFN could be projected to result in distribution accretion to KKR of 6.9% in 2014 and 6.7% in 2015. Sandler O'Neill also noted that the proposed acquisition of KFN could be projected to result in income distribution dilution to KFN common shareholders of (15.7)% in 2014 and (6.0)% in 2015.

market reviews and potential capital raising alternatives in which Sandler O'Neill reviewed, among other things, the trading price of KFN common shares and selected peer group companies, as well as activity in the equity capital markets. Based on its observations, as well as wider macroeconomic trends, Sandler O'Neill compared for the KFN transaction committee an equity offering by KKR with the proposed merger with KKR, including an implied price per share analysis for a capital raising transaction:

In the November 12, 2013 preliminary presentation Sandler O'Neill noted that a $2.2 billion equity raise by KKR (which amount was equal to the then-current proposed aggregate merger consideration value) at a range of net offering prices between $20.00 to $21.50 could be projected to result in an implied price range per KFN common share of $11.34 to $12.22.

In the November 21, 2013 preliminary presentation Sandler O'Neill noted that a $2.2347 billion equity raise by KKR (which amount was equal to the then-current proposed aggregate merger consideration value) at a range of net offering prices between $20.00 to $21.50 could be projected to result in an implied price range per KFN common share of $11.04 to $11.91.

Has/Gets Analysis based on the publicly available analyst earnings estimates for KFN and KKR and the various projection scenarios provided by management of KFN, in which Sandler O'Neill conducted a *"Has-Gets"* analysis of the impact of the proposed transaction on the shareholders of KFN. A *"Has-Gets"* analysis is a comparison of what shareholders of KFN have prior to the consummation of the proposed merger in terms of one or more financial ratios (and thus would not have absent consummation of such merger) to what such shareholders will have upon consummation of the merger.

In its November 21, 2013 preliminary presentation Sandler O'Neill analyzed KFN's 2015 earnings per share on a stand-alone basis and then pro forma for the transaction with KKR. Sandler O'Neill also evaluated the "Has-Gets" related to 2015 Income Distribution, Long-Term Analyst Growth Rate, One Year Daily Trading Volume and One Year Total Return to Shareholders. Sandler O'Neill's analyses did not include the effect of any synergies as a result of the merger in performing this analysis. The analyses indicated the 2015 Earnings Per Share (based on the strategic plan cases reflected in the KFN financial projections and current consensus mean analysts' estimates) would increase/(decrease) by a range of $(0.13) and $0.51, KKR's One Year Daily Trading Volume was greater by $31.5 million, and KKR's One Year Total Return to Shareholders was 77.9% compared to KFN's 5.1%. The 2015 Income Distribution (based on the strategic plan cases reflected in the KFN financial projections and current consensus mean analysts' estimates) would increase/(decrease) by a range of $0.06 and $(0.49) and the Long-Term Analyst growth rate of KKR was 10.0% compared to KFN's rate of 6.9%.

imputed valuation analyses of KFN common shares in which Sandler O'Neill analyzed imputed valuation per common share in the preliminary presentations as described below and based on the strategic plan cases reflected in the KFN financial projections to Sandler O'Neill:

in the November 6, 2013 preliminary presentation, Sandler O'Neill's analysis indicated the ranges listed below based on the median values for each of the strategic plan cases reflected in the KFN financial projections for the following for three comparison groups:

(1) $7.33 to $14.47 based on a group of business development companies;

(2) $8.44 to $16.66 based on a group of senior / floating fund business development companies; and

(3) $8.40 to $16.57 based on KFN's historical average three year valuation based on dividend yield (calculated assuming 90% of earnings per share are paid out as dividends);

in the November 6, 2013 preliminary presentation, Sandler O'Neill's analysis indicated the ranges listed below based on the mean values for each of the strategic plan cases reflected in the KFN financial projections for the following for three comparison groups:

(1) $7.32 to $14.44 based on a group of business development companies;

(2) $7.47 to $14.74 based on a group of senior / floating fund business development companies; and

(3) $8.62 to $17.01 based on KFN's historical average three year valuation based on dividend yield (calculated assuming 90% of earnings per share are paid out as dividends);

in the November 21, 2013 preliminary presentation, Sandler O'Neill's analysis indicated the ranges listed below based on the median values for each of the strategic plan cases reflected in the KFN financial projections for the following for three comparison groups:

(1) $8.13 to $15.04 based on a group of business development companies;

(2) $9.02 to $16.79 based on a group of senior / floating fund business development companies; and

(3) $8.38 to $16.53 based on KFN's historical average three year valuation based on dividend yield (calculated assuming 90% of earnings per share are paid out as dividends);

in the November 21, 2013 preliminary presentation, Sandler O'Neill's analysis indicated the ranges listed below based on the mean values for each of the strategic plan cases reflected in the KFN financial projections for the following for three comparison groups:

(1) $7.93 to $14.64 based on a group of business development companies;

(2) $8.12 to $15.01 based on a group of senior / floating fund business development companies; and

(3) $8.57 to $16.91 based on KFN's historical average three year valuation based on dividend yield (calculated assuming 90% of earnings per share are paid out as dividends);

imputed valuation analyses of KKR common units pro forma for a merger with KFN in which, in the November 27, 2013 preliminary presentation, Sandler O'Neill's analysis indicated the ranges listed below, assuming KKR would perform in accordance with mean consensus analysts' estimates and KFN would perform in accordance with either mean consensus analysts' estimates or one of three strategic plan cases reflected in the KFN financial projections, for valuation metrics based on the following criteria as compared to publicly available trading information and analyst estimates of the respective peer groups of KFN and KKR:

(1) $22.46 to $24.03 based on KKR maintaining its current price to estimated 2015 earnings multiple;

(2) $24.55 to $26.26 based on KKR trading at the current mean price to estimated 2015 earnings multiple of its peer group; and

(3) $23.72 to $26.54 based on KKR's mean consensus analysts' expected dividend yield.

Share repurchase analysis in which Sandler O'Neill performed an analysis that estimated the earnings per share and tangible book value accretion to KFN common shares if KFN were to repurchase various aggregate dollar amounts of common shares at a range of prices. The analysis indicated that such share repurchase could be projected to result in various levels of 2014 and 2015 earnings per share accretion to KFN. Additionally, Sandler O'Neill estimated the tangible book value per share accretion to KFN as of September 30, 2013 under these same assumptions.

In the November 21, 2013 preliminary presentation Sandler O'Neill noted that based on a share repurchase of $100 million at a range of prices between $9.75 to $10.91 per KFN common share that such share repurchase could be projected to result in 2014 earnings per share accretion/(dilution) to KFN common shares of between 1% to 1.6% and 2015 earnings per share accretion/(dilution) to KFN common shares of between (0.5)% to 2.6%. Additionally, Sandler O'Neill noted that based on the assumptions above that such share repurchase could be projected to result in tangible book value per share accretion/(dilution) to KFN common shares of between $(0.02) to $0.04 as of September 30, 2013.

In the November 21, 2013 preliminary presentation Sandler O'Neill noted that based on a share repurchase of $200 million at a range of prices between $9.75 to $10.91 per KFN common share that such share repurchase could be projected to result in 2014 earnings per share accretion to KFN common shares of between 2.2% to 3.4% and 2015 earnings per share accretion/(dilution) to KFN common shares of between (1.0)% to 5.6%. Additionally, Sandler O'Neill noted that based on the assumptions above that such share repurchase could be projected to result in tangible book value per share accretion/(dilution) to KFN common shares of between $(0.05) to $0.07 as of September 30, 2013.

These numbers are in comparison to the December 13, 2013 presentation Sandler O'Neill where it was noted that based on a share repurchase of $200 million at a range of prices between $9.19 to 10.00 per KFN common share that such share repurchase could be projected to result in 2015 earnings per share accretion to KFN common shares of between 3.8% to 4.8%. Additionally, Sandler O'Neill noted that based on the assumptions above that such share repurchase could be projected to result in tangible book value per share accretion to KFN common share of between 0.4% to 1.4% as of September 30, 2013.

Each of the analyses performed in these preliminary presentations was subject to further updating and subject to the final analyses presented to the transaction committee on December 13, 2013 by Sandler O'Neill. Each of these analyses was necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to Sandler O'Neill as of, the dates on which Sandler O'Neill performed such analyses. Accordingly, the results of the financial analyses may have differed due to changes in those conditions and other information, and not all of the written and oral presentations contained all of the financial analyses listed above.

The procedures followed by Sandler O'Neill in preparing the material analyses in the preliminary Sandler presentations were substantially similar to the procedures used by Sandler O'Neill to prepare the corresponding analyses in its December 13, 2013 fairness opinion presentation. Copies of these written materials have been filed as exhibits to the Schedule 13E-3 filed with the SEC in connection with the merger and will be made available for inspection and copying at the principal offices of KFN during its regular business hours by any interested holder of KFN common shares. Copies may be obtained by requesting them in writing from KFN at the address provided in the section titled "Where You Can Find More Information" beginning on page 234 of this proxy statement/prospectus.

Miscellaneous

Sandler O'Neill acted as the financial advisor to the transaction committee in connection with the merger and will receive a fee of approximately $17,000,000 in connection with the merger, of which $500,000 was received upon execution of the engagement letter, $1,000,000 was received upon delivery of the fairness opinion, $500,000 will be paid on the date on which KFN first mails the proxy statement included in this proxy statement/prospectus to KFN shareholders, and approximately $15,000,000 of which is contingent on the consummation of the merger. KFN has also agreed to reimburse Sandler O'Neill's reasonable out-of-pocket expenses incurred in connection with its engagement and to indemnify Sandler O'Neill and its affiliates and their respective partners, directors, officers, employee and agents against certain expenses and liabilities, including liabilities under the securities laws.

Sandler O'Neill employs research analysts who cover KKR, but Sandler O'Neill research analysts do not cover KFN and Sandler O'Neill has not issued research reports with respect to KFN.

In the ordinary course of its respective broker and dealer businesses, Sandler O'Neill may purchase securities from and sell securities to KFN and KKR and their respective affiliates. Sandler O'Neill may also actively trade the debt and/or equity securities of KFN or KKR or their respective affiliates for their own accounts and for the accounts of their customers and, accordingly may at any time hold a long or short position in such securities. Sandler O'Neill has provided investment banking services to, and received fees for such services from, KFN, most recently, in connection with KFN's purchase of debt securities in 2010. Within the past two years, other than its role as financial advisor to the transaction committee of the KFN board of directors in connection with the merger, Sandler has not provided any services to KFN or any of KFN's subsidiaries. In addition, within the past two years, Sandler O'Neill has also not provided any services to KKR or, to Sandler O'Neill's knowledge, any portfolio company of KKR.

Purpose and Reasons of the KKR Participants for the Merger

KKR, Fund Holdings, Merger Sub, KKR Group Holdings L.P., KKR Fund Holdings GP Limited, KKR Group Limited and KKR Management LLC, which are referred to collectively in this proxy statement/prospectus as the KKR Participants, are making the statements included in this section solely for the purpose of complying with the disclosure requirements of Rule 13e-3 and related rules under the Exchange Act. However, the making of such statements is not an admission by the KKR Participants that KFN is "controlled" by KKR or any affiliate of KKR such that KFN should be deemed to be an "affiliate" for purposes of Rule 13e-3 in connection with the merger.

Fund Holdings is the sole member of Merger Sub, KKR Group Holdings L.P. and KKR Fund Holdings GP Limited are the general partners of Fund Holdings, KKR Group Holdings L.P. is the sole shareholder of KKR Fund Holdings GP Limited, KKR Group Limited is the general partner of KKR Group Holdings L.P., KKR is the sole shareholder of KKR Group Limited and KKR Management LLC is the general partner of KKR.

For the KKR Participants, the purpose of the merger is to enable Fund Holdings to acquire all of the outstanding KFN common shares and, as a result, for Fund Holdings and its indirect owners, including KKR, to bear the rewards and risk of such ownership of KFN common shares after such KFN common shares cease to be publicly traded.

The KKR Participants believe that the transaction structure of the merger is preferable to other structures because it will enable Fund Holdings to acquire all of the outstanding KFN common shares at one time, while allowing the unaffiliated KFN common shareholders to participate and share in the potential future profits of KKR, including future profits related to KKR's indirect ownership interest in KFN's assets.

The KKR Participants' reasons for entering into the merger at this time include that KKR is continually exploring potential transactions that would enhance unitholder value relative to the status quo and that:

- KKR believes KFN is a specialty finance business with a complementary and known portfolio of assets and an attractive capital structure;

- KKR expects to acquire additional balance sheet scale to support its growth initiatives, including (1) the further build-out of KKR's investment management strategies, (2) increased exposure to capital market transactions that KKR sources, (3) the accelerated growth of KKR's new businesses, and (4) the pursuit of inorganic growth opportunities; and

- KKR believes that the merger would (1) accelerate KKR's balance sheet objectives, including the diversification of KKR's balance sheet holdings in addition to increasing their liquidity and yield, (2) increase the size and recurring component of KKR's distribution to KKR common unitholders, and (3) involve minimal integration risk, because KFN's assets are already managed by KKR.

In addition, KKR's desire to acquire additional balance sheet scale and to diversify its balance sheet holdings, along with the other goals noted above, is more readily achievable at this time given the market's current valuation of KKR's present and potential future earnings streams.

Opinion of the Financial Advisor to KKR

Goldman Sachs rendered its opinion to the board of directors of KKR Management LLC, which is referred to in this proxy statement/prospectus as KKR's managing partner, that, as of December 16,

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2013 and based upon and subject to the factors and assumptions set forth therein, the exchange ratio pursuant to the merger agreement was fair from a financial point of view to KKR.

The full text of the written opinion of Goldman Sachs, dated December 16, 2013, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex C to this proxy statement/prospectus. Goldman Sachs provided its opinion for the information and assistance of the board of directors of KKR's managing partner in connection with its consideration of the transaction.

In connection with rendering the opinion described above and performing its related financial analyses, Goldman Sachs reviewed, among other things:

- the merger agreement;
- KKR's Registration Statement on Form S-1, including the prospectus contained therein dated September 16, 2010 relating to the initial public offering of KKR common units;
- annual reports to unitholders or shareholders and Annual Reports on Form 10-K of KKR for the three years ended December 31, 2012 and of KFN for the five years ended December 31, 2012;
- certain interim reports to unitholders or shareholders and Quarterly Reports on Form 10-Q of KKR and KFN;
- certain other communications from KKR and KFN to their respective unitholders or shareholders;
- certain publicly available research analyst reports for KKR and KFN;
- certain financial analyses and forecasts for KFN prepared by its management;
- certain internal financial analysis and forecasts for KKR prepared by its management for the fourth quarter of 2013, certain financial analyses and forecasts for KKR prepared by research analysts and certain financial analyses and forecasts for KFN prepared by the management of KKR, in each case, as approved for Goldman Sachs' use by KKR, which are summarized beginning on page 95 and are referred to in this proxy statement/prospectus as the Forecasts; and
- certain cost savings and operating synergies projected by the management of KKR to result from the transaction, as approved for Goldman Sachs' use by KKR, which are summarized beginning on page 93 and are referred to in this proxy statement/prospectus as the Synergies.

Goldman Sachs also held discussions with members of the senior managements of KKR and KFN regarding their assessment of the strategic rationale for, and the potential benefits of, the transaction and the past and current business operations, financial condition, and future prospects of their respective companies; reviewed the reported price and trading activity for KKR common units and KFN common shares; compared certain financial and stock market information for KKR and KFN with similar information for certain other companies the securities of which are publicly traded; reviewed the financial terms of certain recent business combinations in the permanent capital industry and in other industries; and performed such other studies and analyses, and considered such other factors, as it deemed appropriate.

For purposes of rendering the opinion described above, Goldman Sachs, with KKR's consent, relied upon and assumed the accuracy and completeness of all of the financial, legal, regulatory, tax, accounting and other information provided to, discussed with or reviewed by, Goldman Sachs, without assuming any responsibility for independent verification thereof. In that regard, Goldman Sachs assumed with KKR's consent that the Forecasts and the Synergies are reasonable and reflect the best

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currently available estimates and judgments of the management of KKR. Goldman Sachs did not make an independent evaluation (except for certain valuations of the CLO assets of KFN) or appraisal of the assets and liabilities (including any contingent, derivative or other off-balance-sheet assets and liabilities) of KKR or KFN or any of their respective subsidiaries and Goldman Sachs was not furnished with any such evaluation or appraisal. Goldman Sachs assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the transaction will be obtained without any adverse effect on KKR or KFN or on the expected benefits of the transaction in any way meaningful to its analysis. Goldman Sachs has also assumed that the transaction will be consummated on the terms set forth in the merger agreement, without the waiver or modification of any term or condition the effect of which would be in any way meaningful to its analysis.

Goldman Sachs' opinion does not address the underlying business decision of KKR to engage in the transaction or the relative merits of the transaction as compared to any strategic alternatives that may be available to KKR; nor does it address any legal, regulatory, tax or accounting matters. Goldman Sachs' opinion addresses only the fairness from a financial point of view, as of the date of the opinion, of the exchange ratio pursuant to the merger agreement. Goldman Sachs' opinion does not express any view on, and does not address, any other term or aspect of the merger agreement or the transaction or any term or aspect of any other agreement or instrument contemplated by the merger agreement or entered into or amended in connection with the transaction, including, without limitation, the fairness of the transaction to, or any consideration received in connection therewith by, the holders of any class of securities, creditors, or other constituencies of KKR; nor as to the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of KKR or KFN, or any class of such persons, in connection with the transaction, whether relative to the exchange ratio pursuant to the merger agreement or otherwise. Goldman Sachs does not express any opinion as to the prices at which KKR common units will trade at any time or as to the impact of the transaction on the solvency or viability of KKR or KFN or the ability of KKR or KFN to pay its obligations when they come due. Goldman Sachs' opinion was necessarily based on economic, monetary market and other conditions, as in effect on, and the information made available to it as of the date of the opinion and Goldman Sachs assumed no responsibility for updating, revising or reaffirming its opinion based on circumstances, developments or events occurring after the date of its opinion. Goldman Sachs' advisory services and its opinion were provided for the information and assistance of the board of directors of KKR's managing partner, in connection with its consideration of the transaction. Goldman Sachs' opinion was approved by a fairness committee of Goldman Sachs.

The following is a summary of the material financial analyses delivered by Goldman Sachs to the board of directors of KKR's managing partner in connection with rendering the opinion described above. The following summary, however, does not purport to be a complete description of the financial analyses performed by Goldman Sachs, nor does the order of analyses described represent relative importance or weight given to those analyses by Goldman Sachs. Some of the summaries of the financial analyses include information presented in tabular format. The tables must be read together with the full text of each summary and are alone not a complete description of Goldman Sachs' financial analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before December 13, 2013 (the last trading day prior to the date of the merger agreement), and is not necessarily indicative of current market conditions.

Stand-alone Financial Analysis of KFN

Historical Stock Trading Analysis

Goldman Sachs reviewed the historical trading prices and volumes for KFN common shares for the five-year period ended December 13, 2013. Goldman Sachs also reviewed the historical ratio of the daily closing market price of KFN common shares to the daily closing market price of KKR common

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units for the three-year period ended December 13, 2013 and the historical ratio of the daily closing market price of KFN common shares to the book value per KFN common share for the five-year period ended December 13, 2013.

Goldman Sachs analyzed the $12.74 implied value of the consideration, based on the closing market price of KKR common units as of December 13, 2013, to be paid per KFN common share pursuant to the merger agreement in relation to the current (last trading day prior to the announcement of the merger), 20 trading day volume weighted average, 30 trading day average and 52 week high closing market prices of KFN common shares.

This analysis indicated that the $12.74 implied value of the consideration to be paid per KFN common share pursuant to the merger agreement represented:

- a premium of 33.7% to the closing market price of KFN common shares on December 13, 2013;
- a premium of 34.3% to the volume weighted average closing market price of KFN common shares over the 20 trading day period ended December 13, 2013;
- a premium of 33.9% to the average closing market price of KFN common shares over the 30 trading day period ended December 13, 2013; and
- a premium of 9.6% to the high closing market price of KFN common shares over the 52 week period ended December 13, 2013.

Selected Companies Analysis

Goldman Sachs reviewed and compared certain financial and stock market information, ratios and public market multiples for KFN to corresponding financial and stock market information, ratios and public market multiples for the following publicly traded externally managed business development companies, which are referred to in this proxy statement/prospectus as the KFN selected companies:

- Ares Capital Corporation
- Prospect Capital Corporation
- Apollo Investment Corporation
- Fifth Street Finance Corp.
- Solar Capital Ltd.
- PennantPark Investment Corporation
- Golub Capital BDC, Inc.
- Blackrock Kelso Capital Corporation

New Mountain Finance Corporation

Medley Capital Corporation

THL Credit, Inc.

TICC Capital Corp.

MVC Capital, Inc.

Fidus Investment Corporation

GSV Capital Corp.

Solar Senior Capital Ltd.

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- PennantPark Floating Rate Capital Ltd.
- Gladstone Investment Corporation
- Gladstone Capital Corporation
- Stellus Capital Investment Corporation
- NGP Capital Resources Company
- Horizon Technology Finance Corporation

Although none of the KFN selected companies is directly comparable to KFN, the companies included were chosen because they are publicly traded companies with operations that for purposes of analysis may be considered similar to certain operations of KFN.

The financial and stock market information, ratios and public market multiples for KFN and the KFN selected companies were based on information Goldman Sachs obtained from publicly available historical data and Institutional Brokers' Estimate System, or "IBES," estimates. The multiples and ratios were calculated using the applicable closing market prices as of December 13, 2013. The multiples and ratios of KFN and each of the KFN selected companies were based on the most recent publicly available information. With respect to KFN and the KFN selected companies, Goldman Sachs calculated:

- the closing market price as a percentage of the high closing market price over the 52 week period ended December 13, 2013;
- the ratio of the closing market price to the book value per share as of the latest fiscal quarter; and
- the annualized dividend yield.

The results of these analyses are summarized as follows:

	Median of KFN Selected Companies	**KFN**
% of 52 week high	93.1%	79.9%
Price / Book Value	1.02x	0.91x
Annualized Dividend Yield	9.2%	9.2%

Illustrative Dividend Discount Analysis

Goldman Sachs performed an illustrative dividend discount analysis on KFN on a stand-alone basis using KFN's projected dividends set forth in the Forecasts to calculate a range of implied values per KFN common share. Goldman Sachs calculated illustrative terminal values for KFN in the year 2018 by applying illustrative price-to-book value multiples ranging from 0.80x to 1.25x to KFN's projected book value in the year 2018 per the Forecasts. These illustrative price-to-book multiples were derived by Goldman Sachs utilizing its professional judgment and experience, taking into account current and historical trading data and the current price-to-book multiple for KFN and the KFN selected companies. Goldman Sachs then discounted KFN's estimated dividends for the fourth quarter of 2013 and each of the calendar years 2014 through 2018 and illustrative terminal values to derive illustrative present values of equity as of September 30, 2013 by assuming mid-year convention. Goldman Sachs used a range of discount rates from 8.0% to 11.0%, representing estimates of KFN's cost of equity. Goldman Sachs then divided such illustrative present values by the number of KFN common shares on a fully diluted basis as of September 30, 2013 to calculate the illustrative per-share equity values. This resulted in a range of implied values of KFN common shares from $9.13 to $13.74 per share.

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Stand-alone Financial Analysis of KKR

Illustrative Dividend Discount Analysis

Goldman Sachs performed an illustrative dividend discount analysis on KKR on a stand-alone basis using KKR's projected after-tax distributed earnings set forth in the Forecasts to calculate a range of implied values per KKR common unit. Goldman Sachs also calculated illustrative terminal values for KKR in the year 2015 by applying illustrative last-twelve-months distributed earnings exit multiples ranging from 16.0x to 22.0x to KKR's projected last-twelve-months distributed earnings in the year 2015 per the Forecasts. These illustrative last-twelve-months distributed earnings exit multiples were derived by Goldman Sachs utilizing its professional judgment and experience, taking into account current and historical trading data and the last-twelve-months distributed earnings multiple for KKR and selected companies which exhibited similar business characteristics to KKR, which are referred to in this proxy statement/prospectus as the KKR selected companies. Goldman Sachs then discounted KKR's estimated after-tax distributed earnings from the fourth quarter of 2013 and each of the calendar years 2014 and 2015 and illustrative terminal values to illustrative present values of equity as of September 30, 2013 by assuming mid-year convention. Goldman Sachs used a range of discount rates from 11.5% to 13.0% representing estimates of KKR's cost of equity. Goldman Sachs then divided such illustrative present values of equity by the number of KKR common units on a fully diluted basis as of September 30, 2013 to calculate the illustrative per-share equity values. This resulted in a range of implied equity values of KKR common units from $21.02 to $28.65 per unit.

Illustrative Sum-of-the-Parts Analysis

Goldman Sachs performed an illustrative sum-of-the-parts analysis to calculate a range of illustrative equity values of KKR on a stand-alone basis by adding illustrative values of (1) KKR's book value (for purposes of this section of this proxy statement/prospectus, such term is as defined in the 10-Q for the most recent fiscal quarter prior to announcement of the transaction, which differs from KKR's total partners' capital used elsewhere in this proxy statement/prospectus on a GAAP basis primarily as a result of the exclusion of ownership interests attributable to KKR Holdings), (2) KKR's future fee-related earnings and (3) KKR's future net carried interest. Goldman Sachs calculated the illustrative value of KKR's book value by applying a book value multiple of 1.0x to KKR's book value as of September 30, 2013. Goldman Sachs calculated illustrative values of KKR's future fee-related earnings by applying illustrative fee-related earnings multiples ranging from 15.0x to 17.0x to KKR's projected after-tax fee-related earnings for the year 2014 per the Forecasts. Goldman Sachs calculated illustrative values of KKR's future net carried interest by applying illustrative net carried interest multiples ranging from 5.0x to 9.0x to KKR's projected after-tax net carried interest for the year 2014 per the Forecasts. The illustrative book value multiple, fee-related earnings multiples and net carried interest multiples were derived by Goldman Sachs utilizing its professional judgment and experience, taking into account current and historical trading data and Wall Street analysts' estimates of book multiples, fee-related earnings multiples and net carried interest multiples, respectively, for the year 2014 for KKR and the KKR selected companies. This resulted in a range of implied values of KKR common units from $22.65 to $27.72 per unit.

Pro Forma Financial Analysis of the Combined Company

Contribution Analysis

Goldman Sachs calculated the illustrative pro forma relative contributions of KKR and KFN to the combined company with respect to certain financial metrics using the Forecasts for KKR and KFN for 2014 and 2015. Associated pro forma equity ownership was derived from the relative contributions based on the total number of KKR common units and KKR Group Partnership units outstanding on a fully diluted basis as of September 30, 2013 and KKR common units to be issued in connection with the merger based on KFN common shares outstanding on a fully diluted basis as of September 30,

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2013, and the exchange ratio of 0.51 KKR common units for each KFN common share. The following table sets forth the results of this analysis:

Pro Forma Contribution Analysis
($ in millions)
Income Statement (After-tax)

	KKR		KFN		
	$	%	$	%	Total
2014					
Fee Related Earnings	$ 358	100.0%	$ 0	0.0%	$ 358
Incentive Earnings	728	100.0	0	0.0	728
Investment Earnings	696	76.0	220	24.0	916
Economic Net Income	$ 1,782	89.0%	$ 220	11.0%	$ 2,002
Distributed Earnings	$ 944	85.6%	$ 159	14.4%	$ 1,103
2015					
Fee Related Earnings	$ 402	100.0%	$ 0	0.0%	$ 402
Incentive Earnings	842	100.0	0	0.0	842
Investment Earnings	747	74.8	252	25.2	999
Economic Net Income	$ 1,990	88.8%	$ 252	11.2%	$ 2,242
Distributed Earnings	$ 1,072	85.1%	$ 188	14.9%	$ 1,260

Balance Sheet

	KKR		KFN		
	$	%	$	%	Total
30-Sep-2013					
Book Value	$ 7,208	77.2%	$ 2,133	22.8%	$ 9,341

Pro Forma Ownership	KKR Common Unitholders (in millions)	%	KFN Common Shareholders (in millions)	%	Total
30-Sep-2013					
Common Units/Shares Outstanding	715.8	87.2%	105.1	12.8%	820.9

Accretion/(Dilution) Analysis

Goldman Sachs performed an accretion/dilution analysis of the illustrative pro forma financial effect of the proposed transaction on KKR's estimated after-tax distributed earnings using the Forecasts for KKR and KFN for the years 2014 and 2015 and taking into account the Synergies, and assuming a transaction date of December 31, 2013 and transaction fees of approximately $40 million per KKR management. The analysis indicated that the transaction would have an accretive illustrative pro forma financial effect on the after-tax distributed earnings of KKR for the years 2014 and 2015 in the amounts of $0.11 (or 7.8%) and $0.11 (or 7.6%), respectively.

Illustrative Sum-of-the-Parts Analysis

Goldman Sachs performed a sum-of-the-parts analysis to calculate a range of illustrative equity values of the combined company on a pro forma basis, based upon the Forecasts and Synergies, by adding illustrative values of (1) the combined company's book value, (2) the combined company's future fee-related earnings and (3) the combined company's future net carried interest. Goldman Sachs calculated the illustrative value of the combined company's book value by applying a book value multiple of 1.0x to the combined company's book value as of September 30, 2013. Goldman Sachs

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calculated illustrative values of the combined company's future fee-related earnings by applying illustrative fee-related earnings multiples ranging from 15.0x to 17.0x to the combined company's projected after-tax fee-related earnings for the year 2014 per the Forecasts, taking into account the Synergies. Goldman Sachs calculated illustrative values of the combined company's future net carried interest by applying illustrative net carried interest multiples ranging from 5.0x to 9.0x to the combined company's projected after-tax net carried interest for the year 2014 per the Forecasts, taking into account the Synergies. The illustrative book value multiple, illustrative fee-related earnings multiples and illustrative net carried interest multiples for the combined company were derived by Goldman Sachs utilizing its professional judgment and experience, taking into account current and historical trading data and Wall Street analysts' estimates of book value multiples, fee-related earnings multiples and net carried interest multiples for the year 2014 for KKR and the KKR selected companies. This resulted in a range of implied values of common units of the combined company from $21.68 to $26.01 per unit.

Analysis at Various Prices

Based on the Forecasts for KKR and KFN in the years 2014 and 2015, the Synergies, and an illustrative range of pro forma prices for common units of the combined company ranging from $22.00 per share to $28.00 per share, Goldman Sachs calculated (i) the implied 2014E and 2015E after-tax economic net income multiple based on projected pro forma after-tax economic net income for the combined company for 2014 and 2015, respectively, and (ii) the implied 2014E and 2015E after-tax distributed earnings multiple based on projected pro forma after-tax distributed earnings for the combined company for 2014 and 2015, respectively. The following table sets forth the results of this analysis:

Pro Forma Analysis at Various Prices
($ millions, except per share data)

Pro forma KKR common unit price	$ 22.00	$ 24.00	$ 26.00	$ 28.00
Premium to current unit price ($24.98)	(11.9)%	(3.9)%	4.1%	12.1%

Accretion / (Dilution)	**Pro Forma KKR Metric**				
After-tax economic net income ($)					
2014E	$ 2.43	9.1x	9.9x	10.7x	11.5x
2015E	2.68	8.2	9.0	9.7	10.4
After-tax distributed earnings ($)					
2014E	$ 1.46	15.1x	16.4x	17.8x	19.2x
2015E	$ 1.63	13.5	14.7	15.9	17.1

Illustrative Dividend Discount Analysis

Goldman Sachs performed an illustrative dividend discount analysis of the combined company on a pro forma basis using KKR's projected after-tax distributed earnings and KFN's projected dividends set forth in the Forecasts and taking into account the Synergies to calculate a range of implied values per common unit of the combined company. Goldman Sachs calculated illustrative terminal values for the combined company in the year 2015 by applying illustrative last-twelve-months distributed earnings exit multiples ranging from 16.0x to 22.0x to the combined company's projected last-twelve-months distributed earnings in the year 2015 per the Forecasts. These illustrative last-twelve-months distributed earnings exit multiples were derived by Goldman Sachs utilizing its professional judgment and experience, taking into account current and historical trading data and the last-twelve-months distributed earnings multiple for KKR and the KKR selected companies. Goldman Sachs then discounted the combined company's estimated after-tax distributed earnings from the fourth quarter of 2013 and each of the calendar years 2014 and 2015 and illustrative terminal values to illustrative present values of equity as of September 30, 2013 by assuming mid-year convention. Goldman Sachs used a range of discount rates from 11.5% to 13.0%, representing estimates of the combined company's cost of equity. Goldman Sachs then divided such illustrative present values of equity by the number of common units of the combined company outstanding on a fully diluted basis as of September 30, 2013 (based on the total number of KKR common units and KKR Group Partnership units outstanding on a fully diluted basis as of September 30, 2013 and KKR common units to be issued in connection with the merger based on KFN common shares outstanding on a fully diluted basis as of September 30, 2013, and the exchange ratio of 0.51 KKR common units for each KFN common share) to calculate the illustrative per-share equity values. This resulted in a range of implied equity values of KKR common units from $22.46 to $30.70 per unit.

Illustrative Dividend Discount-Based Contribution Analysis

Goldman Sachs then calculated the implied pro forma ownership of KKR common unitholders in the combined company by comparing illustrative present values of equity of KFN on a stand-alone basis to illustrative present values of equity of the combined company on a pro forma basis, based on the Forecasts and taking into account the Synergies. Goldman Sachs performed illustrative dividend discount analyses of KFN and the combined company as described above under " Stand-alone Financial Analysis of KFN Illustrative Dividend Discount Analysis" and " Pro Forma Financial Analysis of the Combined Company Illustrative Dividend Discount Analysis," respectively, except that Goldman Sachs used a discount rate of 12.4% for the combined company and 9.0% for KFN, which represents an illustrative cost of equity for the pro forma combined company and KFN, respectively. Goldman Sachs then subtracted the illustrative present values of equity of KFN on a stand-alone basis from the illustrative present values of equity of the combined company on a pro forma basis to obtain illustrative present values of equity of KKR on a stand-alone basis. This resulted in a range of implied pro forma ownership of KKR common unitholders in the combined company from 85.5% to 91.8%, as compared to the pro forma ownership of KKR common unitholders in the combined company of 87.2% based on the total number of KKR common units and KKR Group Partnership units outstanding on a fully diluted basis as of September 30, 2013 and KKR common units to be issued in connection with the merger based on KFN common shares outstanding on a fully diluted basis as of September 30, 2013, and the exchange ratio of 0.51 KKR common units for each KFN common share.

Miscellaneous

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Goldman Sachs' opinion. In arriving at its fairness determination, Goldman Sachs considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis considered by it. Rather, Goldman Sachs made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses. No company or transaction used in the above analyses as a comparison is directly comparable to KKR or KFN or the contemplated transaction.

Goldman Sachs prepared these analyses for purposes of Goldman Sachs' providing its opinion to the board of directors of KKR's managing partner as to the fairness from a financial point of view of the exchange ratio pursuant to the merger agreement These analyses do not purport to be appraisals nor do they necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of KKR, KFN, Goldman Sachs or any other person assumes responsibility if future results are materially different from those forecast.

The exchange ratio was determined through negotiations between KKR and KFN and was approved by the board of directors of KKR's managing partner. Goldman Sachs provided advice to KKR during these negotiations. Goldman Sachs did not, however, recommend any specific exchange ratio to KKR or the board of directors of KKR's managing partner or that any specific exchange ratio constituted the only appropriate exchange ratio for the transaction.

As described above, Goldman Sachs' opinion to the board of directors of KKR's managing partner was one of many factors taken into consideration by the board of directors of KKR's managing partner in making its determination to approve the merger agreement. The foregoing summary does not purport to be a complete description of the analyses performed by Goldman Sachs in connection with its opinion and is qualified in its entirety by reference to the written opinion of Goldman Sachs attached as Annex C to this proxy statement/prospectus.

Goldman Sachs and its affiliates are engaged in advisory, underwriting and financing, principal investing, sales and trading, research, investment management and other financial and non-financial activities and services for various persons and entities. In the ordinary course of these activities, Goldman Sachs and its affiliates and employees, and funds or other entities in which they invest or have other economic interests or with which they co-invest, may at any time purchase, sell, hold or vote long or short positions and investments in securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments of KKR and its portfolio companies, KFN and any of their respective affiliates and third parties, or any currency or commodity that may be involved in the transaction for the accounts of Goldman Sachs and its affiliates and employees and their customers. Goldman Sachs acted as financial advisor to KKR in connection with, and participated in certain of the negotiations leading to, the transaction. Goldman Sachs expects to receive fees for its services in connection with the transaction, all of which are contingent upon consummation of the transaction, and KKR has agreed to reimburse Goldman Sachs' expenses arising, and indemnify Goldman Sachs against certain liabilities that may arise, out of Goldman Sachs' engagement. Goldman Sachs also has provided certain investment banking services to KKR and its affiliates and portfolio companies from time to time for which the Investment Banking Division of Goldman Sachs has received, and may receive, compensation, including having acted as joint book-running manager with respect to a public offering of 30,000,000 shares of common stock of Dollar General Corporation, which is referred to in this proxy statement/prospectus as Dollar General, a portfolio company of KKR, in June 2012; as joint book-running manager with respect to a public offering of 36,000,000 shares of common stock of Dollar General in September 2012; as joint book-running manager with respect to an offering of 6.5% senior notes due 2020 (aggregate principal amount $825,000,000) and 6.5% senior subordinated notes due 2020 (aggregate principal amount $800,000,000) of Biomet, Inc., a portfolio company of KKR, in September 2012; as joint book-running manager with respect to a public offering of 38,500,000 shares of common stock of Nielsen Holdings N.V., which is referred to in this proxy statement/prospectus as Nielsen, a portfolio company of KKR, in February 2013; as joint book-running manager with respect to a public offering of 30,000,000 shares of common stock of Dollar General in March 2013; as joint book-running manager with respect to a public offering of Dollar General's 1.875% senior notes due 2018 (aggregate principal amount $400,000,000) and Dollar General's 3.250% senior notes due 2023 (aggregate principal amount $900,000,000) in April 2013; and as joint book-running manager with respect to a public offering of 35,000,000 shares of common stock of Nielsen in May 2013. During the two year period ended December 16, 2013, the Investment Banking Division of Goldman Sachs has received compensation for financial advisory and/or underwriting services provided directly to KKR and/or to its affiliates and portfolio companies (which may include companies that are not controlled by KKR) of approximately $144 million. During the two year period ended December 16, 2013, Goldman Sachs has not been engaged by KFN or its subsidiaries to provide financial advisory or underwriting services for which the Investment Banking Division of Goldman Sachs has received compensation.

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Goldman Sachs may also in the future provide investment banking services to KKR, KFN and their respective affiliates and portfolio companies for which the Investment Banking Division of Goldman Sachs may receive compensation. Goldman Sachs may also in the future provide investment banking services to KKR, KFN and their respective affiliates and portfolio companies for which the Investment Banking Division of Goldman Sachs may receive compensation. Affiliates of Goldman Sachs also may have co-invested with KKR and its affiliates from time to time and may have invested in limited partnership units of affiliates of KKR from time to time and may do so in the future.

On October 7, 2013, Mr. Lewin contacted Goldman Sachs to solicit Goldman Sachs' interest in acting as financial advisor to KKR in connection with a potential transaction with KFN. KKR approached Goldman Sachs because Goldman Sachs is an internationally recognized investment banking firm that has substantial experience in transactions similar to the transaction and because, as described above, Goldman Sachs had been retained by KKR and its affiliates on several prior occasions, including in connection with the KPE Transaction, and consequently had a high degree of familiarity with KKR's structure and its business. At KKR's request, Goldman Sachs advised that, as of the date of Goldman Sachs' inquiry, based on Goldman Sachs' internal records, no senior member of its investment banking team that would participate as an advisor to KKR in connection with the potential transaction with KFN owned any direct interests in KKR or KFN with an aggregate value in excess of $10,000. In addition, Goldman Sachs advised that, as of the date of Goldman Sachs' inquiry, each such senior member who is permitted to maintain accounts outside of Goldman Sachs has represented to Goldman Sachs that such person does not have any direct holdings in KKR or KFN in any such outside accounts. Following discussions with Goldman Sachs, the management of KKR's general partner considered the qualifications, experience and reputation of Goldman Sachs, and determined to retain Goldman Sachs as KKR's financial advisor in connection with the potential transaction with KFN if an acceptable engagement letter could be negotiated with Goldman Sachs. Goldman Sachs was formally retained on December 13, 2013.

Pursuant to the terms of an engagement letter dated December 13, 2013 among KKR, KKR's managing partner, Kohlberg Kravis Roberts & Co. L.P. and Goldman Sachs, KKR has agreed to pay Goldman Sachs a transaction fee of $5 million, all of which is payable upon consummation of the transaction. In addition, KKR has agreed to reimburse Goldman Sachs for its expenses, including attorneys' fees and disbursements, and to indemnify Goldman Sachs and related persons against various liabilities, including certain liabilities under the federal securities laws.

Other Presentations by Goldman Sachs

In addition to the presentation delivered to the board of directors of KKR's managing partner on December 16, 2013, as described above, Goldman Sachs also delivered presentations to the board of directors of KKR's managing partner or the management of KKR dated as of October 17, 2013, October 29, 2013, November 6, 2013, November 25, 2013, December 10, 2013 and December 15, 2013. Copies of these presentations have been filed as exhibits to the Schedule 13E-3 filed with the SEC in connection with the transaction and will be made available for inspection and copying at the principal executive offices of KKR during its regular business hours by any interested holder of KKR common units. Copies may be obtained by requesting them in writing from KKR at the address provided in the section titled "Where You Can Find More Information" beginning on page 234 of this proxy statement/prospectus. None of these presentations by Goldman Sachs, alone or together, constitute, or form the basis of, an opinion of Goldman Sachs with respect to the exchange ratio pursuant to the merger agreement.

October 17, 2013 Presentation

Selected Companies Analysis

Goldman Sachs reviewed and compared certain financial and stock market information, ratios and public market multiples for KFN to corresponding financial and stock market information, ratios and

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public market multiples for the following publicly traded commercial specialty finance companies, which are referred to in this proxy statement/prospectus as the CSC selected companies:

- Ares Capital Corporation
- Prospect Capital Corporation
- Apollo Investment Corporation
- Fifth Street Finance Corp.
- CIT Group Inc.
- NewStar Financial, Inc.

Although none of the CSC selected companies is directly comparable to KFN, the companies included were chosen because they are publicly traded companies with operations that for purposes of analysis may be considered similar to certain operations of KFN.

The financial and stock market information, ratios and public market multiples for KFN and the CSC selected companies were based on information Goldman Sachs obtained from publicly available historical data and IBES estimates. The multiples and ratios were calculated using the applicable closing market prices as of October 16, 2013. The multiples and ratios of KFN and each of the CSC selected companies were based on the most recent publicly available information. With respect to KFN and the CSC selected companies, Goldman Sachs calculated:

- the closing market price as a percentage of the high closing market price over the 52 week period ended October 16, 2013;
- the ratio of the closing market price to the book value per share as of the latest fiscal quarter; and
- the annualized dividend yield.

The results of these analyses are summarized as follows:

	Median of CSC Selected Companies	KFN
% of 52 week high	92.7%	91.7%
Price/Book Value	1.08x	1.02x
Annualized Dividend Yield	9.2%	7.9%

Goldman Sachs also reviewed and compared certain financial and stock market information, ratios and public market multiples for KFN to corresponding financial and stock market information, ratios and public market multiples for the following publicly traded residential mortgage real estate investment trusts, which are referred to in this proxy statement/prospectus as the REIT selected companies:

- Annaly Capital Management, Inc.
- American Capital Agency Corp.

Hatteras Financial Corp.

New Residential Investment Corp.

ARMOUR Residential REIT, Inc.

CYS Investments, Inc.

Capstead Mortgage Corporation

Anworth Mortgage Asset Corporation

Western Asset Mortgage Capital Corporation

Two Harbors Investment Corp.

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- Chimera Investment Corporation
- MFA Financial, Inc.
- Invesco Mortgage Capital Inc.
- Newcastle Investment Corp.
- PennyMac Mortgage Investment Trust
- Redwood Trust, Inc.
- American Capital Mortgage Investment Corp.
- Dynex Capital Inc.
- Apollo Residential Mortgage, Inc.
- AG Mortgage Investment Trust, Inc.
- New York Mortgage Trust, Inc.

Although none of the REIT selected companies is directly comparable to KFN, the companies included were chosen because they are publicly traded companies with operations that for purposes of analysis may be considered similar to certain operations of KFN.

The financial and stock market information, ratios and public market multiples for KFN and the REIT selected companies were based on information Goldman Sachs obtained from publicly available historical data. The multiples and ratios were calculated using the applicable closing market prices as of October 16, 2013. The multiples and ratios of KFN and each of the REIT selected companies were based on the most recent publicly available information. With respect to KFN and the REIT selected companies, Goldman Sachs calculated:

- the closing market price as a percentage of the high closing market price over the 52 week period ended October 16, 2013;
- the ratio of the closing market price to the book value per share as of the latest fiscal quarter; and
- the annualized dividend yield.

The results of these analyses are summarized as follows:

	Median of REIT Selected Companies	**KFN**
% of 52 week high	72.4%	91.7%
Price/Book Value	0.89x	1.02x
Annualized Dividend Yield	12.2%	7.9%

Goldman Sachs also reviewed and compared certain financial and stock market information, ratios and public market multiples for KKR to corresponding financial and stock market information, ratios and public market multiples for the following publicly traded alternative asset managers, which are referred to in this proxy statement/prospectus as the AAM selected companies:

- The Blackstone Group L.P.
- Apollo Global Management LLC
- The Carlyle Group L.P.
- Oaktree Capital Group LLC
- Och-Ziff Capital Management Group LLC
- Fortress Investment Group LLC
- Sprott Asset Management LP

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- Partners Group
- Ashmore Group plc
- GAM Holding AG
- Man Group plc
- Polar Capital Holdings plc
- Gottex Fund Management Holdings Limited

Although none of the AAM selected companies is directly comparable to KKR, the companies included were chosen because they are publicly traded companies with operations that for purposes of analysis may be considered similar to certain operations of KKR.

The financial and stock market information, ratios and public market multiples for KKR and the AAM selected companies were based on information Goldman Sachs obtained from publicly available historical data. The multiples and ratios were calculated using the applicable closing market prices as of October 16, 2013. The multiples and ratios of KKR and each of the AAM selected companies were based on the most recent publicly available information. With respect to KKR and the AAM selected companies, Goldman Sachs calculated:

- the closing market price as a percentage of the high closing market price over the 52 week period ended October 16, 2013;
- price as a multiple of estimated 2013 earnings per share and estimated 2014 earnings per share for each of the AAM selected companies; and
- the annualized dividend yield.

The results of these analyses are summarized as follows:

	Median of AAM Selected Companies	**KKR**
% of 52 week high	94.2%	100%
2013 Calendarized P/E Multiple	13.5x	9.9x
2014 Calendarized P/E Multiple	12.2x	9.2x
Annualized Dividend Yield	4.6%	5.7%

Selected Transactions Analysis

Goldman Sachs also analyzed certain publicly available information relating to the following selected transactions in the REIT, business development company, and publicly traded private equity vehicle spaces since 2011:

Date Announced	**Target**	**Acquiror**
September 2013	Thomas Properties Group, Inc.	Parkway Properties, Inc.
June 2013	Colonial Properties Trust	Mid-America Apartment Communities, Inc.
May 2013	CapLease, Inc.	American Realty Capital Properties, Inc.
November 2012	CerXus Investment Corp.	Annaly Capital Management, Inc.
September 2012	American Realty Capital Trust, Inc.	Realty Income Corporation
July 2012	Conversus Capital, L.P.	HarbourVest Partners, LLC

December 2011	Cogdell Spencer Inc.	Ventas, Inc.
April 2011	Absolute Private Equity Ltd.	HarbourVest Partners, LLC
February 2011	Nationwide Health Properties, Inc.	Ventas, Inc.
January 2011	ProLogis, Inc.	AMB Property Corporation

For each of the selected transactions, Goldman Sachs calculated and compared the implied offer premium to the target company's closing market price one trading day prior to announcement of the transaction, which ranged from -0.2% to 19.7% with a median of 6.7%. While none of the companies that participated in the selected transactions are directly comparable to KFN, the companies that participated in the selected transactions are companies with operations that, for the purposes of analysis, may be considered similar to certain of KFN's results, market size, product profile or structure of capital.

Accretion/(Dilution) Analysis

Goldman Sachs also performed an accretion/dilution analysis of the illustrative pro forma financial effect of a hypothetical acquisition of KFN by KKR at illustrative premia to KFN's closing market price as of October 16, 2013 ranging from 0% to 20%, or an implied purchase price of $10.65 to $12.78, on KKR's estimated after-tax distributed earnings using publicly available KFN and KKR financial statements as of June 30, 2013 and IBES estimates, and assuming no synergies, 100% stock consideration, a transaction date of December 31, 2013 and transaction fees of approximately $30 million to $35 million. The analysis indicated that the transaction would have a dilutive illustrative pro forma financial effect on the after-tax distributed earnings of KKR for the year 2014 ranging from $0.04 (or 2.8%) to $0.08 (or 5.1%) and a dilutive illustrative pro forma financial effect on the after-tax distributed earnings of KKR for the year 2015 ranging from $0.06 (or 3.2%) to $0.09 (or 5.4%).

The October 17, 2013 presentation also contained an analysis of potential balance sheet adjustments, market performance analysis, shareholder analysis and analyses of the pro forma impact of the acquisition on KKR's credit rating and on various financial metrics.

October 29, 2013, November 6, 2013, November 25, 2013, December 10, 2013 Presentations

The October 29, 2013 presentation contained an analysis of KKR raising equity, in both a single offering and in multiple offerings, and acquiring assets in the open market as an alternative to an acquisition of KFN. The analysis examined the potential incremental total distributable earnings per issued KKR common unit, incremental economic net income per issued KKR common unit and total dividends per KKR common unit, relative to an acquisition of KFN at a 0.46 exchange ratio of KKR common units per KFN common share.

The November 6, 2013 presentation contained a qualitative discussion of capital markets-related considerations in connection with raising balance sheet capital from selected alternative sources including: the issuance of equity in multiple tranches; the issuance of debt; and a hybrid approach of acquiring assets with capital raised from a line of credit and repaying with the proceeds of equity issuances over time.

The November 25, 2013 presentation contained a comparison of the investor bases comprising KFN and KKR and a discussion of possible reactions of KFN shareholders and KKR common unitholders to the contemplated transaction.

The December 10, 2013 presentation contained an illustrative sensitivity analyses with respect to the value of CLOs and optimal call dates, in each case based on underlying portfolio assumptions.

The financial analyses and other information in these presentations were based on market, economic and other conditions as of their respective dates as well as other information that was available at those times. Accordingly, the results of the financial analyses and other information differed due to changes in those conditions. Among other things, multiples attributable to selected companies changed as those companies' stock prices changed, and implied transaction multiples changed as KKR's and KFN's financial results (as well as the Forecasts) changed. Finally, Goldman Sachs continued to refine various aspects of its financial analyses with respect to KKR and KFN over time.

Opinion of the Financial Advisor to the Conflicts Committee of KKR's Managing Partner

On December 16, 2013, Lazard rendered its oral opinion, subsequently confirmed in writing, to the independent directors constituting the conflicts committee of the board of directors of KKR's managing partner, that, as of such date, and based upon and subject to the assumptions, procedures, factors, qualifications and limitations set forth therein, the exchange ratio was fair, from a financial point of view, to KKR.

The full text of Lazard's written opinion, dated December 16, 2013, which sets forth the assumptions made, procedures followed, factors considered and qualifications and limitations on the review undertaken by Lazard in connection with its opinion, is attached to this proxy statement/prospectus as Annex D and is incorporated into this proxy statement/prospectus by reference. The description of Lazard's opinion set forth in this proxy statement/prospectus is qualified in its entirety by reference to the full text of Lazard's written opinion attached as Annex D. You are encouraged to read Lazard's opinion and this section carefully and in their entirety.

Lazard's opinion was directed to the independent directors constituting the conflicts committee of the board of directors of KKR's managing partner in connection with their evaluation of the transactions contemplated by the merger agreement and only addressed the fairness, from a financial point of view, of the exchange ratio to KKR. Lazard's opinion was not intended to, and does not constitute, a recommendation to any shareholder as to how such shareholder should vote or act with respect to the merger or any matter relating thereto. Lazard's opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to it as of, the date of Lazard's opinion. Lazard did not express any opinion as to the prices at which KKR common units or KFN common shares may trade at any time subsequent to the announcement of the merger. Lazard was retained only to provide its opinion and was not involved in the negotiation of the terms of the merger. Lazard's opinion did not address the relative merits of the merger as compared to any other transaction or business strategy in which KKR might engage or the merits of the underlying decision by KKR to engage in the merger.

The following is a summary of Lazard's opinion. You are encouraged to read Lazard's written opinion carefully in its entirety.

In connection with its opinion, Lazard:

- reviewed the financial terms and conditions of the merger agreement;
- reviewed certain publicly available historical business and financial information relating to KFN and KKR;
- reviewed various financial forecasts and other data provided to Lazard by KFN and KKR relating to the business of KFN and certain limited financial forecasts and various other data provided to Lazard by KKR relating to the business of KKR and also reviewed certain publicly available financial forecasts relating to the business of KFN and KKR;
- held discussions with members of the senior managements of KFN and KKR's managing partner with respect to the businesses and prospects of KFN and KKR, respectively, and reviewed certain synergies and other benefits anticipated by the management of KKR's managing partner to be realized from the merger;
- reviewed public information with respect to certain other companies in lines of business Lazard believed to be generally relevant in evaluating the businesses of KFN and KKR, respectively;
- reviewed the financial terms of certain business combinations involving companies in lines of business Lazard believed to be generally relevant in evaluating the businesses of KFN and KKR, respectively;
- reviewed historical prices and trading volumes of KFN common shares and KKR common units;
- reviewed the potential pro forma financial impact of the merger on KKR based on the financial forecasts referred to above relating to KFN and KKR; and
- conducted such other financial studies, analyses and investigations as Lazard deemed appropriate.

Lazard assumed and relied upon the accuracy and completeness of the foregoing information, without independent verification of such information. Lazard did not conduct any independent valuation or appraisal of any of the assets or liabilities (contingent or otherwise) of KFN or KKR or concerning the solvency or fair value of KFN or KKR, and Lazard was not furnished with any such valuation or appraisal. Management of KKR's managing partner advised Lazard that (i) financial forecasts prepared by KKR with respect to the future financial performance of KFN reflected the best currently available estimates and judgments of the anticipated future financial performance of KFN and (ii) publicly available forecasts with respect to KKR reflected the best currently available estimates and judgments of the anticipated future financial performance of KKR. Accordingly, with the consent of the independent directors constituting the conflicts committee of the board of directors of KKR's managing partner, for purposes of Lazard's analysis of KFN and KKR, Lazard utilized such financial forecasts. Lazard assumed, with the consent of the independent directors constituting the conflicts committee of the board of directors of KKR's managing partner, that the financial forecasts utilized in Lazard's analyses, including those related to synergies and other benefits, had been reasonably prepared on bases reflecting the best currently available estimates and judgments as to the future financial performance of KFN and KKR, respectively.

In rendering its opinion, Lazard assumed, with the consent of the independent directors constituting the conflicts committee of the board of directors of KKR's managing partner, that the merger will be consummated on the terms described in the merger agreement, without any waiver or modification of any material terms or conditions. Lazard also assumed, with the consent of the independent directors constituting the conflicts committee of the board of directors of KKR's managing partner, that obtaining the necessary governmental, regulatory or third party approvals and consents for the merger will not have an adverse effect on KKR, KFN or the merger. Lazard did not express any opinion as to any tax or other consequences that might result from the merger, nor did Lazard's opinion address any legal, tax, regulatory or accounting matters, as to which Lazard understood that the independent directors constituting the conflicts committee of the board of directors of KKR's managing partner obtained such advice as they deemed necessary from qualified professionals. Lazard expressed no view or opinion as to any terms or other aspects (other than the exchange ratio to the extent expressly specified in its opinion) of the merger, including, without limitation, the form or structure of the merger or any agreements or arrangements entered into in connection with, or contemplated by, the merger. In addition, Lazard expressed no view or opinion as to the fairness of the amount or nature of, or any other aspects relating to, the compensation to any officers, directors or employees of any parties to the merger, or class of such persons, relative to the exchange ratio or otherwise.

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The following is a brief summary of the material financial analyses and reviews that Lazard deemed appropriate in connection with rendering its opinion. The brief summary of Lazard's analyses and reviews provided below is not a complete description of the analyses and reviews underlying Lazard's opinion. The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant methods of analysis and review and the application of those methods to particular circumstances, and, therefore, is not readily susceptible to summary description. Considering selected portions of the analyses and reviews or the summary set forth below, without considering the analyses and reviews as a whole, could create an incomplete or misleading view of the analyses and reviews underlying Lazard's opinion.

In arriving at its opinion, Lazard considered the results of all of its analyses and reviews and did not attribute any particular weight to any factor, analysis or review considered by it; rather, Lazard made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses and reviews.

For purposes of its analyses and reviews, Lazard considered industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of KKR and KFN. No company, business or transaction used in Lazard's analyses and reviews as a comparison is identical to KKR, KFN, or the transactions contemplated by the merger agreement, and an evaluation of the results of those analyses and reviews is not entirely mathematical. Rather, the analyses and reviews involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, businesses or transactions used in Lazard's analyses and reviews. The estimates contained in Lazard's analyses and reviews and the ranges of valuations resulting from any particular analysis or review are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by Lazard's analyses and reviews. In addition, analyses and reviews relating to the value of companies, businesses or securities do not purport to be appraisals or to reflect the prices at which companies, businesses or securities actually may be sold. Accordingly, the estimates used in, and the results derived from, Lazard's analyses and reviews are inherently subject to substantial uncertainty.

The summary of the analyses and reviews provided below includes information presented in tabular format. In order to fully understand Lazard's analyses and reviews, the tables must be read together with the full text of each summary. The tables alone do not constitute a complete description of Lazard's analyses and reviews. Considering the data in the tables below without considering the full description of the analyses and reviews, including the methodologies and assumptions underlying the analyses and reviews, could create a misleading or incomplete view of Lazard's analyses and reviews.

Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before December 16, 2013 and is not necessarily indicative of current market conditions.

KFN Stand-Alone Analyses

KFN Selected Comparable Companies Analysis

Lazard reviewed and analyzed the following public companies that it viewed as reasonably comparable to KFN: (i) selected externally managed business development companies, or "BDCs," (ii) selected internally managed BDCs, (iii) selected commercial mortgage real estate investment trusts, or "REITs," and (iv) selected residential mortgage REITs. Although none of the selected companies is directly comparable to KFN, the companies included are publicly traded companies with operations and/or other criteria, such as lines of business, markets, business risks and size and scale of business,

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which for purposes of analysis Lazard considered relevant. Specifically, Lazard compared KFN to the following public companies:

Externally managed BDCs:

- Ares Capital Corporation
- Prospect Capital Corporation
- Apollo Investment Corporation
- Fifth Street Finance Corp.
- Solar Capital Ltd.
- PennantPark Investment Corporation
- BlackRock Kelso Capital Corporation
- MVC Capital, Inc.
- Gladstone Investment Corporation
- Gladstone Capital Corporation

Internally managed BDCs:

- Onex Corporation
- American Capital, Ltd.
- Main Street Capital Corporation
- Triangle Capital Corporation
- MCG Capital Corporation

Commercial mortgage REITs:

Starwood Property Trust, Inc.

Newcastle Investment Corp.

Colony Financial, Inc.

iStar Financial Inc.

Blackstone Mortgage Trust, Inc.

Resource Capital Corp.

RAIT Financial Trust

Apollo Commercial Real Estate Finance, Inc.

Ares Commercial Real Estate Corporation

Arbor Realty Trust, Inc.

Resource America, Inc.

BRT Realty Trust

Residential Mortgage REITs:

Annaly Capital Management, Inc.

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American Capital Agency Corp.

Two Harbors Investment Corp.

Chimera Investment Corporation

MFA Financial, Inc.

Invesco Mortgage Capital Inc.

Hatteras Financial Corp.

New Residential Investment Corp.

PennyMac Mortgage Investment Trust

Redwood Trust, Inc.

ARMOUR Residential REIT, Inc.

CYS Investments, Inc.

Capstead Mortgage Corporation

American Capital Mortgage Investment Corp.

Anworth Mortgage Asset Corporation

Apollo Residential Mortgage, Inc.

New York Mortgage Trust, Inc.

Dynex Capital, Inc.

Arlington Asset Investment Corp.

In performing these analyses, Lazard reviewed and analyzed certain publicly available financial information, implied multiples and market trading data relating to the selected comparable companies and compared such information to the corresponding information for KFN. Lazard calculated and compared, among other things, (i) the ratio of each company's December 13, 2013 share price to its calendar year 2013 and 2014 estimated GAAP earnings per share, or "P/E," (ii) the ratio of each company's December 13, 2013 share price to its latest available GAAP book value or net asset value per share, as applicable, or "P/BV," and (iii) each company's estimated dividend yield for the calendar years 2013 and 2014. The calendar year 2013 and 2014 estimated GAAP earnings per share and estimated dividend yield for the selected companies and used by Lazard in its analysis were based on the median of FactSet consensus analyst estimates. The latest available GAAP book value per share for the selected companies and used by Lazard in its analysis was based on company filings and publicly available information. Lazard also calculated corresponding financial multiples and ratios for KFN, on the basis of KFN projections based on the median of FactSet consensus analyst estimates, which are

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referred to in to in this proxy statement/prospectus as KFN consensus estimates. The metrics observed by Lazard are summarized in the following table:

	P/E			Dividend Yield	
	2013E	2014E	P/BV	2013E	2014E
Externally Managed BDCs					
High	12.0x	16.9x	1.12x	12.1%	11.9%
Mean	10.3x	11.0x	0.98x	9.3%	9.3%
Median	10.7x	10.6x	1.02x	9.2%	9.3%
Low	7.8x	8.8x	0.80x	4.1%	5.9%
Internally Managed BDCs					
High	18.2x	14.1x	1.75x	11.2%	11.2%
Mean	14.2x	12.4x	1.22x	6.9%	6.8%
Median	14.2x	13.1x	1.13x	8.0%	7.8%
Low	10.3x	9.5x	0.75x	0.3%	0.3%
Commercial Mortgage REITs					
High	28.8x	13.7x	1.91x	13.7%	13.7%
Mean	12.5x	9.0x	1.16x	8.1%	8.9%
Median	13.2x	10.9x	1.07x	7.8%	8.6%
Low	8.1x	8.6x	0.68x	2.3%	7.0%
Residential Mortgage REITs					
High	11.9x	11.4x	1.27x	23.1%	16.4%
Mean	8.0x	8.2x	0.90x	14.4%	12.3%
Median	7.7x	8.0x	0.85x	14.7%	12.0%
Low	4.8x	6.0x	0.71x	6.1%	6.8%
KFN Consensus Estimates	7.6x	9.0x	0.91x	9.2%	9.2%

Lazard primarily focused on externally managed BDCs, given their greater operational comparability to KFN, relative to internally managed BDCs and commercial and residential REITs also considered in this analysis. Based on this analysis of the relevant metrics for the comparable companies and KFN and on Lazard's professional judgment, Lazard selected reference ranges of (i) 7.6x to 10.7x and 9.0x to 10.6x for P/E of the selected companies for the calendar years 2013 and 2014, respectively, (ii) 0.91x to 1.02x for P/BV of the selected companies, and (iii) 8.0% to 10.0% for estimated dividend yield of the selected companies for each of the calendar years 2013 and 2014. Lazard applied such ranges, respectively, to (1) estimated GAAP earnings of KFN for the calendar years 2013 and 2014, as included in the KKR-Prepared KFN Projections (as defined below in the section of this proxy statement/prospectus titled " KKR-Prepared KFN Projections" beginning on page 93), (2) GAAP book value of KFN as of September 30, 2013, and (3) estimated dividend yield of KFN for the calendar years 2013 and 2014, as included in the KKR-Prepared KFN Projections. A summary of certain of the information included in the KKR-Prepared KFN Projections is set forth in the section of this proxy statement/prospectus titled " KKR-Prepared KFN Projections" beginning on page 93 of this proxy statement/prospectus. Based on the average of the results of the foregoing analysis, Lazard calculated a range of equity values per share for KFN of $9.23 to $11.42. Based on the KKR common unit price of $24.98 as of December 13, 2013, Lazard noted that such value range indicated a range of implied exchange ratios of 0.37x to 0.46x.

KFN Selected Precedent Transactions Analysis

Lazard reviewed and analyzed certain publicly available financial information of target companies in selected precedent merger and acquisition transactions involving companies it viewed as relevant. In performing these analyses, Lazard analyzed certain financial information and transaction multiples

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relating to the target companies involved in the selected transactions and compared such information to the corresponding information for KFN.

Lazard noted that there are limited or no recent target companies that are directly comparable to KFN. Although none of the selected precedent transactions or the companies party to such transactions is directly comparable to the transactions contemplated by the merger agreement or to KFN, all of the transactions were chosen because they involve transactions that, for purposes of analysis, may be considered relevant in evaluating the transactions contemplated by the merger agreement and/or involve targets that, for purposes of analysis, may be considered relevant. Lazard reviewed the following transactions involving (i) REITs and (ii) BDCs and real estate property:

REITs

Date Announced	Acquiror	Target	Price/BV
October 22, 2013	American Realty Capital Properties	Cole Real Estate	1.23x
June 3, 2013	Mid-America Apartment	Colonial Properties Trust	0.92x
May 28, 2013	American Realty Capital Properties	CapLease Inc.	1.17x
September 6, 2012	Realty Income Corp.	American Realty Capital Trust	1.13x
December 24, 2011	Ventas Inc.	Cogdell Spencer Inc.	0.80x
February 27, 2011	Ventas Inc.	Nationwide Health Properties	1.56x

BDCs and Real Estate Property

Date Announced	Acquiror	Target	Price/CY EPS	Price/BV
January 30, 2013	Annaly Capital Management Inc.	CreXus Investment Corp.	12.7x	1.09x
October 26, 2009	Ares Capital Corporation	Allied Capital Corp.	8.9x	0.46x

For each of the transactions, Lazard calculated, among other things, (i) with respect to REITs, deal value as a multiple of GAAP book value or net asset value (as applicable) as of the latest period available prior to the announcement of the transaction, and (ii) with respect to BDCs and real estate property, deal value per share as a multiple of estimated earnings per share in the calendar year the transaction was announced (which we refer to as Price/CY EPS) and deal value as a multiple of GAAP book value as of the latest period available prior to the announcement of the transaction. Based on Lazard's analysis of the selected precedents and on Lazard's professional judgment, Lazard applied multiples of (1) 0.92x to 1.23x to GAAP book value of KFN as of September 30, 2013 and (2) 8.9x to 12.7x to estimated GAAP earnings of KFN for the calendar year 2013, as included in the KKR-Prepared KFN Projections. Based on the average of the results of the foregoing analysis, Lazard calculated a range of equity values per share for KFN of $10.35 to $14.35. Based on the KKR common unit price of $24.98 as of December 13, 2013, Lazard noted that such value range indicated a range of implied exchange ratios of 0.41x to 0.57x.

KFN Dividend Discount Analysis

Based on the KKR-Prepared KFN Projections, Lazard performed a dividend discount analysis of KFN to calculate the estimated present value of the projected dividend distributions by KFN in the period from the fourth quarter of 2013 through 2018. Lazard also calculated estimated terminal values for KFN by applying a perpetual growth rate range of 0.0% to 2.0%. The projected dividend distributions and terminal values were discounted to present value using discount rates ranging from 8.5% to 9.5%. The discount rates applicable to KFN were based, among other things, on Lazard's judgment of the estimated range of discount rates based on an analysis of publicly traded BDCs. This analysis resulted in a range of equity values per share for KFN of $10.45 to $14.21. Based on the KKR

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common unit price of $24.98 as of December 13, 2013, Lazard noted that such value range indicated a range of implied exchange ratios of 0.42x to 0.57x.

Other Analyses

The analyses and data relating to KFN described below were presented to the independent directors constituting the conflicts committee of the board of directors of KKR's managing partner merely for informational purposes.

Other Analyses: KFN Historical Trading Analysis

Lazard reviewed historical data with regard to the closing prices of KFN common shares for the 52-week period to and including December 13, 2013. During this period, the closing price of common shares of KFN ranged from a low of $9.11 to a high of $11.67 per share, which, based on the KKR common unit price of $24.98 as of December 13, 2013, indicates a range of implied exchange ratios of 0.36x to 0.47x.

Other Analyses: KFN Analyst Price Targets Analysis

Lazard reviewed five Wall Street research equity analyst per share target prices for KFN as of December 13, 2013, which target prices were released on October 24, 2013. The range of these target prices was $10.50 to $12.50, which, based on the KKR common unit price of $24.98 as of December 13, 2013, indicates a range of implied exchange ratios of 0.42x to 0.50x.

KKR Stand-Alone Analyses

KKR Blended Earnings Selected Comparable Companies Analysis

Lazard reviewed and analyzed selected public companies that it viewed as reasonably comparable to KKR. Although none of the selected companies is directly comparable to KKR, the companies included are publicly traded companies with operations and/or other criteria, such as lines of business, markets, business risks and size and scale of business, which for purposes of analysis Lazard considered relevant. Specifically, Lazard compared KKR to the following public companies:

The Blackstone Group L.P.

Apollo Global Management LLC

The Carlyle Group LP

Och-Ziff Capital Management Group LLC

Fortress Investment Group LLC

Oaktree Capital Group, LLC

In performing these analyses, Lazard reviewed and analyzed certain publicly available financial information, implied multiples and market trading data relating to the selected comparable companies and compared such information to the corresponding information for KKR. Lazard calculated and compared, among other things, the ratio of each company's December 13, 2013 share or unit price to its (i) calendar year 2013 and 2014 per share or unit estimated economic net income, or "ENI," (ii) calendar year 2013 and 2014 per share estimated distributable cash earnings, or "DCE," and (iii) calendar year 2013 and 2014 estimated adjusted net income, or "ANI," in each case as applicable. The calendar year 2013 and 2014 estimated ENI, DCE and ANI per share or unit for the selected companies and used by Lazard in its analysis were based on the median of publicly available equity analyst estimates or FactSet consensus analyst estimates, if compiled by FactSet. Lazard also calculated the ratio of KKR's December 13, 2013 unit price to its calendar year 2013 and 2014 per unit estimated

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ENI and DCE, on the basis of KKR projections based on the median of FactSet consensus analyst estimates, which are referred to in this proxy statement/prospectus as KKR consensus estimates. The metrics observed by Lazard are summarized in the following table:

	P/ENI*		**P/DCE****		**P/ANI*****	
	2013E	**2014E**	**2013E**	**2014E**	**2013E**	**2014E**
Selected Companies						
High	13.3x	11.9x	19.4x	14.0x	9.3x	11.5x
Mean	10.8x	10.7x	12.1x	11.3x		
Median	11.6x	10.7x	10.5x	11.0x		
Low	6.8x	9.6x	7.1x	10.0x		
KKR Consensus Estimates	10.2x	10.1x	14.1x	13.1x		

* P/ENI multiple calculated for The Blackstone Group L.P., Apollo Global Management LLC, The Carlyle Group LP and Oaktree Capital Group, LLC.

** P/DCE multiple calculated for The Blackstone Group L.P., Apollo Global Management LLC, The Carlyle Group LP, Och-Ziff Capital Management Group LLC, Fortress Investment Group LLC and Oaktree Capital Group, LLC.

*** P/ANI multiple calculated for Oaktree Capital Group, LLC.

Based on an analysis of the relevant metrics for each of the comparable companies and KKR and on Lazard's professional judgment, Lazard selected reference ranges of (i) 10.2x to 10.8x and 10.1x to 10.7x for share price to estimated ENI per share of the selected companies for the calendar years 2013 and 2014, respectively, and (ii) 10.2x to 14.1x and 10.8x to 13.1x for share price to estimated DCE per share of the selected companies for the calendar years 2013 and 2014, respectively. Lazard applied such ranges, respectively, to (1) estimated ENI of KKR for the calendar years 2013 and 2014, as included in the KKR Forecasts (as defined below in the section of this proxy statement/prospectus titled " KKR Forecasts" beginning on page 95), along with certain internal financial forecasts for KKR provided and prepared by its management for the fourth quarter of 2013 (such estimates are collectively referred to in this proxy statement/prospectus as the "KKR management estimates"), and (2) estimated DCE of KKR for the calendar years 2013 and 2014, as included in the KKR management estimates. Based on the average of the results of the foregoing analysis, Lazard calculated ranges of equity values per common unit for KKR of $25.09 to $ 26.57, based on the ENI analysis, and $20.52 to $26.59, based on the DCE analysis, as compared to the $24.98 price per KKR common unit as of December 13, 2013.

KKR Sum-of-the-Parts Analysis

Lazard performed a sum-of-the-parts analysis of KKR based on separate valuations of the components of KKR's estimated 2014 ENI, net asset value of KKR's general partner investments, and KKR's net cash. In particular, Lazard calculated an implied equity value range of KKR as the sum of the following components:

Fee-Related ENI. Lazard calculated 2014 P/E multiples for a group of traditional asset managers that were selected by Lazard. The P/E multiples were calculated based on each asset manager's share price as of December 13, 2013 and estimated 2014 GAAP earnings per share based on the median of FactSet consensus analyst estimates. Lazard observed, for 2014, median and mean P/E multiples of 16.9x and 16.8x, respectively. Based on an analysis of the relevant metrics and on Lazard's professional judgment, Lazard selected a P/E multiple reference range of 15.0x to 17.0x and applied it to KKR's estimated 2014 fee-related ENI, as included in the KKR management estimates (as defined above).

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Incentive Fee ENI. For each of The Blackstone Group L.P., Apollo Global Management LLC, The Carlyle Group LP and Oaktree Capital Group, LLC, Lazard calculated ratios of implied capitalized value of incentive fee ENI as of December 13, 2013 to estimated 2014 incentive fee ENI. The estimated 2014 incentive fee ENI used in the analysis was derived by Lazard from publicly available equity analyst estimates. Based on an analysis of the relevant metrics and on Lazard's professional judgment (i) under a first approach, which is referred to in this proxy statement/prospectus as the earnings multiple approach, Lazard selected a multiple reference range of 8.9x to 9.3x and applied it to KKR's estimated 2014 incentive fee ENI, as included in the KKR management estimates (as defined above), and (ii) under a second approach, which is referred to in this proxy statement prospectus as the capital and earnings multiples approach, Lazard selected (1) a multiple reference range of 7.1x to 8.1x and applied it to KKR's estimated 2014 incentive fee ENI, as included in the KKR management estimate and (2) a multiple reference range of 0.8x to 1.0x and applied it to the book value of KKR's net accrued carry as of September 30, 2013.

GP Investments NAV. Lazard applied a multiple reference range of 0.8x to 1.0x to the net asset value, as of September 30, 2013, of KKR's general partner investment portfolio. The reference range was selected based on Lazard's professional judgment and on an analysis, for a group of listed private equity closed-end funds selected by Lazard, of the ratio of each fund's December 13, 2013 share price to its latest available net asset value.

Net Cash. Lazard considered the value of KKR's net cash as of September 30, 2013.

The foregoing analysis resulted in a range of equity values per common unit for KKR, calculated as the average of the equity values obtained by applying, respectively, the earnings multiple approach and the capital and earnings multiples approach, of $22.98 to $26.24, as compared to the $24.98 price per KKR common unit as of December 13, 2013.

KKR Dividend Discount Analysis

Based on the KKR management estimates (as defined above), Lazard performed a dividend discount analysis of KKR to calculate the estimated present value of the projected dividend distributions by KKR in the period from the fourth quarter of 2013 through 2015. Lazard also calculated estimated terminal values for KKR, using two alternative methodologies: (i) by applying multiples of 0.9x to the net asset value of KKR's general partner investment portfolio as of September 30, 2013; of 1.0x to KKR's net cash as of September 30, 2013; of 18.0x to 20.0x to KKR's estimated 2015 fee-related ENI, as included in the KKR management estimates (as defined above); and of 8.0x to 10.0x to KKR's estimated 2015 incentive fee ENI, as included in the KKR management estimates (as defined above), which is referred to in this proxy statement/prospectus as the sum-of-the-parts methodology, and (ii) by applying multiples of 10.0x to 14.0x to KKR's estimated 2015 DCE, as included in the KKR management estimates (as defined above), which is referred to in this proxy statement/prospectus as the P/DCE methodology. The projected dividend distributions and terminal values were discounted to present value using discount rates ranging from 11.0% to 13.0%. The discount rates applicable to KKR were based, among other things, on Lazard's judgment of the estimated range of weighted average cost of capital based on an analysis of publicly traded alternative asset managers. This analysis resulted in ranges of equity values per common unit for KKR of $24.99 to $28.40, using the sum-of-the-parts methodology, and $19.91 to $27.65, using the P/DCE methodology, as compared to the $24.98 price per KKR common unit as of December 13, 2013.

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Other Analyses

The analyses and data relating to KKR described below were presented to the independent directors constituting the conflicts committee of the board of directors of KKR's managing partner merely for informational purposes.

Other Analyses: KKR Historical Trading Analysis

Lazard reviewed historical data with regard to the closing prices of KKR common units for the 52-week period to and including December 13, 2013. During this period, the closing price of common units of KKR ranged from a low of $13.85 to a high of $24.98 per common unit, as compared to the $24.98 price per KKR common unit as of December 13, 2013.

Other Analyses: KKR Analyst Price Targets Analysis

Lazard reviewed 12 Wall Street research equity analyst per common unit target prices for KKR as of December 13, 2013, which target prices were released between October 24, 2013 and December 9, 2013. The range of these target prices was $23.00 to $28.00, as compared to the $24.98 price per KKR common unit as of December 13, 2013.

Pro Forma Analyses of the Combined Company

In addition, Lazard considered a number of pro forma analyses, including a contribution analysis and pro forma valuation analyses derived using similar methodologies to those described above under " KKR Stand-Alone Analyses." The analyses and data relating to the combined company described below were presented to the independent directors constituting the conflicts committee of the board of directors of KKR's managing partner merely for informational purposes.

Pro Forma Contribution Analysis

Based on the KKR-Prepared KFN Projections and the KKR management estimates (as defined above), Lazard calculated the estimated pro forma relative contributions of KKR and KFN to the combined company with respect to certain financial metrics and, based on such contributions, derived the implied exchange ratio for each of such metrics. The following table sets forth the results of this analysis:

	Aggregate				Per Share		
	KKR	**KFN**	**%KKR**	**%KFN**	**KKR**	**KFN**	**Implied Exch. Ratio**
Market Capitalization	$ 17,880	$ 1,952	90%	10%	$ 24.98	$ 9.53	038x
Total Assets	$ 8,515	$ 3,141	73%	27%	$ 11.90	$ 15.34	1.29x
Book Value*	$ 7,208	$ 2,133	77%	23%	$ 10.07	$ 10.42	1.03x
2013E Earnings							
ENI /	$ 1,757		87%	13%	$ 2.46	$ 1.25	0.51x
DCE / Net Income	$ 1,293	$ 256	83%	17%	$ 1.81	$ 1.25	0.69x
2014E Earnings							
ENI /	$ 1,782		89%	11%	$ 2.47	$ 1.07	0.43x
DCE / Net Income	$ 1,283	$ 220	85%	15%	$ 1.78	$ 1.07	0.60x
Dividends (2014E)	$ 944	$ 180	84%	16%	$ 1.36	$ 0.88	0.65x
Transaction			87%	13%			0.51x

* Reported non-GAAP figures.

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Pro Forma Estimated Financials of the Combined Company

Based on the KKR-Prepared KFN Projections and the KKR management estimates (as defined above), Lazard calculated, among other things, pro forma estimated ENI, DCE, fee-related ENI and incentive fee ENI for the combined company for the calendar years 2014 and 2015 as well as net accrued carry book value as of September 30, 2013, general partner investment portfolio net asset value as of September 30, 2013, and net cash as of September 30, 2013 for the combined company (which are collectively referred to as "pro forma financials"). The pro forma financials reflect the following assumptions: (i) pro forma estimated general and administrative expense savings of approximately $4.5 million, (ii) pro forma estimated benefits of approximately $10 million resulting from the assumed elimination of the requirement for KKR and KFN to maintain separate liquidity reserves, (iii) the elimination of KFN management fees through consolidation under KKR ownership offset by an increase of an almost equivalent amount of KFN investment income and (iv) KKR's intention to distribute 100% of KFN's realized earnings. Lazard noted that the pro forma financials were expected to be dilutive to ENI (by 2% in 2014E) and accretive to DCE (by 3% in 2014E).

Pro Forma Blended Earnings Selected Comparable Companies Analysis of the Combined Company

Based on the analysis of the selected comparable companies described above under " KKR Stand-Alone Analyses KKR Blended Earnings Selected Comparable Companies Analysis" and on Lazard's professional judgment, Lazard selected and applied multiples ranging from 10.1x to 10.7x to the pro forma estimated ENI for the combined company for the calendar year 2014, as included in the pro forma financials (as defined above). Based on this analysis, Lazard calculated a range of implied equity values per common unit for the combined company of $24.79 to $26.25. By comparing these values to stand-alone implied equity values per common unit for KKR of $25.22 to $26.70, as derived from the comparable companies analysis with respect to estimated 2014 ENI of KKR, as described above under " KKR Stand-Alone Analyses KKR Blended Earnings Selected Comparable Companies Analysis," Lazard noted that, on this basis, the transaction would have an illustrative dilutive effect on KKR's equity value per common unit of approximately 2%.

Based on the analysis of the selected comparable companies described above under " KKR Stand-Alone Analyses KKR Blended Earnings Selected Comparable Companies Analysis" and on Lazard's professional judgment, Lazard selected and applied multiples ranging from 10.8x to 13.1x to the pro forma estimated DCE for the combined company for the calendar year 2014, as included in the pro forma financials (as defined above). Based on this analysis, Lazard calculated a range of implied equity values per common unit for the combined company of $21.40 to $25.89. By comparing these values to stand-alone implied equity values per common unit for KKR of $21.01 to $25.43, as derived from the comparable companies analysis with respect to estimated 2014 DCE of KKR, as described above under " KKR Stand-Alone Analyses KKR Blended Earnings Selected Comparable Companies Analysis," Lazard noted that, on this basis, the transaction would have an illustrative accretive effect on KKR's equity value per common unit of approximately 2%.

Pro Forma Sum-of-the-Parts Analysis of the Combined Company

Based on the analyses described above under " KKR Stand-Alone Analyses KKR Sum-of-the-Parts Analysis" and on Lazard's professional judgment, Lazard applied (where applicable) to the combined company's pro forma estimated 2014 fee related ENI and incentive fee ENI, and to the combined company's pro forma net accrued carry book value as of September 30, 2013, general partner investment portfolio net asset value as of September 30, 2013, and net cash as of September 30, 2013, each as included in the pro forma financials (as defined above), the multiples applied to the corresponding components for KKR in the stand-alone sum-of-the-parts analysis of KKR, except that Lazard applied a multiple reference range of 0.90x to 1.00x, instead of a multiple reference range of 0.80x to 1.00x, to the combined company's pro forma general partner investment portfolio net asset

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value as of September 30, 2013, to account for the increased liquidity and diversity of the combined company's underlying assets. Lazard derived implied equity value ranges of the combined company as the sum of the results of the foregoing calculations. This analysis resulted in a range of equity values per common unit for the combined company, calculated as the average of the equity values obtained by applying, respectively, the earnings multiple approach and the capital and earnings multiples approach (each as defined above), of $22.30 to $24.72. By comparing these values to stand-alone implied equity values per common unit for KKR of $22.98 to $26.24, as derived from the stand-alone sum-of-the-parts analysis with respect to KKR, as described above under " KKR Stand-Alone Analyses KKR Sum-of-the-Parts Analysis," Lazard noted that, on this basis, the transaction would have an illustrative dilutive effect on KKR's equity value per common unit of approximately 3% to 6%.

Pro Forma Dividend Discount Analysis of the Combined Company

Based on the pro forma financials (as defined above), Lazard performed a dividend discount analysis of the combined company to calculate the estimated present value of the projected pro forma dividend distributions by the combined company in the period from the fourth quarter of 2013 through 2015. Lazard also calculated estimated terminal values for the combined company, using two alternative methodologies: (i) by applying multiples of 0.95x to the net asset value of the combined company's pro forma general partner investment portfolio as of September 30, 2013; of 1.00x to the combined company's net cash as of September 30, 2013; of 18.0x to 20.0x to the combined company's pro forma estimated 2015 fee-related ENI; and of 8.0x to 10.0x to the combined company's pro forma estimated 2015 incentive fee ENI, which is referred to in this proxy statement/prospectus as the pro forma sum-of-the-parts methodology, and (ii) by applying multiples of 10.0x to 14.0x to the combined company's pro forma estimated 2015 DCE, which is referred to in this proxy statement/prospectus as the pro forma P/DCE methodology. The projected dividend distributions and terminal values were discounted to present value using discount rates ranging from 11.0% to 13.0%. The discount rates applicable to the combined company were based, among other things, on Lazard's judgment of the estimated range of weighted average cost of capital based on an analysis of publicly traded alternative asset managers. This analysis resulted in ranges of implied equity values per common unit for the combined company of $23.93 to $26.83, using the pro forma sum-of-the-parts methodology, and $20.38 to $28.25, using the pro forma P/DCE methodology. By comparing these values to stand-alone implied equity values per common unit for KKR of $24.99 to $28.40 and $19.91 to $27.65, as derived from the stand-alone dividend discount analysis of KKR using the sum-of-the-parts methodology and the P/DCE methodology (each as defined above), respectively, as described above under " KKR Stand-Alone Analyses KKR Dividend Discount Analysis," Lazard noted that, on these bases, the transaction would have an illustrative dilutive effect on KKR's equity value of approximately 4% to 6%, using the pro forma sum-of-the-parts methodology and an illustrative accretive effect on KKR's equity value per common unit of approximately 2%, using the pro forma P/DCE methodology.

KFN ROE Expansion Sensitivity Analysis

Lazard calculated the effect on the combined company's equity value, as resulting from the foregoing pro forma analyses of the combined company, of a potential illustrative 2% to 4% increase in KFN's return on capital (which is defined as net income return on average net asset value and which we refer to as ROE) following the transaction, as a result of assumed enhanced deployment options. Lazard compared the results of this analysis to the results of the stand-alone analyses of KKR, as described above under " KKR Stand-Alone Analyses KKR Blended Earnings Selected Comparable Companies Analysis" (except that Lazard considered the selected comparable companies analysis with respect to KKR's ENI and DCE for 2014 only), " KKR Stand-Alone Analyses KKR Sum-of-the-Parts Analysis" and " KKR Stand-Alone Analyses KKR Dividend Discount Analysis,"

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and calculated applicable ranges of equity value accretion (or dilution). The results of this analysis are summarized in the following table:

	Standalone Equity Value per Common Unit		Pro Forma Equity Value per Common Unit + 4% ROE Increase		Equity Value Accretion/(Dilution) 2% ROE Increase		Equity Value Accretion/(Dilution) 4% ROE Increase	
	Low	High	Low	High	Low	High	Low	High
Blended ENI Comparable Companies Analysis(a)(c)	$ 25.22	$ 26.70	$ 24.79	$ 27.39	0%	0%	3%	3%
Blended DCE Comparable Companies Analysis(b)(c)	$ 21.01	$ 25.43	$ 21.40	$ 27.26	5%	4%	7%	7%
Sum-of-the-Parts Analysis(d)	$ 22.98	$ 26.24	$ 22.30	$ 25.15	(1%)	(4%)	(1%)	(4%)
Dividend Discount Analysis Sum-of-the-Parts Method(d)	$ 24.99	$ 28.40	$ 23.93	$ 27.26	(3%)	(4%)	(3%)	(4%)
Dividend Discount Analysis P/DCE Method(c)	$ 19.91	$ 27.65	$ 20.38	$ 29.65	5%	5%	8%	7%

(a) Stand-alone equity value per common unit of KKR based on comparable companies analysis with respect to estimated ENI of KKR for 2014 only.

(b) Stand-alone equity value per common unit of KKR based on comparable companies analysis with respect to estimated DCE of KKR for 2014 only.

(c) ROE increase captured as capitalization of incremental return on net assets.

(d) ROE increase captured as a 0.05x increase of the P/BV multiple applied to the general partner investment portfolio net asset value.

Miscellaneous

Lazard prepared these analyses solely for purposes of, and the analyses were delivered to the independent directors constituting the conflicts committee of the board of directors of KKR's managing partner in connection with, the provision of Lazard's opinion to the independent directors constituting the conflicts committee of the board of directors of KKR's managing partner as to the fairness from a financial point of view of the exchange ratio to KKR. These analyses do not purport to be appraisals nor do they necessarily reflect or purport to reflect the prices at which businesses or securities actually may be sold or the prices at which any securities have traded or may trade at any time in the future. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, neither Lazard nor any other person assumes responsibility if future results are materially different from those forecast.

Lazard, as part of its investment banking business, is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements, leveraged buyouts, and valuations for estate, corporate and other purposes. In the ordinary course of their respective businesses, Lazard and LFCM Holdings LLC (an entity indirectly owned in large part by managing directors of Lazard) and their respective affiliates may actively trade securities of KKR, KFN and certain of their respective affiliates for their own accounts and for the accounts of their customers and, accordingly, may at any time hold a long or short position in such securities, and may also trade and

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hold securities on behalf of KKR, KFN and certain of their respective affiliates. Lazard in the past has provided, currently is providing and in the future may provide certain investment banking services to KKR and certain of its affiliates, for which Lazard has received and may receive compensation, including, in the past two years, advising KKR or an affiliate thereof with respect to its proposed acquisition of SBB/Telemach Group and advising a portfolio company of KKR or an affiliate thereof with respect to a potential transaction, and having advised an affiliate of KKR in connection with its provision of debt financing to Uralita, Capmark Financial Group in connection with its restructurings and related transactions, and KKR and other affiliates or portfolio companies with respect to transactions that were not consummated. During the two year period ended December 16, 2013, the investment banking division of Lazard has earned compensation for financial advisory services provided directly to KKR and/or to its affiliates and controlled portfolio companies of approximately $9.1 million, in addition to Lazard's compensation for its services as financial advisor to the independent directors constituting the conflicts committee of the board of directors of KKR's managing partner in connection with the merger. During the two year period ended December 16, 2013, Lazard has not been engaged by KFN or its subsidiaries to provide financial advisory or underwriting services for which the Investment Banking Division of Lazard has received compensation. The issuance of Lazard's opinion was approved by the Opinion Committee of Lazard.

In connection with Lazard's services as financial advisor to the independent directors constituting the conflicts committee of the board of directors of KKR's managing partner and pursuant to the terms of the Lazard engagement letter dated December 11, 2013, KKR agreed to pay Lazard an aggregate fee equal to $1,500,000 upon delivery of the opinion. In addition, KKR also agreed to reimburse Lazard for its expenses incurred in connection with the engagement and to indemnify Lazard and certain related parties against certain liabilities under certain circumstances that may arise out of the rendering of its advice.

The type and amount of consideration payable pursuant to the merger agreement was determined through negotiations between KKR and KFN, rather than by any financial advisor, and was approved by the board of directors of KKR's managing partner. Lazard did not recommend any specific merger consideration to the board of directors of KKR's managing partner, to the independent directors constituting the conflicts committee of the board of directors of KKR's managing partner, or to KKR or that any given merger consideration constituted the only appropriate consideration for the merger. The decision to enter into the merger agreement was solely that of the board of directors of KKR's managing partner. As described above, the opinion of Lazard was one of many factors taken into consideration by the independent directors constituting the conflicts committee thereof in their evaluation of the merger in accordance with the merger agreement. Consequently, the analyses described above should not be viewed as determinative of the opinion of the board of directors of KKR's managing partner or the independent directors constituting the conflicts committee thereof with respect to the KKR merger consideration.

Lazard is an internationally recognized investment banking firm providing a broad range of financial advisory and other services. The independent directors constituting the conflicts committee of the board of directors of KKR's managing partner selected Lazard as a financial advisor because of its qualifications, expertise and reputation in investment banking and mergers and acquisitions, as well as its familiarity with the business of KKR. The conflicts committee of the board of directors of KKR's managing partner identified two investment banks who were of high quality, familiar with the industry of KKR and KFN and unlikely to have conflicts with respect to a transaction between KKR and KFN as potential financial advisors to the committee. Certain members of the conflicts committee interviewed the two investment banks and discussed with each bank its experience, expertise and qualifications in investment banking and mergers and acquisitions and its familiarity with the businesses of KKR and KFN. The members of the conflicts committee also confirmed with each bank the absence of any pending conflicts that, in the conflicts committee's view, would have impaired each such bank's ability to potentially participate as advisor to the conflicts committee in a transaction between KKR and KFN. After meeting with representatives from both financial advisor candidates, the members of the conflicts committee considered the discussion with each candidate, along with the experience, expertise, qualifications and reputation of each candidate, and determined to retain Lazard as its financial advisor.

A copy of the presentation delivered by Lazard to the conflicts committee of the board of directors of KKR's managing partner on December 16, 2013 in connection the rendering of Lazard's oral opinion has been filed as an exhibit to the Transaction Statement on Schedule 13E-3 filed with the SEC in connection with the transaction and will be made available for inspection and copying at the principal executive offices of KKR during its regular business hours by any interested holder of KKR common units. Copies may be obtained by requesting them in writing from KKR at the address provided in the section titled "Where You Can Find More Information" beginning on page 234 of this proxy statement/prospectus.

Position of the KKR Participants as to the Fairness of the Merger

Under SEC rules, the KKR Participants are required to express their belief as to the fairness of the merger to the unaffiliated common shareholders of KFN. The KKR Participants are making the statements included in this section solely for the purpose of complying with the requirements of Rule 13e-3 and the related rules under the Exchange Act. However, the making of such statements is not an admission by the KKR Participants that KFN is "controlled" by KKR or any affiliate of KKR such that KFN should be deemed to be an "affiliate" for purposes of Rule 13e-3 in connection with the merger.

KKR, Fund Holdings and Merger Sub attempted to negotiate a transaction that would be most favorable to them and did not negotiate a transaction with a goal of obtaining terms that were fair to the common shareholders of KFN and did not undertake any independent evaluation of the fairness of the merger to the unaffiliated common shareholders of KFN or engage a financial advisor for such purpose. However, based on the procedural safeguards implemented during the negotiation of the merger and the other factors considered by, and the analysis, discussion and resulting conclusions of, KFN's board of directors and the transaction committee of the KFN board of directors described in the section entitled " Recommendation of the KFN Board of Directors and Reasons for the Merger; Fairness of the Merger" beginning on page 38 of this proxy statement/prospectus, which analysis, discussion and resulting conclusions the KKR Participants expressly adopt as their own, the KKR Participants believe that the merger is substantively and procedurally fair to KFN's unaffiliated common shareholders.

The foregoing discussion of the factors considered by the KKR Participants is not intended to be exhaustive but is believed to include all material factors considered by the KKR Participants in making a determination regarding the fairness of the merger for the purpose of complying with the requirements of Rule 13e-3 and the related rules under the Exchange Act. The KKR Participants did not find it practicable to, and did not, quantify or otherwise attach relative weights to the foregoing factors in reaching their position as to the fairness of the merger. Rather, the KKR Participants made their fairness determination after considering all of the factors as a whole.

KFN Projected Financial Information

KFN does not, as a matter of course, generally publish its business plans and strategies or make external disclosures of its anticipated financial position or results of operations. KFN management prepared certain nonpublic financial projections prior to the evaluation of a possible transaction, and KKR had access to such projections. While Sandler O'Neill also had access to such financial projections, the projections were not used by Sandler O'Neill in performing the analysis in preparation

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of their fairness opinion. Such financial projections did not result from a full financial forecast model, but were instead derived from a projected mix of portfolio strategies and a projected rate of return for each such portfolio strategy. For these reasons, among others, publicly available analyst estimates were deemed by KFN management to be the best available information. A summary of the nonpublic financial projections prepared by KFN management is provided below and such information is referred to in this proxy statement/prospectus as the KFN financial projections. KFN common shareholders are cautioned not to place undue reliance on the KFN financial projections. The KFN financial projections are not being included in this proxy statement/prospectus for the purpose of influencing your decision whether to vote for the adoption of the merger agreement and should not be regarded as an indication that any of KFN, KKR or their respective affiliates, advisors, officers, directors, partners or representatives or any recipient of this information considered, or now considers, it to be necessarily predictive of actual future results, and the KFN financial projections should not be relied on as such. None of KKR, KFN or their respective affiliates, advisors, officers, employees, directors or representatives can give you any assurance that actual results will not differ from the projected results, and none undertakes any obligation, except as required by law, to update or otherwise revise or reconcile these internal KFN financial projections to reflect circumstances existing, or changes in assumptions or outlook occurring, after the date the internal KFN financial projections were generated or to reflect the occurrence of future events even in the event that any or all of the assumptions underlying the projections are shown to be in error. KFN does not intend to update or otherwise revise the KFN financial projections. None of KFN or its affiliates, advisors, officers, employees, directors or representatives has made or makes any representation to any shareholder or other person (including to KKR) regarding KFN's ultimate performance compared to the information contained in the KFN financial projections or that projected results will be achieved.

	2013E	2014E	2015E
Total CLO Income (in millions)	$ 204.3	$ 180.4	$ 167.6
Total Investment Income (Including CLO Income) (in millions)	$ 300.9	$ 327.9	$ 317.2

	2014E	2015E
Earnings Per Share (Liquidity Forecast Case)	$ 0.94	$ 0.87
Return on Equity (Liquidity Forecast Case)	9.0%	8.3%

	High Case	Low Case
2014 Earnings Per Share (Management Case)	$ 1.10	$ 1.00

	Downside Case	Base Case	Aggressive Case
2015 Net Income	$ 152,000,000	$ 250,200,000	$ 299,600,000
2015 Earnings Per Share	$.74	$1.22	$1.46
2015 Return on Equity(1)	6%	10%	12%
2015 Return on Equity(2)	7.1%	11.7%	14%

(1) Calculated based on KFN's total outstanding equity, including preferred equity, and as provided by KFN management to Sandler O'Neill.

(2) Calculated by Sandler O'Neill based on KFN's total outstanding common equit