FORM A

STATEMENT REGARDING THE ACQUISITION OF CONTROL OF OR MERGER WITH A DOMESTIC INSURER

of

Accordia Life and Annuity Company

Cape Verity I, Inc.

and

Cape Verity III, Inc.

Names of Domestic Insurers

by

Magnolia Parent LLC

KKR Magnolia Holdings LLC

KKR Group Assets Holdings L.P.

KKR Group Assets GP LLC

KKR Group Partnership L.P.

KKR Group Holdings Corp.

KKR & Co. Inc.

KKR Management LLP

Henry R. Kravis

and

George R. Roberts

Names of Acquiring Persons (Applicants)

Filed with the Iowa Insurance Division

Dated: July 28, 2020

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INTRODUCTION AND BACKGROUND

This Form A Statement Regarding the Acquisition of Control of or Merger with a domestic insurer (this "Application") is submitted to the Iowa Insurance Division ("Division") pursuant to Iowa Code § 521A.3 by the following persons in connection with their proposed acquisition of control of Accordia Life and Annuity Company, an Iowa domestic insurance company ("Accordia"), Cape Verity I, Inc., an Iowa domestic limited purpose subsidiary life insurance company and a direct, wholly-owned subsidiary of Accordia ("Cape Verity I"), and Cape Verity III, Inc., an Iowa domestic limited purpose subsidiary life insurance company and a direct, wholly-owned subsidiary of Accordia ("Cape Verity III", and, together with Accordia and Cape Verity I, the "Domestic Insurers"):

- Magnolia Parent LLC, a Cayman Islands limited liability company ("Magnolia Parent");[1]
- KKR Magnolia Holdings LLC, a Cayman Islands limited liability company ("Magnolia Holdings") that is the owner of all voting membership interests of Magnolia Parent;
- KKR Group Assets Holdings L.P., a Delaware limited partnership ("KKR Group Assets LP") that is the owner of all voting membership interests of Magnolia Holdings;
- KKR Group Assets GP LLC, a Delaware limited liability company ("KKR Group Assets LLC") that is the general partner of KKR Group Assets LP;
- KKR Group Partnership L.P., a Cayman Islands limited partnership ("KKR Group Partnership") that is the owner of all voting membership interests of KKR Group Assets LLC;
- KKR Group Holdings Corp., a Delaware corporation ("KKR Group Corp") that is the general partner of KKR Group Partnership;
- KKR & Co. Inc., a Delaware corporation ("KKR & Co") whose common stock is listed and traded on the New York Stock Exchange (NYSE: KKR) and which is the sole shareholder of KKR Group Corp;
- KKR Management LLP, a Delaware limited liability partnership ("KKR Management") that is the holder of the single issued and outstanding share of Series I Preferred Stock of KKR & Co;
- Henry R. Kravis, a natural person; and
- George R. Roberts, a natural person.

[1] Magnolia Parent intends to change its name and its jurisdiction of domicile from the Cayman Islands to Bermuda.

KKR Management, KKR & Co, KKR Group Corp, KKR Group Partnership, KKR Group Assets LLC, KKR Group Assets LP, Magnolia Holdings and Magnolia Parent are referred to herein as the "KKR Entity Applicants". Messrs. Kravis and Roberts are co-founders of the KKR corporate group and, for purposes of Iowa Code § 521A.3, are deemed to be the ultimate controlling persons of each of the KKR Entity Applicants. The KKR Entity Applicants and Messrs. Kravis and Roberts are collectively referred to herein as the "Applicants".

Accordia directly owns all of the issued and outstanding shares of common stock of each of Cape Verity I and Cape Verity III. In turn, Global Atlantic (Fin) Company, a Delaware holding company ("GA FinCo"), indirectly owns all of the issued and outstanding shares of common stock of Accordia, and all of the issued and outstanding voting securities of GA FinCo are indirectly owned by Global Atlantic Financial Group Limited, a Bermuda exempted company ("GAFGL").

On July 7, 2020, Magnolia Parent and Magnolia Merger Sub Limited, a Bermuda exempted company and direct, wholly-owned subsidiary of Magnolia Parent ("Merger Sub"), entered into an Agreement and Plan of Merger (the "Merger Agreement") with GAFGL, Global Atlantic Financial Life Limited, a Bermuda exempted company and direct subsidiary of GAFGL ("GAFL") (which is owned by GAFGL and LAMC LP), LAMC LP (solely for Section 2.10(a) of the Merger Agreement), a Cayman Islands exempted limited partnership, and Goldman Sachs & Co. LLC, solely in its capacity as the equity representative.

Pursuant to the Merger Agreement and the statutory merger agreements to be entered into by and between: (i) Merger Sub and GAFGL, and (ii) GAFGL and GAFL (each, a "Statutory Merger Agreement"), at the closing (the "Closing"), Merger Sub will merge with and into GAFGL (the "GA Merger"), with GAFGL continuing as the surviving entity and a direct wholly-owned subsidiary of Magnolia Parent. Immediately following the GA Merger, LAMC LP (which, together with GAFGL, owns all issued and outstanding GAFL shares) will liquidate and distribute its shares in GAFL to its partners, following which GAFL will merge with and into GAFGL (together with the GA Merger, the "Mergers"), with GAFGL continuing as the surviving entity and a direct wholly-owned subsidiary of Magnolia Parent (the "Surviving Company"). As part of the transactions contemplated by the Merger Agreement, certain existing shareholders of GAFGL and GAFL (the "Rollover Shareholders") will be able to elect to receive as consideration for the Mergers equity of Magnolia Parent instead of receiving cash.

Upon the occurrence of the Mergers, shareholders of GAFGL and GAFL will be entitled to receive an aggregate amount equal to 100% of the book value of GAFGL on the date of the Closing, which is defined as GAFGL's shareholders equity excluding accumulated other comprehensive income, subject to certain adjustments at the time of the Closing (the "Aggregate Merger Consideration"). The book value of GAFGL as of March 31, 2020 was approximately $4.4 billion. The Aggregate Merger Consideration amount payable by the Applicants will be reduced by the amounts, if any, attributable to the value of the equity of Magnolia Parent to be received by the Rollover Shareholders. In addition, the Applicants intend to fund a portion of the Aggregate Merger Consideration using funds from third-party co-investors in Magnolia Parent to be identified by the Applicants prior to Closing (the "Co-Investors"). None of the Rollover

Shareholders or the Co-Investors is expected to have any controlling interests in Magnolia Parent for purposes of Iowa Code § 521A.3.

As a result of the transactions contemplated by the Merger Agreement and the Statutory Merger Agreements, immediately following the Closing, (i) Magnolia Parent will be the sole shareholder of the Surviving Company, which will be the successor, by operation of law, to GAFGL, (ii) the Surviving Company will own, indirectly, all of the issued and outstanding voting securities of GA FinCo, (iii) GA FinCo will continue to indirectly own all of the issued and outstanding shares of common stock of Accordia, and (iv) Accordia will continue to own all of the issued and outstanding shares of common stock of each of Cape Verity I and Cape Verity III.

A copy of the Merger Agreement is attached hereto as **Exhibit A**. Copies of the forms of the Statutory Merger Agreements are attached hereto as **Exhibits B-1 and B-2**. The descriptions of the Mergers and all other transactions contemplated by the Merger Agreement and the Statutory Merger Agreements that are set forth herein are qualified in their entirety by reference to the Merger Agreement and the Statutory Merger Agreements.

The Applicants' strategic plan for the Domestic Insurers consists of: (i) maintaining the Domestic Insurers' strong business in the State of Iowa, in compliance with the state's insurance regulatory regime; (ii) supporting Accordia's current and future owners and beneficiaries of life insurance policies by acting as responsible stewards of their savings and investments; and (iii) continuing to operate a prudent, risk-adjusted investment strategy to support the long-term profile of Accordia's life insurance products. The Applicants believe that the transactions contemplated by the Merger Agreement will benefit Accordia's policyholders by strengthening the Domestic Insurers' risk-adjusted returns over time due to KKR's (defined below in Item 2(b)) investment management expertise, which will improve the financial strength of the Domestic Insurers and support current and future insurance policy obligations.

The Applicants have no current plans to make any material changes in the business operations or corporate structure or management of any of the Domestic Insurers, except that the Applicants plan to make certain changes to the investment management of the Domestic Insurers, as described in further detail below.

In summary, the Applicants respectfully request the approval of the Insurance Commissioner of the State of Iowa (the "Commissioner") under Iowa Code § 521A.3 for the acquisition of control of the Domestic Insurers as described herein.

ITEM 1. INSURER AND METHOD OF ACQUISITION

(a) Domestic Insurer

The name and address of the Domestic Insurers to which this Application relates are:

Accordia Life and Annuity Company
215 10th Street, Suite 1100
Des Moines, IA 50309

Cape Verity I, Inc.
215 10th Street, Suite 1100
Des Moines, IA 50309

Cape Verity III, Inc.
215 10th Street, Suite 1100
Des Moines, IA 50309

(b) Method of Acquisition

As described above, the Merger Agreement provides that, at the Closing, Merger Sub will merge with and into GAFGL, with GAFGL continuing as the surviving entity and a direct wholly-owned subsidiary of Magnolia Parent, and, immediately following such merger, GAFL will merge with and into GAFGL, with GAFGL continuing as the Surviving Company and a direct wholly-owned subsidiary of Magnolia Parent. As a result of the transactions contemplated by the Merger Agreement and the Statutory Merger Agreements, immediately following the Closing, (i) Magnolia Parent will be the sole shareholder of the Surviving Company, which will be the successor, by operation of law, to GAFGL, (ii) the Surviving Company will own, indirectly, all of the issued and outstanding voting securities of GA FinCo, (iii) GA FinCo will continue to indirectly own all of the issued and outstanding shares of common stock of Accordia, and (iv) Accordia will continue to own all of the issued and outstanding shares of common stock of each of Cape Verity I and Cape Verity III.

The Merger Agreement provides that the consummation of the transactions contemplated thereby is subject to the satisfaction or waiver of customary closing conditions, including, among other things, approval of the transactions contemplated by the Merger Agreement by GAFGL's shareholders and receipt of all required governmental approvals, including the approval of this Application by the Commissioner.[2]

ITEM 2. IDENTITY AND BACKGROUND OF EACH OF THE APPLICANTS

(a) Names and Addresses of the Applicants

The name and address of each of the Applicants seeking to acquire control over the Domestic Insurers are:

Magnolia Parent LLC
9 West 57th Street, Suite 4200
New York, NY 10019

KKR Magnolia Holdings LLC
9 West 57th Street, Suite 4200
New York, NY 10019

[2] Change of control approvals have also been filed, or will be filed, with the U.S. Federal Energy Regulatory Commission, the Massachusetts Division of Insurance, the Indiana Department of Insurance, the Bermuda Monetary Authority, the Vermont Department of Financial Regulation, the U.S. Federal Trade Commission and the Financial Industry Regulatory Authority.

KKR Group Assets Holdings L.P.
9 West 57th Street, Suite 4200
New York, NY 10019

KKR Group Assets GP LLC
9 West 57th Street, Suite 4200
New York, NY 10019

KKR Group Partnership L.P.
9 West 57th Street, Suite 4200
New York, NY 10019

KKR Group Holdings Corp.
9 West 57th Street, Suite 4200
New York, NY 10019

KKR & Co. Inc.
9 West 57th Street, Suite 4200
New York, NY 10019

KKR Management LLP
9 West 57th Street, Suite 4200
New York, NY 10019

Henry R. Kravis
c/o KKR & Co. Inc.
9 West 57th Street, Suite 4200
New York, NY 10019

George R. Roberts
c/o KKR & Co. Inc.
9 West 57th Street, Suite 4200
New York, NY 10019

(b) Business Operations of the Applicants

KKR & Co, together with its subsidiaries ("KKR"), is a leading global investment firm that manages multiple alternative asset classes. KKR was founded in 1976 by Messrs. Kravis and Roberts, who are Co-Chairmen and Co-Chief Executive Officers of the firm. KKR operates from offices in 15 countries around the world in North America, Europe, the Middle East and Asia-Pacific. As of December 31, 2019, KKR employed 1,384 people worldwide, including 480 investment professionals, and had completed more than 360 investments in portfolio companies. KKR & Co is a publicly traded company listed on the New York Stock Exchange (NYSE: KKR), with a total market capitalization of approximately $30.1 billion as of July 21, 2020. KKR's investment teams have deep industry knowledge and are supported by a substantial and diversified capital base; an integrated global investment platform; the expertise of operating professionals, senior advisors and other advisors; and a worldwide network of business relationships. As of March 31, 2020, KKR had $207 billion in assets under management, including $26 billion of assets managed on behalf of insurance companies across KKR's strategies and products. KKR's other investors include some of the largest U.S. state pension funds.

Further details concerning each of the Applicants are set forth below.

Magnolia Parent and Magnolia Holdings. Each of Magnolia Parent and Magnolia Holdings is a newly established entity organized under the laws of the Cayman Islands for the purpose of consummating the transactions contemplated by the Merger Agreement and the Statutory Merger Agreements. Magnolia Holdings is currently the owner of all voting membership interests of Magnolia Parent. Because Magnolia Parent and Magnolia Holdings are recently established entities, they have conducted no operations (other than in connection with the Merger Agreement) and do not have audited financial statements.

KKR Group Assets LP. KKR Group Assets LP is a Delaware limited partnership that was formed in February 2020 for the purpose of holding certain operating assets of KKR, including the general partners of KKR's co-invest and specialty finance vehicles. KKR Group Assets LP is the owner of all voting membership interests of Magnolia Holdings. The copy of the unaudited financial statements of KKR & Co included in its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (the "10-Q Financial Statements") as filed with the U.S. Securities and Exchange Commission (the "SEC"), which were prepared on a consolidated basis for KKR & Co and its subsidiaries, and which is attached hereto as **Exhibit C-6**, includes the financial position and operating results of KKR Group Assets LP since its formation.

KKR Group Assets LLC. KKR Group Assets LLC is a Delaware limited liability company formed in February 2020 whose sole purpose is to act as the general partner of KKR Group Assets LP. The copy of the 10-Q Financial Statements attached hereto as **Exhibit C-6**, includes the financial position and operating results of KKR Group Assets LLC since its formation.

KKR Group Partnership. KKR Group Partnership is a Cayman Islands limited partnership and is the intermediate holding company for the entire KKR business. KKR Group Partnership was formerly known as KKR Fund Holdings L.P., and, in January 2020, acquired all the assets and liabilities of KKR Management Holdings L.P. and KKR International Holdings L.P. Prior to January 2020, KKR Fund Holdings L.P., KKR Management Holdings L.P., and KKR International Holdings L.P. were the intermediate holding companies for the entire KKR business. KKR Group Partnership is the owner of all voting membership interests of KKR Group Assets LLC. Copies of the audited financial statements of KKR & Co included in its Annual Reports on Form 10-K for the years ended December 31, 2015 through December 31, 2019 (the "10-K Financial Statements") as filed with the SEC, which were prepared on a consolidated basis for KKR & Co and its subsidiaries, and which are attached hereto as **Exhibits C-1 through C-5** include the financial position and operating results of KKR Group Partnership and its predecessor entities.

KKR Group Corp. KKR Group Corp is a Delaware corporation whose sole purpose is to act as the general partner of KKR Group Partnership. Copies of the 10-K Financial Statements attached hereto as **Exhibits C-1 through C-5** include the financial position and operating results of KKR Group Corp.

KKR & Co. KKR & Co is a Delaware corporation whose common stock is listed and traded on the New York Stock Exchange (NYSE: KKR). KKR & Co, together with its subsidiaries, is a leading global investment firm that manages multiple asset classes. As of March 31, 2020, KKR had total equity of $26.6 billion and $207 billion of assets under management. KKR & Co is the sole shareholder of KKR Group Corp. Copies of the 10-K Financial Statements of KKR & Co and its consolidated entities are attached hereto as **Exhibits C-1 through C-5**. A copy of the 10-Q Financial Statements of KKR & Co and its consolidated entities is attached hereto as **Exhibit C-6**.

While the common stock of KKR & Co is publicly traded, the holders of common stock of KKR & Co are entitled to vote only on certain select matters, which generally include matters on which stockholders of a corporation are entitled to vote pursuant to Delaware law, including certain material actions involving KKR & Co (*e.g.*, a sale of all or substantially all of KKR & Co's assets, a merger or consolidation involving KKR & Co or certain amendments to KKR & Co's certificate of incorporation), and certain material changes to the KKR & Co equity compensation plan.[3] The vote of the single issued and outstanding share of Series I preferred stock of KKR & Co – which is held by KKR Management – determines the outcome of all matters submitted to a vote of the stockholders of KKR & Co other than these select matters. Consequently, KKR Management is the controlling person of KKR & Co for purposes of Iowa Code § 521A.3 as a result of KKR Management's ownership of the single issued and outstanding share of Series I preferred stock of KKR & Co.

KKR Management. KKR Management is a Delaware limited liability partnership that is the holder of the single issued and outstanding share of Series I preferred stock of KKR & Co. KKR Management does not prepare audited financial statements, as it has no assets or business operations other than to exercise the voting rights of its share of Series I preferred stock of KKR & Co. Mr. Kravis and Mr. Roberts are the Founding Partners of KKR Management, and when acting together, they constitute a majority of the voting interests of the partners of KKR Management.

Henry R. Kravis. Mr. Kravis is one of the co-founders, the Co-Chairman and Co-Chief Executive Officer of KKR & Co and an ultimate controlling person of the KKR Entity Applicants for purposes of Iowa Code § 521A.3. Mr. Kravis has more than four decades of experience financing, analyzing, and investing in public and private companies, as well as serving on the boards of a number of KKR portfolio companies. A copy of the personal financial statements of Mr. Kravis, which constitute personally identifiable information of a highly confidential nature, is being submitted under separate confidential cover.

[3] On all such matters, the holders of common stock of KKR & Co and the holders of Series II preferred stock of KKR & Co vote together as a single class. All shares of Series II preferred stock of KKR & Co are held by KKR Holdings L.P., which is deemed to be ultimately controlled by Mr. Kravis and Mr. Roberts for purposes of Iowa Code § 521A.3. As of March 31, 2020, by virtue of its ownership of Series II preferred stock of KKR & Co, KKR Holdings L.P. had approximately 34% of the total combined voting power with respect to matters on which the holders of common stock and Series II preferred stock of KKR & Co are entitled to vote as a single class.

George R. Roberts. Mr. Roberts is one of the co-founders, the Co-Chairman and Co-Chief Executive Officer of KKR & Co and an ultimate controlling person of the KKR Entity Applicants for purposes of Iowa Code § 521A.3. Mr. Roberts has more than four decades of experience financing, analyzing, and investing in public and private companies, as well as serving on the boards of a number of KKR portfolio companies. A copy of the personal financial statements of Mr. Roberts, which constitute personally identifiable information of a highly confidential nature, is being submitted under separate confidential cover.

(c) Applicants' Organizational Charts

The proposed abbreviated organizational structure of the Surviving Company, its subsidiaries and its controlling persons following the completion of the Mergers is set forth on the chart attached hereto as **Exhibit D**. This chart presents on an abbreviated basis the identities of and the interrelationships among: (i) the Applicants and (ii) the Surviving Company and its subsidiaries. The chart lists, as to each entity specified in the chart, the type of organization and the state or other jurisdiction of domicile. No court proceedings involving a reorganization or liquidation are pending with respect to any of the Applicants and their corporate affiliates set forth on the organizational chart.

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANTS

A list of the current directors and executive officers of the KKR Entity Applicants (other than Magnolia Parent) is attached hereto as **Exhibit E-1**.

Immediately following the Closing, (i) the directors of Magnolia Parent will consist of four representatives of the Applicants, one Global Atlantic executive officer, and five independent directors, and (ii) the executive officers of Magnolia Parent will be certain individuals who are currently executive officers of Global Atlantic. A list of the proposed directors and executive officers of Magnolia Parent immediately following the Closing is attached hereto as **Exhibit E-2**.

The Applicants are not proposing to appoint any new individuals as directors or executive officers of any of the Domestic Insurers. It is contemplated that, following the completion of the Mergers, the executive officers of the Surviving Company will be those individuals who are currently the executive officers of GAFGL, while the directors of the Surviving Company will include existing Global Atlantic executive officers and/or individuals associated with the Applicants.

NAIC Biographical Affidavits for the persons listed in **Exhibit E-1** and **Exhibit E-2** (except for certain individuals whose biographical affidavits are currently on file with the Division, as indicated in **Exhibit E-2**) and for Messrs. Kravis and Roberts are attached hereto as **Exhibit F**. The Applicants will submit the Biographical Affidavits attached as **Exhibit F** hereto to a third-party background check service provider. The business addresses, residence addresses, licenses and material occupations, offices or employment during the last five years are described in the Biographical Affidavits for each such person. To the knowledge of the Applicants, none of Messrs. Kravis or Roberts and no person listed in **Exhibit E-1** and **Exhibit E-2** who is associated with the Applicants has been convicted in a criminal proceeding (excluding minor traffic violations) during the past ten years.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

(a) Consideration

Upon the occurrence of the Mergers, at the Closing, shareholders of GAFGL and GAFL will be entitled to receive the Aggregate Merger Consideration in an amount equal to 100% of the book value of GAFGL on the date of the Closing, which is defined as the shareholders' equity of GAFGL excluding accumulated other comprehensive income, subject to certain adjustments at the time of the Closing. The Aggregate Merger Consideration amount payable by the Applicants will be reduced by the amounts, if any, attributable to the value of the equity of Magnolia Parent to be received by the Rollover Shareholders. In addition, the Applicants intend to fund a portion of the Aggregate Merger Consideration using funds from Co-Investors. None of the Rollover Shareholders or the Co-Investors is expected to have any controlling interests in Magnolia Parent for purposes of Iowa Code § 521A.3. The Applicants estimate that the value of the Aggregate Merger Consideration will be approximately $4.4 billion, based on the book value of GAFGL as of March 31, 2020.

As provided in the Merger Agreement, KKR Group Partnership has committed to provide or cause to be provided to Magnolia Parent the equity financing necessary to fund the estimated Aggregate Merger Consideration, as reduced by the amounts, if any, attributable to the value of the equity of Magnolia Parent to be received by the Rollover Shareholders, pursuant to an equity commitment letter. In addition, as noted above, the Applicants intend to fund a portion of the Aggregate Merger Consideration using funds from additional third party Co-Investors who are not expected to acquire any controlling interests in Magnolia Parent. With respect to the remaining Aggregate Merger Consideration required for Closing, the Applicants intend to fund such amount through one or more means, which may include utilizing the Applicants' cash on hand at the time of Closing, which may be generated by raising additional capital through debt or equity offerings prior to Closing or from the realization of the Applicants' investment portfolio prior to Closing, and/or drawings under an existing revolving credit facility. In the event the Applicants choose to fund a portion of the Aggregate Merger Consideration via the existing revolving credit facility or a new debt offering, no extraordinary dividends from the Domestic Insurers will be required to be distributed to service any such borrowings. The Applicants will provide to the Division further details of any debt to be incurred to fund the payment of the Aggregate Merger Consideration as such plans are finalized. As provided in the Merger Agreement, obtaining financing, including funding from Co-Investors, is not a condition to Magnolia Parent's or Merger Sub's obligations under the Merger Agreement.

(b) Criteria

The Applicants and GAFGL, with the assistance of their respective advisers and under the direction of their respective boards of directors, determined the nature and amount of the consideration for the Mergers and the other terms and conditions of the Merger Agreement and the Statutory Merger Agreements through arm's-length negotiation.

ITEM 5. FUTURE PLANS OF INSURER

The Applicants have no current plans to make any material changes in the business operations or corporate structure or management of any of the Domestic Insurers, except that the Applicants plan to make certain changes to the investment management of the Domestic Insurers. The plan of operations for Accordia is attached hereto as **Exhibit G**.[4] The three-year financial projections for Accordia are attached hereto as **Exhibit H**. These projections reflect, among other things, the impact on Accordia of the reinsurance arrangements with its affiliate (re)insurer subsidiaries, including its limited purpose subsidiary life insurance companies, Cape Verity I and Cape Verity III.

The Applicants have no present plans for any of the Domestic Insurers to declare an extraordinary dividend, to liquidate any of the Domestic Insurers, to sell the assets of any of the Domestic Insurers (other than asset sales in the ordinary course of business or in connection with the changes to the investment management of the Domestic Insurers described herein) or to merge any of the Domestic Insurers with any person or persons. The Applicants have no present plans to make any material changes to the Domestic Insurers' offices and employees in Iowa as a result of the Mergers.

The Applicants are not proposing to appoint any new individuals as directors or executive officers of any of the Domestic Insurers. Please see Item 3, above, for a description of the Applicants' plans with respect to the directors and executive officers of Magnolia Parent and the Surviving Company.

Investment Management

In furtherance of its plan to make certain changes to the investment management of the Domestic Insurers, the Applicants propose that each of the Domestic Insurers will enter into an investment management agreement with Kohlberg Kravis Roberts & Co. L.P., which is an affiliate of the Applicants. Accordia will submit a Form D filing under Iowa Code § 521A.5(1)(c), with a copy of the proposed investment management agreement between Kohlberg Kravis Roberts & Co. L.P. and Accordia, requesting the Commissioner's approval or prior written non-disapproval of such investment management agreement. In addition, each of Cape Verity I and Cape Verity III will submit filings to the Division requesting the Commissioner's approval or prior written non-disapproval of changes to their respective plans of operations in connection with their respective proposed investment management agreements with Kohlberg Kravis Roberts & Co. L.P. Following the Domestic Insurers' entry into investment management agreements with Kohlberg Kravis Roberts & Co. L.P., Goldman Sachs Asset Management, L.P. would become a sub-advisor to the Domestic Insurers and provide substantially the same services on substantially the same terms that are currently provided.

[4] Revisions to the plans of operations for Cape Verity I and Cape Verity III will be submitted to the Division by Cape Verity I and Cape Verity III under separate cover in connection with their respective applications to obtain approval of their entry into new investment management agreements with Kohlberg Kravis Roberts & Co. L.P.—which are described in more detail below. The Applicants do not have any plans to make any material changes to Cape Verity I's and Cape Verity III's existing reinsurance agreements or the investment guidelines set forth therein.

Competitive Effect

None of the Applicants currently controls any insurer that writes any insurance business in Iowa or in any other U.S. state. Consequently, the Mergers will not produce any market share increase in the direct written insurance premium in any line of business in Iowa. For these reasons the Applicants respectfully submit that the Mergers will not substantially lessen competition in any line of insurance business in any section of the State of Iowa or tend to create a monopoly therein.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

Each of Cape Verity I and Cape Verity III currently has 25,000 shares of common stock issued and outstanding. All of the issued and outstanding shares of common stock of each of Cape Verity I and Cape Verity III are directly owned by Accordia. Accordia currently has 200,000 shares of common stock issued and outstanding, all of which are directly owned by Commonwealth Annuity and Life Insurance Company, a Massachusetts domestic life insurance company ("CwA"). In turn, all of the issued shares of common stock of CwA are directly owned by GA FinCo, and all of the issued and outstanding voting securities of GA FinCo are indirectly owned by GAFGL.

The Merger Agreement provides that, at the Closing, Merger Sub will merge with and into GAFGL, with GAFGL continuing as the surviving entity and a direct wholly-owned subsidiary of Magnolia Parent, and, immediately following such merger, GAFL will merge with and into GAFGL, with GAFGL continuing as the Surviving Company and a direct wholly-owned subsidiary of Magnolia Parent. As a result of the transactions contemplated by the Merger Agreement and the Statutory Merger Agreements, immediately following the Closing, (i) Magnolia Parent will be the sole shareholder of the Surviving Company, which will be the successor, by operation of law, to GAFGL, (ii) the Surviving Company will own, indirectly, all of the issued and outstanding voting securities of GA FinCo, (iii) GA FinCo will continue to indirectly own all of the issued and outstanding shares of common stock of Accordia, and (iv) Accordia will continue to own all of the issued and outstanding shares of common stock of each of Cape Verity I and Cape Verity III.

The terms of the proposed transaction are summarized in Item 1(b) hereof. A statement as to the method by which the fairness of the proposal was determined is included in Item 4(b) hereof.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

All of the issued and outstanding shares of common stock of each of Cape Verity I and Cape Verity III are directly owned by Accordia. In turn, all of the issued and outstanding shares of common stock of Accordia are indirectly owned by GA FinCo. Pursuant to the Merger Agreement and the Statutory Merger Agreements, following the completion of the Mergers, Magnolia Parent will become the indirect owner of all of the issued and outstanding voting securities of each of the Domestic Insurers. Other than the rights of the Applicants under the Merger Agreement and the Statutory Merger Agreements and as otherwise described in this Application, there are no voting securities of any class of the Domestic Insurers that are held of record, beneficially owned or concerning which there is a right to acquire beneficial ownership by the Applicants, their respective affiliates or, to the knowledge of the Applicants, any person listed in Item 3.

ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER

Other than as described in this Application, there are no contracts, arrangements or understandings with respect to any voting security of any of the Domestic Insurers in which the Applicants, their respective affiliates or, to the knowledge of the Applicants, any person listed in Item 3 is involved, including any transfer of any securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits or the giving or withholding of proxies.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

None of the Applicants, their respective affiliates or, to the knowledge of the Applicants, any person listed in Item 3 has purchased any voting securities of any of the Domestic Insurers during the 12 calendar months preceding the filing of this Application.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

Other than the Merger Agreement and the Statutory Merger Agreements, none of the Applicants, their respective affiliates or, to the knowledge of the Applicants, any person listed in Item 3 has made any recommendations to purchase any voting security of any of the Domestic Insurers, and no such recommendations have been made by anyone based upon interviews or at the suggestion of the Applicants, their respective affiliates or, to the knowledge of the Applicants, any person listed in Item 3, in each case during the 12 calendar months preceding the filing of this Application.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

None of the Applicants, their respective affiliates or, to the knowledge of the Applicants, any person listed in Item 3 has made any agreements, contracts, or understandings with any broker-dealer as to solicitation of voting securities of any of the Domestic Insurers.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

(a) - (b) Listing of Exhibits; Financial Statements

Copies of 10-K Financial Statements of KKR & Co are attached hereto as **Exhibits C-1 through C-5**. A copy of the 10-Q Financial Statements of KKR & Co is attached hereto as **Exhibit C-6**. A copy of the personal financial statements of Mr. Kravis, which constitute personally identifiable information of a highly confidential nature, is being submitted under separate confidential cover. A copy of the personal financial statements of Mr. Roberts, which constitute personally identifiable information of a highly confidential nature, is being submitted under separate confidential cover.

The 10-K Financial Statements, which present the financial results of KKR & Co and its consolidated entities, and which are attached hereto as **Exhibits C-1 through C-5**, include the financial position and operating results of KKR Group Corp and KKR Group Partnership. The 10-Q Financial Statements, which present the financial results of KKR & Co and its consolidated entities, and which are attached hereto as **Exhibit C-6**, include the financial position and operating results of KKR Group Assets LLC and KKR Group Assets LP since their formation. Magnolia Parent and Magnolia Holdings do not have audited financial statements, since these entities are newly formed. KKR Management does not prepare audited financial statements.

The three-year financial projections for Accordia are attached hereto as **Exhibit H**. These projections reflect, among other things, the impact on Accordia of the reinsurance arrangements with its affiliate (re)insurer subsidiaries, including its limited purpose subsidiary life insurance companies, Cape Verity I and Cape Verity III.

(c) Offers

Other than as described in this Application, the Applicants are not aware of any tender offers for, requests or invitations for, tenders of, exchange offers for, or agreements to acquire or exchange any voting securities of any of the Domestic Insurers, or any soliciting materials relating thereto.

The Applicants are not contemplating entering into any proposed employment, consultation, advisory or management contracts concerning any of the Domestic Insurers except for the investment management agreements noted above.

KKR & Co's Annual Reports on Form 10-K for the years ended December 31, 2019 and December 31, 2018, as filed with the SEC, are attached hereto as **Exhibits C-1 and C-2**. GAFGL has advised the Applicants that no annual reports to shareholders of the Domestic Insurers are available.

Attached hereto are the following Exhibits:*

Exhibit A:	Merger Agreement
Exhibit B-1:	Merger Sub and GAFGL Statutory Merger Agreement
Exhibit B-2:	GAFGL and GAFL Statutory Merger Agreement
Exhibit C-1:	Audited Financial Statements of KKR & Co for the Year Ended December 31, 2019
Exhibit C-2:	Audited Financial Statements of KKR & Co for the Year Ended December 31, 2018
Exhibit C-3:	Audited Financial Statements of KKR & Co for the Year Ended December 31, 2017

Exhibit C-4: Audited Financial Statements of KKR & Co for the Year Ended December 31, 2016

Exhibit C-5: Audited Financial Statements of KKR & Co for the Year Ended December 31, 2015

Exhibit C-6: Unaudited Quarterly Financial Statements of KKR & Co for the Quarter Ended March 31, 2020

Exhibit D: Abbreviated Post-Closing Organizational Chart

Exhibit E-1: List of the Current Directors and Executive Officers of the KKR Entity Applicants

Exhibit E-2: List of the Proposed Directors and Executive Officers of Magnolia Parent Immediately Following the Closing

Exhibit F: Biographical Affidavits*

Exhibit G: Plan of Operation for the Domestic Insurers*

Exhibit H: Three-Year Statutory Financial Projections*

*Applicants are requesting confidential treatment with respect to the information contained in exhibits marked with an asterisk and will be filing such information under separate cover as part of the confidential supplement to this Application.

ITEM 13. AGREEMENT REQUIREMENTS FOR ENTERPRISE RISK MANAGEMENT

The Applicants agree to provide, to the best of their knowledge and belief, the information required by Form F within 15 days after the end of the month in which the acquisition of control of the Domestic Insurer occurs.

[*signature pages follow*]

Item 14. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Regulation 3.01, Magnolia Parent LLC has caused this application to be duly signed on its behalf in the City of New York and State of New York, on the 28th day of July, 2020.

(SEAL)

MAGNOLIA PARENT LLC

By: ______________________________
Name: David Sorkin
Title: Manager

Attest:

By: ______________________________
Name: Christopher Lee
Title: Authorized Signatory

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated July 28, 2020, for and on behalf of Magnolia Parent LLC; that deponent is the Manager of such company, and that deponent is authorized to execute and file such instrument. Deponent further says that deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the deponent's knowledge, information and belief.

____
(Signature)

Name: David Sorkin

Item 14. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Regulation 3.01, KKR Magnolia Holdings LLC has caused this application to be duly signed on its behalf in the City of New York and State of New York, on the 28th day of July, 2020.

(SEAL)

KKR MAGNOLIA HOLDINGS LLC

By: ______________________________

Name: David Sorkin

Title: Manager

Attest:

By: ______________________________

Name: Christopher Lee

Title: Assistant Secretary

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated July 28, 2020, for and on behalf of KKR Magnolia Holdings LLC; that deponent is the Manager of such company, and that deponent is authorized to execute and file such instrument. Deponent further says that deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the deponent's knowledge, information and belief.

____

(Signature)

Name: David Sorkin

Item 14. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Regulation 3.01, KKR Group Assets Holdings L.P. has caused this application to be duly signed on its behalf in the City of New York and State of New York, on the 28th day of July, 2020.

(SEAL)

KKR GROUP ASSETS HOLDINGS L.P.

By: KKR Group Assets GP LLC, its general partner

By: ______________________________
Name: David Sorkin
Title: General Counsel & Secretary

Attest:

By: ______________________________
Name: Christopher Lee
Title: Assistant Secretary

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated July 28, 2020, for and on behalf of KKR Group Assets Holdings L.P.; that deponent is the General Counsel and Secretary of such company, and that deponent is authorized to execute and file such instrument. Deponent further says that deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the deponent's knowledge, information and belief.

____
(Signature)

Name: David Sorkin

Item 14. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Regulation 3.01, KKR Group Assets GP LLC has caused this application to be duly signed on its behalf in the City of New York and State of New York, on the 28th day of July, 2020.

(SEAL)

KKR GROUP ASSETS GP LLC

By: ______________________________
Name: David Sorkin
Title: General Counsel & Secretary

Attest:

By: ______________________________
Name: Christopher Lee
Title: Assistant Secretary

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated July 28, 2020, for and on behalf of KKR Group Assets GP LLC; that deponent is the General Counsel and Secretary of such company, and that deponent is authorized to execute and file such instrument. Deponent further says that deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the deponent's knowledge, information and belief.

____
(Signature)

Name: David Sorkin

Item 14. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Regulation 3.01, KKR Group Partnership L.P. has caused this application to be duly signed on its behalf in the City of New York and State of New York, on the 28th day of July, 2020.

(SEAL)

KKR GROUP PARTNERSHIP L.P.

By: KKR Group Holdings Corp., its general partner

By: ______________________________
Name: David Sorkin
Title: General Counsel & Secretary

Attest:

By: ______________________________
Name: Christopher Lee
Title: Assistant Secretary

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated July 28, 2020, for and on behalf of KKR Group Partnership L.P.; that deponent is the General Counsel and Secretary of such company, and that deponent is authorized to execute and file such instrument. Deponent further says that deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the deponent's knowledge, information and belief.

____
(Signature)

Name: David Sorkin

Item 14. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Regulation 3.01, KKR Group Holdings Corp. has caused this application to be duly signed on its behalf in the City of New York and State of New York, on the 28th day of July, 2020.

(SEAL)

KKR GROUP HOLDINGS CORP.

By: ______________________________
Name: David Sorkin
Title: General Counsel & Secretary

Attest:

By: ______________________________
Name: Christopher Lee
Title: Assistant Secretary

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated July 28, 2020, for and on behalf of KKR Group Holdings Corp.; that deponent is the General Counsel and Secretary of such company, and that deponent is authorized to execute and file such instrument. Deponent further says that deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the deponent's knowledge, information and belief.

____
(Signature)

Name: David Sorkin

Item 14. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Regulation 3.01, KKR & Co. Inc. has caused this application to be duly signed on its behalf in the City of New York and State of New York, on the 28th day of July, 2020.

(SEAL)

KKR & CO. INC.

By: ______________________

Name: David Sorkin
Title: General Counsel & Secretary

Attest:

By: ______________________

Name: Christopher Lee
Title: Assistant Secretary

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated July 28, 2020, for and on behalf of KKR & Co. Inc.; that deponent is the General Counsel and Secretary of such company, and that deponent is authorized to execute and file such instrument. Deponent further says that deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the deponent's knowledge, information and belief.

____
(Signature)

Name: David Sorkin

Item 14. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Regulation 3.01, KKR Management LLP has caused this application to be duly signed on its behalf in the City of New York and State of New York, on the 28th day of July, 2020.

(SEAL)

KKR MANAGEMENT LLP

By: ______________________

Name: David Sorkin
Title: General Counsel & Secretary

Attest:

By: ______________________

Name: Christopher Lee
Title: Assistant Secretary

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated July 28, 2020, for and on behalf of KKR Management LLP; that deponent is the General Counsel and Secretary of such company, and that deponent is authorized to execute and file such instrument. Deponent further says that deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the deponent's knowledge, information and belief.

____
(Signature)

Name: David Sorkin

Item 14. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Regulation 3.01, Henry R. Kravis has caused this application to be duly signed on his behalf in the City of New York and State of New York, on the 28th day of July, 2020.

Hy R Kravis

Name: Henry R. Kravis

Attest:

By: Dianna Farfan

Name: Dianna Farfan

Title: Executive Assistant

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated July 28, 2020 as an individual applicant. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

Hy R Kravis

(Signature)

Name: Henry R. Kravis

Item 14. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Regulation 3.01, George R. Roberts has caused this application to be duly signed on his behalf in the City of SAN MATEO and State of CALIFORNIA, on the 28th day of July, 2020.

Name: George R. Roberts

Attest:

By: ____________________

Name: JAN L. CHRISMAN

Title: NOTARY PUBLIC

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated July 28, 2020 as an individual applicant. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

(Signature)

Name: George R. Roberts

EXHIBIT A

EXECUTION VERSION

AGREEMENT AND PLAN OF MERGER

by and among

GLOBAL ATLANTIC FINANCIAL GROUP LIMITED

GLOBAL ATLANTIC FINANCIAL LIFE LIMITED

MAGNOLIA PARENT LLC

MAGNOLIA MERGER SUB LIMITED

and

Solely for Section 2.10(a) hereunder

LAMC LP

and

THE EQUITY REPRESENTATIVE

Dated as of July 7, 2020

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AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER (together with all annexes, letters, schedules and exhibits hereto, this "Agreement"), dated as of July 7, 2020, is by and among Global Atlantic Financial Group Limited, a Bermuda exempted company (the "Company"), Global Atlantic Financial Life Limited, a Bermuda exempted company ("Life"), Magnolia Merger Sub Limited, a Bermuda exempted company ("Merger Sub"), Magnolia Parent LLC, a Cayman Islands limited liability company ("Parent"), and solely for Section 2.10(a) hereunder, LAMC LP, a Cayman Island exempted limited partnership ("LAMC"), and Goldman Sachs & Co. LLC, solely as the Equity Representative.

W I T N E S S E T H:

WHEREAS, the Boards of Directors of each of the Company (the "Company Board of Directors"), Merger Sub and Parent (i) have approved the business combination transaction provided for herein in which the Merger Sub will, subject to the terms and conditions set forth herein and in the Statutory Merger Agreement, merge with and into the Company, with the Company surviving such merger (the "Merger"), (ii) have determined that the terms of this Agreement and the Statutory Merger Agreement are in the best interests of and fair to the Company, Parent and Merger Sub, as applicable and (iii) have declared the advisability of this Agreement, the Statutory Merger Agreement and the Merger;

WHEREAS, the Company Board of Directors and the board of directors of Life (i) have approved the business combination transaction provided for herein in which, following the Merger, Life will, subject to the terms and conditions set forth herein and in the Life Statutory Merger Agreement, merge with and into the Company with the Company surviving such merger (the "Life Merger"), (ii) have determined that the terms of this Agreement and the Life Statutory Merger Agreement are in the best interests of and fair to the Company and Life, as applicable and (iii) have declared the advisability of this Agreement, the Life Statutory Merger Agreement and the Life Merger;

WHEREAS, Parent, as the sole shareholder of Merger Sub, shall approve this Agreement immediately following the execution of this Agreement;

WHEREAS, the Company and LAMC, as the only shareholders of Life, shall approve this Agreement immediately following the execution of this Agreement;

WHEREAS, concurrently with and following the execution and delivery of this Agreement, and as a condition and material inducement to Parent's and Merger Sub's willingness to enter into this Agreement, certain Company Shareholders (the "Proposing Shareholders") will execute and deliver to the Company and Parent one or more agreements substantially in the form attached hereto as Exhibit D (the "Voting Agreements") pursuant to which such Company Shareholders have agreed or will agree, subject to the terms and conditions set forth in the Voting Agreements, to vote or cause to be voted any Company Shares beneficially owned by them in favor of the Merger, adopting this Agreement and the Statutory

Merger Agreement and any other actions contemplated hereby and thereby in respect of which approval of Company Shareholders is required;

WHEREAS, concurrently with the execution and delivery of this Agreement, KKR Group Partnership L.P. ("KKR") has committed to provide or cause to be provided to Parent the equity financing necessary to fund the Aggregate Merger Consideration and certain additional amounts pursuant to the Equity Commitment Letter (as defined herein);

WHEREAS, concurrently with the execution and delivery of this Agreement, KKR is delivering to the Company a limited guaranty, dated as of the date hereof, in favor of the Company (the "Parent Limited Guaranty"), whereby KKR has guaranteed certain obligations of Parent and Merger Sub under this Agreement; and

WHEREAS, the Company, Parent, Merger Sub, LAMC and Life desire to make certain representations, warranties, covenants and agreements in connection with the Merger and also to prescribe various conditions to the Merger.

NOW, THEREFORE, in consideration of the foregoing, the parties agree as follows:

ARTICLE I

DEFINITIONS AND TERMS

Section 1.01 Defined Terms.

"280G Approval" shall have the meaning set forth in Section 6.10.

"Accommodation Filings" shall have the meaning set forth in Section 6.03(f).

"Actuarial Analysis" shall have the meaning set forth in Section 4.22(b).

"Advisers Act" shall mean the Investment Advisers Act of 1940, as amended, and the rules and regulations promulgated thereunder.

"Affiliate" of any Person shall mean another Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such first Person.

"Aggregate Merger Consideration" shall mean the product of Closing Book Value as finally determined pursuant to Section 2.15 and the Multiplier; provided, however, that in no event shall the Aggregate Merger Consideration exceed the Estimated Aggregate Merger Consideration by more than an amount equal to the Escrow Amount.

"Aggregate Parent Interest Rollover Value" means the aggregate value of the portion of the Estimated Aggregate Merger Consideration to be paid in interests in Parent in respect of all Rollover Equityholders.

"Aggregate Rollover Equity" means all of the Company Rollover Equity and all of the Life Rollover Equity.

"Aggregate SAR Value" shall have the meaning set forth in Section 2.08(g).

"Agreement" shall have the meaning set forth in the Preamble.

"Anti-Bribery Laws" shall mean the U.S. Foreign Corrupt Practices Act and all other anti-bribery and anti-corruption Laws applicable to the Company or its Subsidiaries or their respective operations from time to time.

"Anti-Money Laundering Laws" shall mean all applicable Laws relating to money laundering, the proceeds of criminal activity, terrorist financing, or financial recordkeeping or reporting requirements, including without limitation (1) the U.S. Bank Secrecy Act, USA PATRIOT Act, and the Money Laundering Control Act of 1986; (2) the Proceeds of Crime Act 1997 and other Bermudian anti-money laundering legislation; and (3) other similar laws applicable to the Company or its Subsidiaries or their respective operations from time to time.

"Applicable Accounting Principles" shall have the meaning set forth in Section 2.15(a).

"Applicable SAP" shall mean, with respect to any Insurance Subsidiary, the applicable statutory accounting principles (or local equivalent in the applicable jurisdiction) prescribed or permitted by the applicable insurance Governmental Authority under the Insurance Laws of such Insurance Subsidiary's domiciliary jurisdiction.

"Appraisal Withdrawal" shall have the meaning set forth in Section 3.06(b).

"Appraised Fair Value" shall have the meaning set forth in Section 3.06(a).

"Approval" shall have the meaning set forth in Section 4.05(b).

"Audited Financial Statements" shall have the meaning set forth in Section 4.06(a).

"Balance Sheet Date" shall have the meaning set forth in Section 4.06(a).

"Beneficial Owner" shall mean, with respect to a Security, any Person who, directly or indirectly, through any Contract, relationship or otherwise, has or shares (a) the power to vote, or to direct the voting of, such Security, (b) the power to dispose of, or to direct the disposition of, such Security or (c) the right to profit or share in any profit derived from a transaction in such Security.

"Benefit Plan" shall have the meaning set forth in Section 4.13(a).

"Bermuda Companies Act" shall mean the Companies Act 1981 of Bermuda.

"Book-Entry Share" shall mean each entry in the register of shareholders of the Company (or its transfer agent) representing uncertificated Company Class A Ordinary Shares or Company Class G Ordinary Shares, as the case may be.

"Broker-Dealer Activities" shall mean activities by a Person that would require such Person to register with the SEC as a broker or dealer under the Exchange Act, except activities conducted pursuant to an exemption from such registration.

"Business" shall mean the business and operations of the Company and its Subsidiaries as conducted as of the date hereof and at any time between the date hereof and the Closing.

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which banking institutions in New York, New York or Bermuda are authorized or obligated by Law or executive order to be closed.

"Certificate of Merger" shall have the meaning set forth in Section 2.02.

"Change" shall mean a change, circumstance, condition, event, effect, development or state of facts.

"Class A Ordinary Share Escrow Amount" shall have the meaning set forth in Section 2.08(e).

"Class B Ordinary Share Escrow Amount" shall have the meaning set forth in Section 2.14(c).

"Class G Ordinary Share Escrow Amount" shall have the meaning set forth in Section 2.08(d).

"Closing" shall have the meaning set forth in Section 2.06.

"Closing Book Value" shall mean an amount equal to (a) total assets of the Company and its Subsidiaries minus (b) total liabilities of the Company and its Subsidiaries, in each case, determined in accordance with the Applicable Accounting Principles.

"Closing Date" shall have the meaning set forth in Section 2.06.

"Closing Statement" shall have the meaning set forth in Section 2.15(b).

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Company" shall have the meaning set forth in the Preamble.

"Company Board of Directors" shall have the meaning set forth in the Recitals.

"Company Class A Ordinary Shares" shall mean the Class A Ordinary Shares in the capital of the Company with a par value of $0.01.

"Company Class G Ordinary Shares" shall mean the Class G Ordinary Shares in the capital of the Company with a par value of $0.01.

"Company Disclosure Letter" shall mean the Company Disclosure Letter dated the date hereof and delivered by the Company to Parent prior to the execution of this Agreement.

"Company Employee" shall have the meaning set forth in Section 6.08(a).

"Company Fundamental Representations" shall mean the representations and warranties set forth in Section 4.01, Section 4.02(a), the first sentence of Section 4.02(b), Section 4.03(a), Section 4.03(b), and Section 4.04.

"Company Required Vote" shall mean the affirmative vote passed by at least a majority of the outstanding Company Shares and Founder Incentive Interests as, being entitled to do so, are voted at a general meeting of shareholders of the Company, in favor of adoption of this Agreement.

"Company Rollover Equity" means Founder Incentive Interests or Company Shares subject to a Rollover Agreement.

"Company Rollover Equityholders" means any Company Stakeholder that has executed and delivered a Rollover Agreement.

"Company RSAs" shall mean rights to receive Company Shares granted under the Amended and Restated Global Atlantic Financial Company Annual Incentive Plan.

"Company SAR Plan" shall mean the Amended and Restated Global Atlantic Financial Life Limited Long-Term Incentive Plan.

"Company SARs" shall mean stock appreciation rights granted under the Company SAR Plan covering ordinary shares of Global Atlantic Financial Life Limited.

"Company Shares" shall mean the Company Class A Ordinary Shares and the Company Class G Ordinary Shares.

"Company Shareholders" shall mean all of the holders of the Company Class A Ordinary Shares and the Company Class G Ordinary Shares.

"Company Shareholders Meeting" shall have the meaning set forth in Section 6.04(b).

"Company Stakeholders" shall mean Company Shareholders, the Founder (in its capacity as holder of Founder Incentive Interests), the holders of Company SARs, the holders of L&A Incentive Interests and the holders of GAFLL Class B Ordinary Shares.

"Company Stock Awards" shall mean the Company SARs and the Company RSAs.

"Confidentiality Agreement" shall have the meaning set forth in Section 6.02(c).

"Constituent Documents" shall mean, with respect to any entity, its certificate or articles of incorporation, bylaws and any similar charter or other organizational documents of such entity.

"Contagion Event" shall mean the outbreak or spread, or threat of outbreak or spread, of contagious disease, epidemic or pandemic (including COVID-19).

"Contract" shall mean any legally binding written contract, agreement, lease, sublease, license, sublicense, commitment, understanding, franchise, warranty, guaranty, mortgage, note, bond, option, warrant or other legally binding arrangement.

"control" shall mean the possession, directly or indirectly or as trustee or executor, of the power to direct or cause the direction of the management policies of a Person, whether through the ownership of stock, as trustee or executor, by contract or credit arrangement or otherwise.

"Delaware Courts" shall have the meaning set forth in Section 9.07.

"Disclosed Conditions" shall have the meaning set forth in Section 5.07(e).

"Disputed Item" shall have the meaning set forth in Section 2.15(c).

"Dispute Notice" shall have the meaning set forth in Section 2.15(c).

"Dissenting Shares" shall mean (i) with respect to the Company Shares, the Company Shares held by a holder of Company Shares who (a) did not vote in favor of the Merger, (b) complied with all provisions of the Bermuda Companies Act concerning the right of holders of Company Shares to require appraisal of the fair value of their Company Shares pursuant to the Bermuda Companies Act, (c) perfected such right to appraisal and (d) did not deliver an Appraisal Withdrawal, and (ii) with respect to the shares of Life, the shares of Life held by a holder of shares of Life who (a) did not vote in favor of the Life Merger, (b) complied with all provisions of the Bermuda Companies Act concerning the right of holders of shares of Life to require appraisal of the fair value of their Company Shares pursuant to the Bermuda Companies Act (c) perfected such right to appraisal and (d) did not deliver an Appraisal Withdrawal.

"Distribution Agreement" shall mean any Contract related to the distribution of Insurance Contracts issued by any Insurance Subsidiary.

"Effective Time" shall have the meaning set forth in Section 2.02.

"Equity Commitment Letter" shall have the meaning set forth in Section 5.07(a).

"Equity Financing" shall have the meaning set forth in Section 5.07(a).

"Equity Representative" shall have the meaning set forth in the Preamble.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"Escrow Amount" shall mean an amount equal to $150,000,000.

"Estimated Aggregate Cash Merger Consideration" shall mean an amount equal to the Estimated Aggregate Merger Consideration minus the Aggregate Parent Interest Rollover Value.

"Estimated Aggregate Merger Consideration" shall mean the product of the Estimated Closing Book Value and the Multiplier.

"Estimated Class A Ordinary Merger Consideration" shall have the meaning set forth in Section 2.08(e).

"Estimated Class G Ordinary Merger Consideration" shall have the meaning set forth in Section 2.08(d).

"Estimated Closing Book Value" shall have the meaning set forth in Section 2.15(a).

"Estimated Company Merger Consideration" shall mean a portion of the Estimated Aggregate Merger Consideration equal to the Estimated Aggregate Merger Consideration minus the Estimated GAFLL Class B Merger Consideration.

"Estimated Closing Statement" shall have the meaning set forth in Section 2.15(a).

"Estimated Founder Incentive Merger Consideration" shall have the meaning set forth in Section 2.08(c).

"Estimated GAFLL Class B Merger Consideration" shall have the meaning set forth in Section 2.14(c).

"Estimated L&A Incentive Interest Merger Consideration" shall have the meaning set forth in Section 2.14(b).

"Estimated Merger Consideration Schedule" means a spreadsheet provided by the Company setting forth (i) with respect to each holder of a Company Class G Ordinary Share, the amount of Estimated Class G Ordinary Merger Consideration which such holder is entitled to receive at the Effective Time pursuant to Section 2.08(d), (ii) with respect to each holder of a Company Class A Ordinary Share, the amount of Estimated Class A Ordinary Merger Consideration which such holder is entitled to receive at the Effective Time pursuant to Section 2.08(e), (iii) with respect to the Founder, the amount of the Estimated Founder Incentive Merger Consideration that the Founder is entitled to receive at the Effective Time pursuant to Section 2.08(c), (iv) with respect to each holder of a Company SAR, the portion of the Estimated SAR Value which such holder is entitled to receive at the Effective Time pursuant to Section 2.08(g), (v) with respect to each holder of L&A Incentive Interest, the amount of the Estimated L&A Incentive Interest Merger Consideration which such holder is entitled to receive at the Effective Time pursuant to Section 2.14(b) and (vi) with respect to each holder of a GAFLL Class B Ordinary Share, the amount of the Estimated GAFLL Class B Merger Consideration that such holder is entitled to receive at the Effective Time pursuant to Section 2.14(c).

"Estimated SAR Value" shall have the meaning set forth in Section 2.08(g).

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, as the same may be amended from time to time.

"Exchange Fund" shall have the meaning set forth in Section 3.01.

"Filing" shall have the meaning set forth in Section 4.05(b).

"Final Aggregate Cash Merger Consideration" shall mean an amount equal to the Aggregate Merger Consideration minus the Aggregate Parent Interest Rollover Value.

"Final Class A Ordinary Merger Consideration" shall have the meaning set forth in Section 2.15(g)(i)(C).

"Final Class G Ordinary Merger Consideration" shall have the meaning set forth in Section 2.15(g)(i)(B).

"Final Closing Statement" shall have the meaning set forth in Section 2.15(e).

"Final Company Merger Consideration" shall mean a portion of the Aggregate Merger Consideration equal to the Aggregate Merger Consideration minus the Final GAFLL Class B Merger Consideration.

"Final Founder Incentive Merger Consideration" shall have the meaning set forth in Section 2.15(g)(i)(A).

"Final GAFLL Class B Merger Consideration" shall have the meaning set forth in Section 2.15(g)(i)(G).

"Final L&A Incentive Interest Merger Consideration" shall have the meaning set forth in Section 2.15(g)(i)(F).

"Final Merger Consideration Schedule" means a spreadsheet provided by the Company setting forth (i) with respect to each holder of a Company Class G Ordinary Share, the amount of Final Class G Ordinary Merger Consideration which such holder is entitled to receive pursuant to Section 2.15(g), (ii) with respect to each holder of a Company Class A Ordinary Share, the amount of Final Class A Ordinary Merger Consideration which such holder is entitled to receive pursuant to Section 2.15(g), (iii) with respect to the Founder, the amount of the Final Founder Incentive Merger Consideration that the Founder is entitled to receive pursuant to Section 2.15(g), (iv) with respect to each holder of a Company SAR, the portion of the Final SAR Value which such holder is entitled to receive pursuant to Section 2.15(g), (v) with respect to each holder of L&A Incentive Interest, the amount of the Final L&A Incentive Interest Merger Consideration which such holder is entitled to receive pursuant to Section 2.15(g) and (vi) with respect to each holder of a GAFLL Class B Ordinary Share, the amount of the Final GAFLL Class B Merger Consideration that such holder is entitled to receive at the pursuant to Section 2.15(g).

"Financial Statements" shall have the meaning set forth in Section 4.06(a).

"Financings" shall have the meaning set forth in Section 6.06.

"FINRA" shall mean the Financial Industry Regulatory Authority, Inc.

"FINRA Rules" shall have the meaning set forth in Section 4.28(c).

"Flow-Through Entities" shall mean the Company, Life and LAMC.

"Founder" shall mean The Goldman Sachs Group, Inc.

"Founder Incentive Escrow Amount" shall have the meaning set forth in Section 2.08(c).

"Founder Incentive Interests" shall mean the Incentive Shares (as defined in the Bye-Laws of the Company) held by the Founder in the Company.

"Founder Incentive Merger Consideration" shall have the meaning set forth in Section 2.08(c).

"GAAP" shall have the meaning set forth in Section 4.06(a).

"GAFLL Class B Ordinary Shares" shall mean the Class B Ordinary Shares in the capital of Global Atlantic Financial Life Limited with a par value of $0.01.

"Governmental Authority" shall mean any nation or government, any state or other political subdivision thereof, any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, any court, tribunal or arbitrator and any self-regulatory organization.

"HSR Act" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder, as the same may be amended from time to time.

"Indebtedness" shall mean, without duplication, (a) indebtedness for borrowed money, (b) obligations evidenced by bonds, debentures, notes, mortgages or similar instruments or securities, (c) obligations upon which interest charges are customarily paid (other than trade payables incurred in the ordinary course of business consistent with past practices), (d) obligations under conditional sale or other title retention Contracts relating to any property purchased, (e) obligations issued or assumed as the deferred purchase price of property or services (excluding obligations to creditors for inventory, services and supplies incurred in the ordinary course of business consistent with past practices), (f) obligations under capital leases, (g) reimbursement, payment or similar obligations under letters of credit and (h) all guarantees and Contracts with respect to any of the liabilities described in the foregoing clauses (a) through (g), other than clearing house guarantees. Notwithstanding the foregoing, "Indebtedness" will not include (i) obligations under operating leases or real property leases, (ii) undrawn letters of credit or (iii) intercompany indebtedness, obligations or liabilities between or among the Company and any of its direct or indirect Subsidiaries.

"Indemnified Parties" shall have the meaning set forth in Section 6.09(a).

"Independent Accounting Firm" shall mean Ernst & Young LLP, or if Ernst & Young LLP is unwilling or unable to serve in such role, another "big four" accounting firm as mutually agreed by the parties.

"Independent Distributor" shall mean the brokers, broker-dealers, insurance agents, producers, distributors or other Persons who market, produce, sell, solicit or negotiate any Insurance Contracts, or any successors thereto, that are not employees or Affiliates of the Company.

"Insurance Contract" shall mean any insurance policy or Contract, or any annuity Contract or certificate, whether or not registered under the Securities Act, in each case, together with all policies, binders, slips, certificates, participation agreements, applications, supplements, endorsements, riders and ancillary agreements in connection therewith that are issued, reinsured or assumed by any Insurance Subsidiary prior to the Closing; provided, that "Insurance Contracts" shall not include any reinsurance contract or treaty.

"Insurance Law" shall mean all Laws applicable to the business of insurance or the regulation of insurance holding companies, whether domestic or foreign, and all applicable Orders of Governmental Authorities, including Laws relating to the underwriting, pricing, sale, issuance, marketing, advertising and administration of insurance products (including licensing and appointments).

"Insurance Reserves" shall have the meaning set forth in Section 4.22(a).

"Insurance Subsidiary" shall have the meaning set forth in Section 4.19(a).

"Intellectual Property Rights" shall mean all intellectual property and proprietary rights, including trademarks, service marks, trade names, and trade dress, whether registered or unregistered, and all applications for registrations thereof, and all goodwill associated with or symbolized by any of the foregoing; internet domain names; patents, including pending applications, provisional applications, continuations, divisionals, reissues, and reexaminations thereof and therefor; and copyrights, whether registered or unregistered, and all applications for registration thereof.

"Investment Assets" shall mean the investment assets owned beneficially or of record by the Company or any of its Insurance Subsidiaries.

"Investment Company Act" shall mean the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder.

"IRS" shall mean the Internal Revenue Service.

"KKR" shall have the meaning set forth in the Preamble.

"KKR Co-Investors" shall mean co-investors identified by KKR who will provide capital contributions, directly or indirectly, to Parent or the Surviving Company as of the Effective Time.

"Knowledge of the Company" shall mean the actual knowledge of the Persons specified in Section 1.01 of the Company Disclosure Letter.

"L&A Incentive Interests" shall mean the L&A Incentive Shares (as such term is defined in the Bye Laws of Life held by LAMC in Life.

"LAMC" shall have the meaning set forth in the Preamble.

"LAMC Partners" shall mean the partners of LAMC (in their capacity as indirect holders of L&A Incentive Interests).

"Law" shall mean any federal, state, local, municipal, foreign, international, multinational or other rule, regulation, statute, Order, ordinance, constitution, treaty, administrative interpretation, directive or code promulgated by any Governmental Authority, including any binding case law.

"Lease" shall mean any lease, sublease, license, occupancy agreement or similar Contract relating to real property.

"Leased Real Property" shall mean all real property interests of the Company or any of its Subsidiaries acquired pursuant to any Lease except for any such interests held as Investment Assets.

"Lien" shall mean any mortgage, claim, pledge, hypothecation, encumbrance, lien (statutory or other), servitude, easement, right of way or other charge or security interest of any kind or nature whatsoever.

"Life" shall have the meaning set forth in the Preamble.

"Life Merger" shall have the meaning set forth in the Recitals.

"Life Rollover" shall have the meaning set forth in Section 2.10(b).

"Life Rollover Equity" shall mean the equity interests in Life (or any successor entity thereto) subject to a Rollover Agreement.

"Life Rollover Equityholder" shall mean any LAMC Partner that has executed and delivered a Rollover Agreement.

"Life Merger Statutory Merger Agreement" shall mean the Life Merger Statutory Merger Agreement in the form attached hereto as Exhibit C-2 (subject to such amendments or modifications as the parties may determine to make prior to the Effective Time) to be executed and delivered by the Company and Life as contemplated by the terms hereof.

"Litigation" shall mean any action, cease and desist letter, demand, suit, arbitration proceeding, administrative or regulatory proceeding, citation, summons or subpoena of any nature, civil, criminal, regulatory or otherwise, in law or in equity; provided, that "Litigation" shall not include any ordinary course examinations or market conduct examinations by Governmental Authorities.

"Material Adverse Effect" shall mean any Change that, individually or in the aggregate, has had or would reasonably be expected to have (a) a material adverse effect on the business, financial condition, operations or results of operations of the Company and its Subsidiaries, taken as a whole or (b) a material adverse effect on the ability of the Company to consummate the Merger; provided, that, solely for purposes of clause (a), none of the following will be deemed, either alone or in combination, to constitute, and none of the following will be taken into account in determining whether there has been, a Material Adverse Effect: (i) any Change generally affecting economic, regulatory or political conditions, (ii) any Change generally affecting the financial, credit, securities or other capital markets in the United States, Bermuda or any foreign jurisdiction, (iii) any Change generally affecting the industries in which the Company or any of its Subsidiaries operates, (iv) any Contagion Event or any declaration of martial law, quarantine or similar directive, policy or guidance or other action by any Governmental Authority in connection therewith, or any hurricane, tornado, flood, earthquake, tsunami, volcanic eruption or other natural disaster, (v) any Change in national or international political conditions, including acts of war, riots, political protests, sabotage or terrorism, or any escalation or worsening of any such acts of war, riots, political protests, sabotage or terrorism occurring after the date of this Agreement, (vi) any Change occurring after the date of this Agreement in applicable Law, GAAP or Applicable SAP, (vii) the execution and delivery of this Agreement or the public announcement, pendency or performance of the transactions contemplated hereunder, including the impact thereof on the relationships of the Company or any of its Subsidiaries with employees, customers, insureds, cedents, policyholders, brokers, agents, financing sources, business partners, service providers, Governmental Authorities or reinsurance providers (provided that no effect shall be given to this clause (vii) for purposes of any representation or warranty in Article IV which expressly addresses the effect of the execution of this Agreement or the consummation of the transactions contemplated by this Agreement), (viii) any communication by KKR, Parent, Merger Sub or any of their respective Affiliates or Representatives regarding plans or intentions with respect to modifications in the employment or business relationship between the Company or any of its Subsidiaries and their respective employees, Independent Distributors, suppliers, reinsurers, third-party administrators or asset managers following the Closing, (ix) any action required to be taken by the Company, or that the Company is required to cause one of its Subsidiaries to take, pursuant to the terms of this Agreement, (x) any failure of the Company or any of its Subsidiaries to take an action prohibited by the terms of this Agreement, or (xi) any failure by the Company or any of its Subsidiaries to meet any internal or published projections, forecasts or revenue or earnings predictions for any period ending on or after the date of this Agreement (but not the facts or circumstances underlying or giving rise to such failure), except, with respect to the foregoing clauses (i) through (vi), to the extent that the effects of any such matter are disproportionally adverse to the business, financial condition, operations or results of operations of the Company and its Subsidiaries, taken as a whole, in any material respect as compared to other life insurance and annuity companies operating in the United States with a meaningful portion of its business off-shore.

"Material Contract" shall have the meaning set forth in Section 4.15(b).

“Maximum Premium” shall have the meaning set forth in Section 6.09(b).

“Merger” shall have the meaning set forth in the Recitals.

“Merger Application” shall have the meaning set forth in Section 2.02.

“Merger Consideration” shall mean, in respect of any Company Share, the portion of the Aggregate Merger Consideration the holder of such Company Share is entitled to receive pursuant to Section 2.08(d) or (e), as applicable, in the case of the Founder Incentive Interests, the portion of the Aggregate Merger Consideration the Founder is entitled to receive pursuant to Section 2.08(c), in the case of any Company SAR, the portion of the Aggregate Merger Consideration the holder of such Company SAR is entitled to receive pursuant to Section 2.08(g), in the case of any GAFLL Class B Ordinary Share or L&A Incentive Interest, the portion of the Aggregate Merger Consideration that holder thereof is to receive pursuant to Section 2.14(b) or (c), as applicable, in each case as adjusted pursuant to Section 2.15(g).

“Multiplier” shall mean one (1).

“Order” shall mean any charge, order, writ, injunction, judgment, decree, ruling, determination, directive, award or settlement, whether civil, criminal or administrative, entered by or with any Governmental Authority.

“Outside Termination Date” shall have the meaning set forth in Section 8.01(c).

“Parent” shall have the meaning set forth in the Preamble.

“Parent Disclosure Letter” shall mean the Parent Disclosure Letter dated the date hereof and delivered by Parent to the Company prior to the execution of this Agreement.

“Parent Fundamental Representations” shall means the representations and warranties set forth in Section 5.01 and Section 5.02.

“Parent Limited Guaranty” shall have the meaning set forth in the Recitals.

“Parent Material Adverse Effect” shall mean a failure of, or a material impairment of, or material delay in, the ability of Parent, Merger Sub and their respective Subsidiaries to perform their obligations under this Agreement.

“Parent Plan” shall have the meaning set forth in Section 6.08(e).

“Paying Agent” shall mean a bank or trust company reasonably satisfactory to the Company that is organized and doing business under the Laws of the United States or any state thereof appointed by Parent and the Equity Representative to act as paying agent for payment of the Merger Consideration.

“Permit” shall mean any qualifications, registrations, franchises, filings, licenses, permits, certificates, consents, approvals, statement of no objection, Orders or authorizations issued or granted by Governmental Authorities.

"Permitted Liens" shall mean (a) any Lien for Taxes not yet delinquent or which are being contested in good faith by appropriate proceedings, (b) carrier's, warehousemen's, mechanic's, materialmen's, repairmen's or other similar Liens, (c) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation, (d) Liens comprising deposits required by applicable Insurance Law, (e) easements, rights-of-way, restrictions and other similar encumbrances, which do not materially interfere with the use of the property subject thereto, (f) statutory Liens in favor of lessors arising in connection with leased property, (g) Liens that, individually or in the aggregate, do not materially detract from the value of any of the property, rights or assets of the business of the Company or any of its Subsidiaries or materially interfere with the use thereof as currently used by the Company or, as the case may be, any of its Subsidiaries, (h) any Lien on assets held in a trust or similar account, (i) any Leases related to the Investment Assets of the Company or its Subsidiaries, (j) any Liens arising from assets pledged to a Federal Home Loan Bank or under the Federal Reserve Term Asset-Backed Securities Loan Facility, (k) any Liens arising from securities pledged under certain repurchase arrangements set out in the Financial Statements and (l) any Liens described in the Company Disclosure Letter.

"Person" shall mean any individual, corporation, partnership (general or limited), limited liability company, limited liability partnership, trust, joint venture, joint-stock company, syndicate, association, entity, unincorporated organization or Governmental Authority.

"Personal Data" shall mean a natural person's name, street address, telephone number, e-mail address, photograph, social security number, driver's license number, passport number, or customer or account number, or any other piece of information that allows the identification of a natural person.

"Personally Identifiable Information" shall mean (i) any Personal Data, (ii) any personal information that is prohibited from public disclosure under or otherwise regulated by any applicable Laws pertaining to privacy, security or data protection, (iii) any personal financial information of any individual that is an applicant under any filing with a Governmental Authority made pursuant to this Agreement, or any immediate family member of such Person, (iv) biographical affidavits, (v) fingerprints and fingerprint cards, and (vi) background investigation reports.

"Proxy Statement" shall mean the proxy statement, including any amendment or supplement thereto, relating to the Merger and this Agreement to be mailed to the Company Shareholders in connection with the Company Shareholders Meeting.

"Registered Funds" shall have the meaning set forth in Section 6.03(e).

"Registered Fund Advisory Agreement" means any (i) investment advisory Contract entered into by Global Atlantic Investment Advisors, LLC for the purpose of providing investment advisory services to a Registered Fund (including, for the avoidance of doubt, any series thereof) or (ii) Registered Fund Sub-Advisory Agreement.

"Registered Fund Board Approval" shall have the meaning set forth in Section 6.03(e).

"Registered Fund Sub-Advisory Agreement" means any sub-advisory Contract under which investment advisory services are provided to a Registered Fund (including, for the avoidance of doubt, any series thereof) and to which Global Atlantic Investment Advisors, LLC is a party.

"Registered Fund Financial Statements" shall have the meaning set forth in Section 4.25(e).

"Registrar" shall have the meaning set forth in Section 2.02.

"Reinsurance Contracts" shall have the meaning set forth in Section 4.21.

"Replacement Units" shall have the meaning set forth in Section 2.08(h).

"Representatives" shall mean directors, officers, employees, accountants, auditors, counsel, financial advisors, consultants, financing sources and other advisors or representatives.

"Resolution Period" shall have the meaning set forth in Section 2.15(d).

"Rollover Agreement" shall mean an agreement by and between Parent and the other party thereto pursuant to which, immediately prior to the Closing, such other party will contribute all or a portion of such party's Founder Incentive Interests, Company Shares, L&A Incentive Interests or GAFLL Class B Ordinary Shares, to Parent pursuant to and in accordance with the terms therein.

"Rollover Equity" shall mean the Company Rollover Equity and the Life Rollover Equity.

"Rollover Equityholders" shall mean those certain Parties that have executed and delivered a Rollover Agreement.

"Rollover Statement" has the meaning as set forth in Section 2.15(a).

"Rollover Value" shall mean, with respect to Rollover Equity held by a Rollover Equityholder, (i) the value of such Rollover Equity that such Rollover Equityholder has agreed to rollover into equity securities of Parent pursuant to such Rollover Equityholder's Rollover Agreement to be determined as of the Closing Date based on the Estimated Aggregate Merger Consideration plus (ii) a cash amount representing such Rollover Equity's pro rata portion of the Escrow Amount. Such value shall be equal to the portion of the Estimated Aggregate Merger Consideration that such Rollover Equityholder would have received hereunder in respect of such Rollover Equity if such Rollover Equityholder had not agreed to rollover such Rollover Equity into equity securities of Parent (i.e., before giving effect to any reduction in the relevant portion of the Estimated Aggregate Merger Consideration for Rollover Value).

"Sanctioned Person" shall mean a Person that is (i) the subject of Sanctions, (ii) ordinarily resident in, located in, or organized under the laws of a country or territory which is or has been the subject of country- or territory-wide Sanctions within the last five years (including without limitation Cuba, Iran, North Korea, Sudan, Syria, or the Crimea region), or (iii) majority-owned or controlled by any of the foregoing.

"Sanctions" shall mean those trade, economic and financial sanctions laws, regulations, embargoes, and restrictive measures administered, enacted, or enforced by (i) the United States (including without limitation the Department of the Treasury, Office of Foreign Assets Control), (ii) the European Union, (iii) the United Nations, (iv) the United Kingdom, or (v) other similar Governmental Authorities with regulatory authority over the Company or its Subsidiaries or their respective operations from time to time.

"SARs Value Holdback Amount" shall have the meaning set forth in Section 2.08(g).

"SEC" shall mean the Securities and Exchange Commission.

"Securities" shall mean, with respect to any Person, any class or series of common stock, preferred stock, membership interest and any other equity securities or capital stock of such Person, however described and whether voting or non-voting.

"Securities Act" shall mean the Securities Act of 1933.

"Separate Accounts" shall mean the separate accounts established by the Insurance Subsidiaries that are utilized in connection with their respective Insurance Contracts.

"Shareholders Agreement" shall have the meaning set forth in Section 2.07(b).

"Statutory Merger Agreement" shall mean the Statutory Merger Agreement in the form attached hereto as Exhibit C-1 (subject to such amendments or modifications as the parties may determine to make prior to the Effective Time) to be executed and delivered by the Company, Merger Sub and Parent as contemplated by the terms hereof.

"Statutory Statements" shall have the meaning set forth in Section 4.20(a).

"Subsidiary" shall mean, with respect to any Person, any entity of which securities or other ownership interests (a) having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions or (b) representing more than fifty percent of such securities or ownership interests are at the time directly or indirectly owned by such Person; provided, that "Subsidiary" does not include any entity the securities of which are held as an Investment Asset.

"Surviving Company" shall have the meaning set forth in Section 2.01.

"Tax" (and, with correlative meaning, "Taxes") shall mean any federal, state, local or foreign income, alternative, minimum, accumulated earnings, personal holding company, franchise, capital stock, profits, windfall profits, gross receipts, sales, use, value added, transfer, registration, stamp, premium, excise, escheat, customs duties, environmental, real property, personal property, ad valorem, occupancy, license, occupation, employment, payroll, social security, disability, unemployment, workers' compensation, withholding, estimated or other similar tax, duty, fee, assessment or other governmental charge or deficiencies thereof (including all interest and penalties thereon and additions thereto).

"Tax Proceeding" shall have the meaning set forth in Section 6.13(d).

"Tax Return" shall mean any report, return, filing, declaration, claim for refund, or information return or statement in connection with the determination, assessment, collection or imposition of any Taxes or otherwise related to Taxes filed or required to be filed with a Governmental Authority, including any schedule or attachment, and including any amendment thereof.

"Taxing Authority" shall mean, with respect to any Tax, the Governmental Authority that imposes such Tax or is otherwise responsible for Tax Returns and the agency, if any, charged with the collection of such Tax for such Governmental Authority.

"Third Party" shall mean any Person or group (as defined in Section 13(d)(3) of the Exchange Act) other than Parent, Merger Sub or any Affiliates thereof.

"Unaudited Financial Statements" shall have the meaning set forth in Section 4.06(a).

"Unresolved Items" shall have the meaning set forth in Section 2.15(e).

"Voting Agreements" shall have the meaning set forth in the Recitals.

Section 1.02 Interpretation.

(a) As used in this Agreement, references to the following terms have the meanings indicated: (i) to the Preamble or to the Recitals, Sections, Articles, Exhibits or Schedules are to the Preamble or a Recital, Section or Article of, or an Exhibit or Schedule to, this Agreement unless otherwise clearly indicated to the contrary; (ii) to any Contract (including this Agreement) or "organizational document" are to the Contract or organizational document as amended, modified, supplemented or replaced from time to time; (iii) to any Law are to such Law as amended, modified, supplemented or replaced from time to time and any rules or regulations promulgated thereunder and to any section of any Law including any successor to such section; (iv) to any Governmental Authority include any successor to the Governmental Authority and to any Affiliate include any successor to the Affiliate; (v) to any "copy" of any Contract or other document or instrument are to a true and complete copy thereof; (vi) to "hereof," "herein," "hereunder," "hereby," "herewith" and words of similar import refer to this Agreement as a whole and not to any particular Article, Section or clause of this Agreement, unless otherwise clearly indicated to the contrary; (vii) to the "date of this Agreement," "the date hereof" and words of similar import refer to July 7, 2020; and (viii) to "this Agreement" includes the Exhibits and Schedules (including the Company Disclosure Letter and the Parent Disclosure Letter) to this Agreement.

(b) Whenever the words "include," "includes" or "including" are used in this Agreement, they will be deemed to be followed by the words "without limitation." The word “or” shall not be exclusive. Any singular term in this Agreement will be deemed to include the plural, and any plural term the singular. All pronouns and variations of pronouns will be deemed to refer to the feminine, masculine or neuter, singular or plural, as the identity of the Person referred to may require. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning.

(c) Whenever the last day for the exercise of any right or the discharge of any duty under this Agreement falls on a day other than a Business Day, the party hereto having such right or duty shall have until the next Business Day to exercise such right or discharge such duty. Unless otherwise indicated, the word “day” shall be interpreted as a calendar day.

(d) The table of contents and headings contained in this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement.

(e) References to a “party” hereto shall mean Parent, Merger Sub, LAMC, Life or the Company and references to “parties” hereto shall mean Parent, Merger Sub, LAMC, Life and the Company.

(f) References to “dollars” or “$” mean United States dollars, unless otherwise clearly indicated to the contrary.

(g) The parties hereto have participated jointly in the negotiation and drafting of this Agreement; consequently, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party hereto by virtue of the authorship of any provision of this Agreement.

(h) No summary of this Agreement prepared by or on behalf of any party hereto shall affect the meaning or interpretation of this Agreement.

(i) All capitalized terms used without definition in the Exhibits and Schedules (including the Company Disclosure Letter and the Parent Disclosure Letter) to this Agreement shall have the meanings ascribed to such terms in this Agreement.

ARTICLE II

THE MERGER

Section 2.01 The Merger. Upon the terms and subject to the conditions set forth in this Agreement and the Statutory Merger Agreement, and pursuant to Section 104H of the Bermuda Companies Act, at the Effective Time, Merger Sub shall be merged with and into the Company, the separate corporate existence of Merger Sub shall thereupon cease, and the Company shall be the surviving company in the Merger (such surviving company, the “Surviving Company”).

Section 2.02 Merger Effective Time. Upon the terms and subject to the conditions set forth in this Agreement and the Statutory Merger Agreement, the Company, Parent and Merger Sub will (a) on the Closing Date, execute and deliver the Statutory Merger Agreement, (b) on or prior to the Closing Date, cause an application for registration of the Surviving Company (the "Merger Application") to be executed and delivered to the Registrar of Companies in Bermuda (the "Registrar") as provided under Section 108 of the Bermuda Companies Act and to be accompanied by the documents required by Section 108(2) of the Bermuda Companies Act and (c) cause to be included in the Merger Application a request that the Registrar issue the certificate of merger with respect to the Merger (the "Certificate of Merger") on the Closing Date at the time of day mutually agreed upon by the Company, Merger Sub and Parent and set forth in the Merger Application. The Merger shall become effective upon the issuance of the Certificate of Merger by the Registrar at the time and date shown on the Certificate of Merger. The Company, Merger Sub and Parent agree that they will request that the Registrar provide in the Certificate of Merger that the effective time of the Merger shall be 10:00 a.m., Bermuda time (or such time mutually agreed upon by the Company, Merger Sub and Parent) on the Closing Date (such time, the "Effective Time").

Section 2.03 Effects of Merger. From and after the Effective Time, the Merger shall have the effects set forth in this Agreement and Section 109(2) of the Bermuda Companies Act.

Section 2.04 Board of Directors and Officers of the Surviving Company. The directors of the Surviving Company at the Effective Time shall be appointed by Parent and such directors shall continue thereafter until the earlier of their death, resignation or removal or until their respective successors are duly elected or appointed and qualified, as the case may be, in accordance with the Bermuda Companies Act and the bye-laws of the Surviving Company. The officers of the Company in office immediately prior to the Effective Time shall be the officers of the Surviving Company until the earlier of their death, resignation or removal or until their respective successors are duly elected or appointed and qualified, as the case may be.

Section 2.05 Organizational Documents.

(a) At the Merger Effective Time, pursuant to the Merger, the memorandum of continuance of the Company as set forth on Exhibit A, shall be the memorandum of continuance of the Surviving Company; provided, that the parties shall cooperate prior to the Closing to make any amendments or modifications to the form of memorandum set forth on Exhibit A as the parties may mutually agree will be beneficial to the Company from and after the Effective Time. Thereafter, the memorandum of continuance of the Surviving Company may be amended as provided by Law.

(b) At the Merger Effective Time, pursuant to the Merger, new bye-laws of the Company shall be adopted to read in their entirety as set forth on Exhibit B, and, as so amended, shall be the bye-laws of the Surviving Company; provided, that the parties shall cooperate prior to the Closing to make any amendments or modifications to the form of bye-laws set forth on Exhibit B as the parties may mutually agree will be beneficial to the Company from and after the Effective Time. Then, at the Effective Time, the bye-laws of the Surviving Company shall be the bye-laws of the Surviving Company. Thereafter, the bye-laws of the Surviving Company may be amended in accordance with their terms and as provided by Law.

Section 2.06 Closing. Subject to the terms and conditions of this Agreement, the closing of the Merger (the "Closing") will take place at 10:00 a.m., Bermuda time, on the date that is the first Business Day of the month immediately following the month in which the satisfaction or waiver of the conditions (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of those conditions) set forth in Article VII occurs, at the offices of Wakefield Quinn Limited, Victoria Place, 31 Victoria Street, Hamilton HM 10, Bermuda, unless another time, date or place is agreed to in writing by the parties. The date on which the Closing occurs is referred to in this Agreement as the "Closing Date."

Section 2.07 Merger Consideration.

(a) Subject to the occurrence of the Merger as of the Effective Time and the Life Merger immediately thereafter, the Company Stakeholders shall be entitled to receive merger consideration with an aggregate value equal to the Aggregate Merger Consideration.

(b) The Estimated Aggregate Merger Consideration and the Aggregate Merger Consideration will be allocated among the Company Stakeholders as set forth in the Merger Consideration Schedule, which shall be determined by the Company in accordance with the Third Amended and Restated Shareholders Agreement, dated as of January 21, 2020, by and among the Company, The Goldman Sachs Group, Inc., Goldman Sachs & Co. LLC and the other signatories thereto (the "Shareholders Agreement"), the Second Amended and Restated Shareholders Agreement, dated as of January 21, 2020, by and among Life, the Company, Goldman Sachs & Co. LLC and LAMC, Article 38 of the Bye-Laws of the Company and the Company SAR Plan, with such allocation being performed by the Company, in consultation with the Incentive Interest Administrator (as such term is defined in the Bye-Laws of the Company). A portion of the Estimated Company Merger Consideration and the Final Company Merger Consideration, as applicable, shall be allocated to cover the aggregate amounts payable hereunder to holders of Company SARs. The balance of the Estimated Company Merger Consideration and the Final Company Merger Consideration, as applicable, will be allocated to cover the aggregate amounts payable hereunder to the holders of the Class A Ordinary Shares, the holders of the Class G Ordinary Shares, the holders of the Founder Incentive Interests and the holders of the L&A Incentive Interests.

Section 2.08 Effect of Merger on the Share Capital of Merger Sub and the Company; Company SARs and Company RSAs. Upon the terms and subject to the conditions of this Agreement, at the Effective Time, by virtue of the occurrence of the Merger and without any action on the part of the Company, Merger Sub or Parent or the holders of any of the following securities (except as set forth in Section 2.08(j)):

(b) *Merger Sub Shares*. Each common share, par value US$0.01, of Merger Sub issued and outstanding immediately prior to the Merger Effective Time shall be converted into and become one (1) validly issued and fully paid common share of par value US$0.01 of the Surviving Company.

(c) *Founder Incentive Interests*. Subject to the adjustment described in Section 2.15(g), in redemption of the Founder Incentive Interests held by the Founder, the Founder shall be entitled to receive cash in the amount equal to the Estimated Founder Incentive Merger Consideration minus Founder Incentive Escrow Amount. The "Estimated Founder Incentive

Merger Consideration" shall be an amount calculated by the Company and set forth in the Estimated Merger Consideration Schedule equal to the portion of the Estimated Company Merger Consideration allocated by the Company to the Founder in respect of its Founder Incentive Interests in accordance with clause (iv) of Section 7.1(b) of the Shareholders Agreement minus the Rollover Value of the Founder Incentive Interests constituting Company Rollover Equity. The "Founder Incentive Escrow Amount" shall be an amount calculated by the Company and set forth in the Estimated Merger Consideration Schedule equal to the product of (i) the Escrow Amount and (ii) the quotient of the Estimated Founder Incentive Merger Consideration divided by the Estimated Aggregate Merger Consideration.

(d) *Company Class G Ordinary Shares*. Except as provided in Section 2.08(f) or in respect of any Dissenting Shares, subject to the adjustment described in Section 2.15(g), each Company Class G Ordinary Share issued and outstanding immediately prior to the Effective Time (other than Rollover Equity) shall automatically be cancelled and converted into and shall thereafter represent the right to receive cash in an amount equal to the Estimated Class G Ordinary Merger Consideration minus the Class G Ordinary Share Escrow Amount. The "Estimated Class G Ordinary Merger Consideration" shall be in respect of any Company Class G Ordinary Share (other than Rollover Equity), an amount calculated by the Company and set forth in the Estimated Merger Consideration Schedule equal to the portion of the Estimated Company Merger Consideration allocated by the Company to such Class G Ordinary Share in accordance with clause (iii) of Section 7.1(b) of the Shareholders Agreement. The "Class G Ordinary Share Escrow Amount" shall be an amount for each Company Class G Ordinary Share (other than Rollover Equity) calculated by the Company and set forth in the Estimated Merger Consideration Schedule equal to the product of (i) the Escrow Amount and (ii) the quotient of the Estimated Class G Ordinary Merger Consideration for such Company Class G Ordinary Share divided by the Estimated Aggregate Merger Consideration.

(e) *Company Class A Ordinary Shares*. Except as provided in Section 2.08(f) or in respect of any Dissenting Shares, subject to the adjustment described in Section 2.15(g), each Company Class A Ordinary Share issued and outstanding immediately prior to the Effective Time (other than Rollover Equity) shall automatically be cancelled and converted into and shall thereafter represent the right to receive cash in an amount equal to the Estimated Class A Ordinary Merger Consideration minus the Class A Ordinary Share Escrow Amount. The "Estimated Class A Ordinary Merger Consideration" shall be in respect of any Company Class A Ordinary Share (other than Rollover Equity), an amount calculated by the Company and set forth in the Estimated Merger Consideration Schedule equal to the portion of the Estimated Company Merger Consideration allocated by the Company to such Class A Ordinary Share in accordance with clause (iii) of Section 7.1(b) of the Shareholders Agreement. The "Class A Ordinary Share Escrow Amount" shall be an amount for each Company Class A Ordinary Share (other than Rollover Equity) calculated by the Company and set forth in the Estimated Merger Consideration Schedule equal to the product of (i) the Escrow Amount and (ii) the quotient of the Estimated Class A Ordinary Merger Consideration for such Company Class A Ordinary Share divided by the Estimated Aggregate Merger Consideration.

(f) Each Company Share that is (i) owned by the Company as treasury shares or owned by any Subsidiary of the Company or (ii) owned by KKR, Parent, Merger Sub or any other direct or indirect wholly owned Subsidiary of Parent or KKR issued and outstanding immediately prior to the Effective Time shall automatically be cancelled and shall cease to exist and be outstanding and a fixed consideration of US$0.01 per share shall be delivered in exchange therefor and no further or other repayment of capital made in respect thereof.

(g) *Company SARs*. Subject to the adjustment described in Section 2.15(g), at the Effective Time, all outstanding Company SARs (whether vested or unvested) shall be cancelled, and, in consideration of such cancellation, for each such Company SAR, the holder thereof shall be entitled to be paid in cash an amount equal to the Estimated SAR Value minus the SARs Value Holdback Amount, with all withholding Taxes being deducted from the amount of such cash amount. The "Estimated SAR Value" shall be (i) in respect of each Company SAR, an amount calculated by the Company and set forth in the Estimated Merger Consideration Schedule equal to (i) the Change in Control Price (as defined in the Company SAR Plan) determined based on the Estimated Company Merger Consideration minus (ii) the base price applicable to such Company SAR. The "SARs Value Holdback Amount" shall be an amount for each Company SAR calculated by the Company and set forth in the Estimated Merger Consideration Schedule equal to the product of (i) the Estimated SAR Value and (ii) a fraction resulting from dividing the Escrow Amount by the Estimated Aggregate Merger Consideration. The amount payable under this Section 2.08(g) to any holder of Company SARs shall be paid by the Surviving Company in accordance with the Merger Consideration Schedule through its payroll system as soon as practicable following the Effective Time, with all withholding Taxes being deducted from the amount of such cash amount. The aggregate amount payable to holders of Company SARs pursuant to this Section 2.08(g) shall be the "Aggregate SAR Value".

(h) *Company RSAs*. At the Effective Time, each outstanding Company RSA award that is not vested immediately prior to the Effective Time (after giving effect to any accelerated vesting in connection with the Closing provided for under the terms of such Company RSAs) shall, automatically and without any action on the part of the holder thereof, be converted into an award of a number of Parent restricted units having a value per unit immediately following the Closing that is the same as the per-share value of the Company RSAs subject to such Company RSA award immediately prior to Closing (such units, the "Replacement Units"). Each Replacement Unit shall otherwise have the same terms and conditions (including applicable vesting conditions) applicable to the Company RSA award from which it was converted under the Amended and Restated Global Atlantic Financial Company Annual Incentive Plan and award agreement governing such Company RSA as in effect immediately prior to the Effective Time. It is intended that Parent will provide periodic liquidity to holders of the Replacement Units by redeeming Replacement Units at a value based on the book value of Parent at such time.

(i) *Rollover*. Immediately prior to the Effective Time, the Company Rollover Equity contributed to Parent by the Company Rollover Equityholders pursuant to the Rollover Agreements shall be exchanged for the right to receive, upon the terms and subject to the conditions of the Rollover Agreements, at the Effective Time, by virtue of the Merger and without any action on the part of the holders thereof or any Party, equity interests of Parent representing a pro-rata portion of the interests in Parent equal in value to (x) the Rollover Value in respect of such Company Rollover Equity (in lieu of the portion of the Estimated Aggregate Merger Consideration payable to the Company Rollover Equityholders in respect of their

Company Rollover Equity if such Company Rollover Equity had not been rolled over), subject to the adjustment described in Section 2.15(g) minus (y) the Company Rollover Escrow Amount. "Company Rollover Escrow Amount" shall mean a cash amount calculated by the Company and set forth in the Estimated Merger Consideration Schedule equal to the product of (i) the Escrow Amount and (ii) the quotient of the Rollover Value of the Company Rollover Equity divided by the Estimated Aggregate Merger Consideration.

(j) At or prior to the Effective Time, the Company (or the applicable Affiliate thereof) shall adopt any resolutions and take any actions which are necessary to effectuate the provisions of Section 2.08.

(k) Except in respect of any Dissenting Shares or Company RSA, at and following the Closing, in no event shall Parent, Merger Sub or any of its Affiliates (including, after the Closing, the Surviving Company) be required to pay, or be liable to, any Company Stakeholder or the holder of any other Securities of the Company or any of its Subsidiaries any amount or consideration in respect of such Securities of such Company Stakeholder or other holder in excess of the Aggregate Merger Consideration in connection with, or arising out of, or as a result of, the Merger or any of the other transactions contemplated hereunder.

Section 2.09 Adjustments to Prevent Dilution. Subject to the restrictions contained in Section 6.01, in the event that the Company changes the number of Company Shares issued and outstanding prior to the Effective Time as a result of a reclassification, stock split (including a reverse stock split), stock dividend or distribution, recapitalization, merger, subdivision, issuer tender or exchange offer, or other similar transaction, the Merger Consideration shall be proportionately adjusted to reflect such change.

Section 2.10 LAMC Distribution; Life Rollover.

(a) On the same date as, and immediately following, the Effective Time of the Merger, LAMC shall liquidate and distribute to its partners shares of Life in accordance with the Amended and Restated Exempted Limited Partnership Agreement of LAMC dated April 30, 2013, as amended, and the Second Amended and Restated Shareholders Agreement by and among Life, the Company, Goldman Sachs & Co. LLC.

(b) Immediately following the liquidation of LAMC and the distribution of shares of Life, the Life Rollover Equity contributed to Parent by the Life Rollover Equityholders pursuant to the Rollover Agreements in exchange for the right to receive, upon the terms and subject to the conditions of the Rollover Agreements, at the Life Merger Effective Time, by virtue of the Life Merger and without any action on the part of the holders thereof or any Party, equity interests of Parent representing a pro-rata portion of the interests in Parent equal in value to (x) the Rollover Value in respect of such Life Rollover Equity (in lieu of the portion of the Estimated Aggregate Merger Consideration payable to the Life Rollover Equityholders in respect of their Life Rollover Equity) minus (y) the Life Rollover Escrow Amount, subject to the adjustment described in Section 2.15(g) (the "Life Rollover"). "Life Rollover Escrow Amount" shall mean a cash amount calculated by the Company and set forth in the Estimated Merger Consideration Schedule equal to the product of (i) the Escrow Amount and (ii) the quotient of the

Rollover Value of the Life Rollover Equity divided by the Estimated Aggregate Merger Consideration.

Section 2.11 Life Merger. Immediately following the distribution and contribution of shares of Life pursuant to Section 2.10, upon the terms and subject to the conditions set forth in this Agreement and the Life Statutory Merger Agreement, and pursuant to Section 104H of the Bermuda Companies Act, at the Life Merger Effective Time (as defined below), Life shall be merged with and into the Company, the separate corporate existence of Life shall thereupon cease, and the Company shall be the surviving company in the Life Merger.

Section 2.12 Life Merger Effective Time. Upon the terms and subject to the conditions set forth in this Agreement and the Life Statutory Merger Agreement, the Company, and Life will (a) on the Closing Date, execute and deliver the Life Statutory Merger Agreement, (b) on or prior to the Closing Date, cause an application for registration of the Surviving Company (the "Life Merger Application") to be executed and delivered to the Registrar as provided under Section 108 of the Bermuda Companies Act and to be accompanied by the documents required by Section 108(2) of the Bermuda Companies Act and (c) cause to be included in the Life Merger Application a request that the Registrar issue the certificate of merger with respect to the Life Merger (the "Certificate of Life Merger") on the Closing Date at the time of day mutually agreed upon by the Company, and Life set forth in the Life Merger Application. The Life Merger shall become effective upon the issuance of the Certificate of Life Merger by the Registrar at the time and date shown on the Certificate of Life Merger. The Company and Life agree that they will request that the Registrar provide in the Certificate of Life Merger that the effective time of the Life Merger shall be 10:01 a.m., Bermuda time (or such time mutually agreed upon by the Company and Life) on the Closing Date (such time, the "Life Merger Effective Time").

Section 2.13 Effects of Life Merger.

(a) *Effects of Life Merger*. From and after the Life Merger Effective Time, the Life Merger shall have the effects set forth in this Agreement and Section 109(2) of the Bermuda Companies Act.

(b) *Board of Directors and Officers of the Surviving Company*. The directors and officers of the Company in office immediately prior to the Life Merger Effective Time (as appointed pursuant to Section 2.04 shall remain the directors and the officers of the Company from and after the Life Merger Effective Time until the earlier of their death, resignation or removal or until their respective successors are duly elected or appointed and qualified, as the case may be.

(c) *Organizational Documents*. The memorandum of continuance and bye-laws of the Company immediately prior to the Life Merger Effective Time (as adopted pursuant to Section 2.05) shall remain the memorandum of continuance and bye-laws of the Company from and after the Effective Time. Thereafter, the memorandum and bye-laws of the Company may be amended in accordance with their terms and as provided by Law.

Section 2.14 Effect of Life Merger on the Share Capital of Life and the Surviving Company. Upon the terms and subject to the conditions of this Agreement, at the Life Merger Effective Time, by virtue of the occurrence of the Life Merger and without any action on the part of the Company, Life or the holders of any of the following securities:

(a) *Company Shares*. Each common share of par value US $0.01 of the Company issued and outstanding immediately prior to the Life Merger Effective Time shall be converted into and become one (1) validly issued and fully paid common share of par value US $0.01 of the Surviving Company.

(b) *L&A Incentive Shares*. Except as provided in Section 2.14(d) or in respect of any Dissenting Shares, subject to the adjustment described in Section 2.15(g), each L&A Incentive Interest issued and outstanding immediately prior to the Life Merger Effective Time (other than Rollover Equity) shall automatically be cancelled and converted into and shall thereafter represent the right to receive cash in an amount equal to the Estimated L&A Incentive Interest Merger Consideration minus the L&A Incentive Interest Escrow Amount. The "Estimated L&A Incentive Interest Merger Consideration" shall be in respect of any L&A Incentive Interest (other than Rollover Equity), an amount calculated by the Company and set forth in the Estimated Merger Consideration Schedule equal to the portion of the Estimated Company Merger Consideration allocated by the Company to such L&A Incentive Interest in accordance with clause (i) of Section 7.1(b) of the Shareholders Agreement. The "L&A Incentive Interest Escrow Amount" shall be an amount for each L&A Incentive Interest (other than Rollover Equity) calculated by the Company and set forth in the Estimated Merger Consideration Schedule equal to the product of (i) the Escrow Amount and (ii) the quotient of the Estimated L&A Incentive Interest Merger Consideration for such L&A Incentive Interest divided by the Estimated Aggregate Merger Consideration.

(c) *GAFLL Class B Ordinary Shares*. Except as provided in Section 2.14(d) or in respect of any Dissenting Shares, subject to the adjustment described in Section 2.15(g), each GAFLL Class B Ordinary Share issued and outstanding immediately prior to the Effective Time (other than Rollover Equity) shall automatically be cancelled and converted into and shall thereafter represent the right to receive cash in an amount equal to the Estimated GAFLL Class B Merger Consideration minus the Class B Ordinary Share Escrow Amount. The "Estimated GAFLL Class B Merger Consideration" shall be in respect of any GAFLL Class B Ordinary Shares issued and outstanding immediately prior to the Effective Time (other than Rollover Equity) an amount calculated by the Company and set forth in the Estimated Merger Consideration Schedule equal to the amount that would have been payable in respect of such GAFLL Class B Ordinary Share had the Estimated Aggregate Merger Consideration had been distributed pursuant to Section 5.2 of the Second Amended and Restated Shareholders Agreement, dated as of January 21, 2020, by and among Life, the Company, Goldman Sachs & Co. LLC and LAMC. The "Class B Ordinary Share Escrow Amount" shall be an amount for each GAFLL Class B Ordinary Share (other than Rollover Equity) calculated by the Company and set forth in the Estimated Merger Consideration Schedule equal to the product of (i) the Escrow Amount and (ii) the quotient of the Estimated GAFLL Class B Merger Consideration for such GAFLL Class B Ordinary Share divided by the Estimated Aggregate Merger Consideration.

(d) Each share of Life that is (i) owned by the Life as treasury shares or owned by the Company or any Subsidiary of the Company or (ii) owned by KKR, Parent, or any other direct or indirect wholly owned Subsidiary of Parent or KKR issued and outstanding immediately prior to the Life Merger Effective Time shall automatically be cancelled and shall cease to exist and be outstanding and a fixed consideration of US$0.01 per share shall be delivered in exchange therefor and no further or other repayment of capital made in respect thereof.

Section 2.15 Determination of Closing Book Value.

(a) At least ten (10) Business Days prior to the Closing Date, Parent shall deliver to the Company a statement setting forth (i) the Aggregate Rollover Equity, (ii) the Rollover Value with respect to each Rollover Equityholder and (iii) the name of each Rollover Equityholder (the "Rollover Statement"). At least five (5) Business Days prior to the Closing Date, the Company shall prepare and deliver to Parent (i) a statement (the "Estimated Closing Statement") consisting of (x) an estimated consolidated balance sheet of the Company and its Subsidiaries as of 12:01 a.m. (New York City time) on the Closing Date (except as provided in the Applicable Accounting Principles) and (y) an estimated calculation in reasonable detail of the estimated Closing Book Value derived from such balance sheet (the "Estimated Closing Book Value"), in each case, together with the financial and other records supporting such estimates and calculations and (b) the Estimated Merger Consideration Schedule. The Estimated Closing Statement shall be prepared in accordance with the accounting principles, practices and methodologies set forth in Exhibit E (the "Applicable Accounting Principles") and this Agreement. Following Parent's receipt of the Estimated Closing Statement and prior to the Closing, Parent shall have the right to comment on such calculations and estimates, and the Company shall consider in good faith any such comments. The Company shall provide promptly Parent reasonable access to supporting data and employees as Parent shall reasonably request in connection with its review of the Estimated Closing Statement, including all work papers of the accountants who audited, compiled or reviewed such Estimated Closing Statement. In the event that the Parent requests access to the work papers and other supporting data of the independent accountants of the Company relating to the preparation of the Estimated Closing Statement, the Company shall cause its independent accounts to make any such work papers and other supporting data available to Parent; provided, that Parent, as applicable, has signed a customary confidentiality and hold harmless agreement relating to such access to working papers and other supporting data in form and substance reasonably acceptable to such independent accountants. The Company shall promptly provide any consents requested by its independent accountants in connection with such access. The amounts specified in the Merger Consideration Schedule will take into account the Aggregate Rollover Equity and Aggregate Parent Interest Rollover Value (as set forth in the Rollover Statement). The Company will be entitled to conclusively rely, without inquiry, investigation or liability, on the Rollover Statement as to the Aggregate Rollover Equity and in no event will the Company have any liability to Parent, any Company Stakeholder, LAMC Partner or other Person on account of the amounts set forth in the Rollover Statement. Parent will be entitled to conclusively rely, without inquiry, investigation or liability, on the Estimated Merger Consideration Schedule as the allocation of the portion of the Estimated Aggregate Merger Consideration payable to each Company Stakeholder for all purposes hereunder and in no event will Parent have any liability to any Company Stakeholder or other

Person on account of payments made in accordance with the Estimated Merger Consideration Schedule or the Final Merger Consideration Schedule.

(b) Within seventy-five (75) days following the Closing Date, Parent shall prepare and deliver to the Equity Representative a statement (the "Closing Statement") consisting of (i) an unaudited consolidated balance sheet of the Company and its Subsidiaries as of 12:01 a.m. (New York City time) on the Closing Date and (ii) a calculation in reasonable detail of the Closing Book Value derived from such balance sheet.

(c) The Closing Statement shall become final, binding and conclusive upon Parent and the Company on the date that is the seventy-fifth (75^{th}) day following the date on which Parent delivers the Closing Statement to the Equity Representative in accordance with Section 2.15(b), unless prior to such date, the Equity Representative shall have delivered to Parent a written notice (a "Dispute Notice") stating that it disputes the Closing Statement and specifying in reasonable detail each item in dispute (each, a "Disputed Item"), the amount in dispute for each such Disputed Item and the reasons supporting the Equity Representative's positions.

(d) If the Equity Representative delivers a Dispute Notice, then the Equity Representative and Parent shall seek in good faith to resolve the Disputed Items during the fifteen (15) day period beginning on the date such Dispute Notice is received by Parent (the "Resolution Period"). If Parent and the Equity Representative reach agreement with respect to any Disputed Items, the Closing Statement shall be revised to reflect such agreement.

(e) If Parent and the Equity Representative are unable to resolve all of the Disputed Items during the Resolution Period, then they shall jointly engage and submit the unresolved Disputed Items (the "Unresolved Items") to the Independent Accounting Firm. The Independent Accounting Firm shall act as an expert and not an arbitrator, but shall determine, based solely on presentations by Parent and the Equity Representative and not by independent review, only the Unresolved Items still in dispute. Parent and the Equity Representative shall use their reasonable best efforts to cause the Independent Accounting Firm to issue its written determination regarding the Unresolved Items within thirty (30) days after such items are submitted for review. The Independent Accounting Firm shall make a determination with respect to the Unresolved Items only in a manner consistent with this Section 2.15 and the Applicable Accounting Principles, and in no event shall the Independent Accounting Firm's determination of the Unresolved Items be for an amount that is outside the range of the disagreement between Parent and the Equity Representative. Each of Parent and the Equity Representative shall use its reasonable best efforts to furnish to the Independent Accounting Firm such information pertaining to the Unresolved Items as the Independent Accounting Firm may reasonably request, including all work papers of the accountants who audited, compiled or reviewed such Closing Statement or the Dispute Notice, as applicable. The determination of the Independent Accounting Firm shall be final, binding and conclusive upon the parties absent manifest error, and the Company shall revise the Closing Statement to reflect such determination upon receipt thereof (such revised statement, or any Closing Statement that becomes final pursuant to Section 2.15(c) or Section 2.15(d), the "Final Closing Statement"). The Closing Book Value for purposes of this agreement shall be such amount as it is finally determined pursuant to Section 2.15(c), Section 2.15(d) or Section 2.15(e), as applicable. The fees, expenses and costs of the

Independent Accounting Firm shall be allocated by the Independent Accounting Firm between Parent, on the one hand, and the Company Stakeholders (which shall be paid by the Company and taken into account as reduction in Closing Book Value), on the other hand, based upon the percentage that the portion of the contested amount not awarded to each Party bears to the amount actually contested by such Party. The fees, expenses and costs incurred by the Equity Representative in connection with the provisions of Section 2.15 shall be paid by the Company and taken into account as reduction in Closing Book Value.

(f) Parent shall, and shall cause the Company to, provide promptly to the Equity Representative reasonable access during normal business hours to supporting data and employees as the Equity Representative shall reasonably request in connection with its review of the Closing Statement, including all work papers of the accountants who audited, compiled or reviewed such Closing Statement. In the event that the Equity Representative or the Independent Accounting Firm requests, pursuant to Section 2.15(e) or this Section 2.15(f), as applicable, access to the work papers and other supporting data of the independent accountants of the Company relating to the preparation of the Closing Statement, Parent shall, and shall cause its and the Company's independent accountants to, make any such work papers and other supporting data available to the Equity Representative and the Independent Accounting Firm; provided, that Equity Representative or the Independent Accounting Firm, as applicable, has signed a customary confidentiality and hold harmless agreement relating to such access to working papers and other supporting data in form and substance reasonably acceptable to such independent accountants. Parent and the Company shall promptly provide any consents requested by its independent accountants in connection with such access.

(g) If the Closing Book Value as reflected in the Final Closing Statement is not equal to the Estimated Closing Book Value, within five (5) Business Days after the Closing Statement becomes final pursuant to Section 2.15(d), Section 2.15(e) and Section 2.15(f), the Company shall prepare the Final Merger Consideration Schedule.

(i) If the Closing Book Value as reflected in the Final Closing Statement is greater than the Estimated Closing Book Value:

(A) In addition to the amount received by the Founder pursuant to Section 2.08(c), the Founder shall be entitled to receive in respect of the Founder Incentive Interests cash in an amount equal to (x) the Founder Incentive Escrow Amount out of the Escrow Account and (y) the difference between the Estimated Founder Incentive Merger Consideration and the Final Founder Incentive Merger Consideration from Parent. The "Final Founder Incentive Merger Consideration" shall be an amount calculated by the Company and set forth in the Final Merger Consideration Schedule equal to the portion of the Final Company Merger Consideration allocated by the Company to the Founder in respect of its Founder Incentive Interests in accordance with clause (iv) of Section 7.1(b) of the Shareholders Agreement minus the Rollover Value of the Founder Incentive Interests constituting Company Rollover Equity and the amount received in respect of such Founder Incentive Interest constituting Company Rollover Equity pursuant to clause (y) of Section 2.15(g)(i)(E).

(B) In addition to the amount received by a holder of a Company Class G Ordinary Share pursuant to Section 2.08(d), the holder of any such Company Class G Ordinary Share shall be entitled to receive in respect of each such Company Class G Ordinary Share (other than Rollover Equity) cash in an amount equal to (x) the Class G Ordinary Share Escrow Amount for that Company Class G Ordinary Share out of the Escrow Account and (y) the difference between Estimated Class G Ordinary Merger Consideration for such Company Class G Ordinary Share and the Final Class G Ordinary Merger Consideration for such Company Class G Ordinary Share from Parent. The "Final Class G Ordinary Merger Consideration" shall be, in respect of any Company Class G Ordinary Share (other than Rollover Equity), an amount calculated by the Company and set forth in the Final Merger Consideration Schedule equal to the portion of the Final Company Merger Consideration allocated by the Company to such Class G Ordinary Share in accordance with clause (iii) of Section 7.1(b) of the Shareholders Agreement.

(C) In addition to the amount received by a holder of a Company Class A Ordinary Share pursuant to Section 2.08(e), the holder of any such Company Class A Ordinary Share shall be entitled to receive in respect of each such Company Class A Ordinary Share (other than Rollover Equity) cash in an amount equal to (x) the Class A Ordinary Share Escrow Amount for that Company Class A Ordinary Share out of the Escrow Account and (y) the difference between Estimated Class A Ordinary Merger Consideration for such Company Class A Ordinary Share and the Final Class A Ordinary Merger Consideration for such Company Class A Ordinary Share. The "Final Class A Ordinary Merger Consideration" shall be, in respect of any Company Class A Ordinary Share (other than Rollover Equity), an amount calculated by the Company and set forth in the Final Merger Consideration Schedule equal to the portion of the Final Company Merger Consideration allocated by the Company to such Class A Ordinary Share in accordance with clause (iii) of Section 7.1(b) of the Shareholders Agreement.

(D) In addition to the amount received by a holder of any Company SAR pursuant to Section 2.08(g), the holder of such Company SAR shall be entitled to receive in respect of such Company Class SARs cash in an amount equal to (x) the SARs Value Holdback Amount in respect of such Company SAR from the Surviving Company and (y) the difference between the Estimated SAR Value for that Company SAR and the Final SAR Value for such Company SAR from the Surviving Company. The "Final SAR Value" shall be (i) in respect of any Company each Company SAR, an amount calculated by the Company and set forth in the Final Merger Consideration Schedule equal to (i) the Change in Control Price (as defined in the Company SAR Plan) determined based on the Final Company Merger Consideration minus (ii) the base price applicable to such Company SAR. The amount payable under this Section 2.15(g)(i)(D) to any holder of a Company SAR shall be paid by the Surviving Company in accordance with the Merger Consideration Schedule through its payroll system, with all withholding Taxes being deducted from the amount of such cash amount.

(E) In addition to the interests in Parent received by a Company Rollover Equityholder pursuant to Section 2.08(i) and the applicable Rollover Agreement, any Company Rollover Equityholder shall be entitled to receive in respect of the Company Rollover Equity cash in an amount equal to (x) the Company Rollover Escrow Amount in respect of such Company Rollover Equity out of the Escrow Account and (y) the product of (A) the quotient of the Rollover Value of the Company Rollover Equity divided by the Final Aggregate Merger

Consideration multiplied by the (B) difference between the Estimated Aggregated Merger Consideration and the Final Aggregate Merger Consideration from Parent.

(F) In addition to the amount received by a holder of an L&A Incentive Interest pursuant to Section 2.14(b), the holder of any such L&A Incentive Interest shall be entitled to receive in respect of each such L&A Incentive Interest (other than Rollover Equity) cash in an amount equal to (x) the L&A Incentive Interest Escrow Amount in respect of such L&A Incentive Interest out of the Escrow Account and (y) the difference between the Estimated L&A Incentive Interest Merger Consideration for that L&A Incentive Interest and the Final L&A Incentive Interest Merger Consideration for that L&A Incentive Interest from Parent. The "Final L&A Incentive Interest Merger Consideration" shall be, in respect of any L&A Incentive Interest (other than Rollover Equity), an amount calculated by the Company and set forth in the Final Merger Consideration Schedule equal to the portion of the Final Company Merger Consideration allocated by the Company to such L&A Incentive Interest in accordance with clause (i) of Section 7.1(b) of the Shareholders Agreement.

(G) In addition to the amount received by a holder of a GAFLL Class B Ordinary Share pursuant to Section 2.14(c), the holder of any such GAFLL Class B Ordinary Share shall be entitled to receive in respect of each such GAFLL Class B Ordinary Share (other than Rollover Equity) cash in an amount equal to (x) the Class B Ordinary Share Escrow Amount in respect of such GAFLL Class B Ordinary Share out of the Escrow Account and (y) the difference between Estimated GAFLL Class B Merger Consideration and the Final GAFLL Class B Merger Consideration. The "Final GAFLL Class B Merger Consideration" shall be, in in respect of any GAFLL Class B Ordinary Shares issued and outstanding immediately prior to the Effective Time (other than Rollover Equity) an amount calculated by the Company and set forth in the Final Merger Consideration Schedule equal to the amount that would have been payable in respect of such GAFLL Class B Ordinary Share had the Aggregate Merger Consideration had been distributed pursuant to Section 5.2 of the Second Amended and Restated Shareholders Agreement, dated as of January 21, 2020, by and among Life, the Company, Goldman Sachs & Co. LLC and LAMC.

(H) In addition to the interests in Parent received by a Life Rollover Equityholder pursuant to Section 2.10(b) and the applicable Rollover Agreement, any Life Rollover Equityholder shall be entitled to receive in respect of the Life Rollover Equity cash in an amount equal to (x) the Life Rollover Escrow Amount in respect of such Life Rollover Equity out of the Escrow Account and (y) the product of (A) the quotient of the Rollover Value of the Life Rollover Equity divided by the Final Aggregate Merger Consideration multiplied by the (B) difference between the Estimated Aggregated Merger Consideration and the Final Aggregate Merger Consideration from Parent.

(ii) If the Closing Book Value as reflected in the Final Closing Statement is less than the Estimated Closing Book Value:

(A) Parent shall be entitled to a payment out of the Escrow Account of cash in an amount equal to the amount by which (i) the Final Aggregate Cash Merger Consideration minus the aggregate Final SAR Value in respect of all Company SARs exceeds

(ii) the Estimated Aggregate Cash Merger Consideration minus the Aggregate SAR Value in respect of all Company SARs.

(B) In addition to the amount received by the Founder pursuant to Section 2.08(c), the Founder shall be entitled to receive in respect of the Founder Incentive Interests cash in an amount equal to the remaining portion of the Founder Incentive Escrow Amount (if any) out of the Escrow Account such that the aggregate payments received by the Founder in respect of the Founder Incentive Interests equals the Final Founder Incentive Merger Consideration.

(C) In addition to the amount received by a holder of a Company Class G Ordinary Share pursuant to Section 2.08(d), the holder any such Company Class G Ordinary Share shall be entitled to receive in respect of each such Company Class G Ordinary Share (other than Rollover Equity) cash in an amount equal to the remaining portion of the Class G Ordinary Share Escrow Amount (if any) out of the Escrow Account such that the aggregate payments received by such holder in respect to such Company Class G Ordinary Share equals the Final Class G Ordinary Merger Consideration.

(D) In addition to the amount received by a holder of a Company Class A Ordinary Share pursuant to Section 2.08(e), the holder any such Company Class A Ordinary Share shall be entitled to receive in respect of each such Company Class A Ordinary Share (other than Rollover Equity) cash in an amount equal to the remaining portion of the Class A Ordinary Share Escrow Amount (if any) out of the Escrow Account such that the aggregate payments received by such holder in respect of such Company Class A Ordinary Share equals the Final Class A Ordinary Merger Consideration.

(E) Except as set forth in clause (F) below, with respect to each Company SAR, the Company shall be entitled to retain an amount of the SARs Value Holdback Amount equal to the amount by which the Final SAR Value in respect of such Company SARs exceeds the Estimated SAR Value in respect of such Company SARs.

(F) In addition to the amount received by a holder of Company SARs pursuant to Section 2.08(g), the holder any such Company SARs shall be entitled to receive in respect of each such Company SAR cash in respect of any remaining amount of the SARs Value Holdback Amount (if any) such that the aggregate amount received by such holder in respect of such Company equals the Final SAR Value. The amount payable under this Section 2.15(g)(ii)(E) to any holder of a Company SAR shall be paid by the Surviving Company in accordance with the Merger Consideration Schedule through its payroll system, with all withholding Taxes being deducted from the amount of such cash amount.

(G) In addition to the pro rata interests in Parent received by a Company Rollover Equityholder pursuant to Section 2.08(i) and the applicable Rollover Agreement, any Company Rollover Equityholder shall be entitled to receive in respect of the Company Rollover Equity cash in an amount equal to the remaining portion of the Company Rollover Escrow Amount (if any) allocable to such Company Rollover Equityholder.

(H) In addition to the amount received by a holder of an L&A Incentive Interest pursuant to Section 2.14(b), the holder any such L&A Incentive Interest shall be entitled to receive in respect of each such L&A Incentive Interest (other than Rollover Equity) cash in an amount equal to the remaining portion of the L&A Incentive Interest Escrow Amount (if any) out of the Escrow Account such that the aggregate payments received by such holder in respect of such Company Class A Ordinary Share equal to the Final L&A Incentive Interest Merger Consideration.

(I) In addition to the amount received by a holder of a GAFLL Class B Ordinary Share pursuant to Section 2.14(c), the holder any such GAFLL Class B Ordinary Share shall be entitled to receive in respect of each such GAFLL Class B Ordinary Share (other than Rollover Equity) cash in an amount equal to the remaining portion of the Class B Ordinary Share Escrow Amount (if any) out of the Escrow Account such that the agreement amount received by such holder in respect of such GAFLL Class B Ordinary Share equals the Final GAFLL Class B Merger Consideration.

(J) In addition to the interests in Parent received by a Life Rollover Equityholder pursuant to Section 2.10(b), any Life Rollover Equityholder shall be entitled to receive in respect of the Life Rollover Equity cash in an amount equal to the remaining portion of the Life Rollover Escrow Amount (if any) allocable to such Life Rollover Equityholder.

(iii) Following delivery of the Final Merger Consideration Schedule, (a) Parent and the Equity Representative (on behalf of the Company Stakeholders) shall promptly deliver a joint written instruction to the Escrow Agent to make the payments described above in this Section 2.15(g), (b) Parent shall promptly pay to the Paying Agent (for distribution by the Paying Agent to the Company Stakeholders) any additional amounts payable by Parent under this Section 2.15(g) in accordance with the Final Merger Consideration Schedule) and shall cause the Paying Agent to pay such amount promptly to the Company Stakeholders, (c) Parent shall pay to the Company (for payment to the holders of Company SARs) any amounts payable by the Company to holders of Company SARs pursuant to Section 2.15(g)(ii)(F) and (d) Parent shall cause the Company to promptly pay the amounts payable by it under this Section 2.15.

(iv) Notwithstanding anything to the contrary contained herein, the Company Stakeholders and the Equity Representative shall not have any liability for any amounts due pursuant to this Section 2.15(g) except to the extent of the funds available in the Escrow Account.

Section 2.16 Equity Representative.

(a) Each of the Company Shareholders, by the requisite approval and adoption of this Agreement at the Company Shareholders Meeting, and the exercise of the drag-along rights under Section 6.3 of the Shareholders Agreement by the Proposing Shareholders (as such term is defined in the Shareholders Agreement) pursuant to the Voting Agreement, irrevocably appoint the Equity Representative as their agent and attorney-in-fact to act on behalf of each Company Shareholder, in connection with the determination of the final Closing Book Value and the tax matters contemplated in Section 6.13. The Equity Representative is authorized: (i) to take all action necessary in its sole discretion determine the Final Closing Book Value, including to review the Closing Statement, send a Dispute Notice (or refrain from sending such a Dispute

Notice), negotiate, settle and compromise any Disputed Item or Unresolved Item and make submissions and provide information to the Independent Accounting Firm and (ii) to take all action necessary in its sole discretion to enforce the rights of the Company Shareholders under Section 6.13.

(b) To the fullest extent permitted by Law, all decisions and actions by the Equity Representative in connection with the foregoing (including the settlement of any claims) shall be binding upon all of the Company Shareholders and none of the Company Shareholders shall have the right to object, dissent, protest or otherwise contest the same.

(c) The Equity Representative shall not have any liability to the Company Shareholders for any act done or omitted hereunder (except in the case of willful misconduct or fraud). The Equity Representative shall be indemnified, held harmless and defended by the Company (and, after the Closing, the Company Stakeholders) from and against all losses arising out of or in connection with (i) the Equity Representative's actions taken, or omissions to act, arising out of, in connection with, or otherwise with respect to this Agreement, and (ii) actions taken with respect to this Agreement believed by Equity Representative to be within the scope of its authority; provided, that such losses do not arise out of the willful misconduct or fraud of the Equity Representative. The parties acknowledge and agree that the Equity Representative is a party to this Agreement solely for the convenience of the parties in connection with the performance of the duties described in this Section 2.16 and for no other purpose.

(d) To the fullest extent permitted by Law and with respect to the Company Shareholder, as a result of exercise of the drag-along rights under the Shareholders Agreement by the Proposing Shareholders, the Equity Representative shall have full power and authority on behalf of each Company Shareholder to take any and all actions on behalf of, execute any and all instruments on behalf of, and execute or waive any and all rights of, the Company Shareholders in connection with the matters identified in Section 2.16(a).

(e) Each Company Shareholder, by his, her or its approval of the Merger and this Agreement, and with respect to the Company Shareholder, as a result of exercise of the drag-along rights under the Shareholders Agreement by the Proposing Shareholders, in addition to the foregoing, agrees and acknowledges that Parent and the Surviving Company shall be entitled to rely conclusively on the instructions and decisions of the Equity Representative as to (A) the settlement of any Disputed Item or Unresolved Item or (B) the exercise or waiver of any of the rights delegated to the Equity Representative under Section 6.13.

(f) The provisions of this Section 2.16 are independent and severable, are irrevocable and coupled with an interest and shall be enforceable notwithstanding any rights or remedies that any Company Shareholder may have in connection with the transactions contemplated by this Agreement.

(g) The letter of transmittal delivered by each holder of record of one or more Company Shares, Founder Incentive Interests, L&A Incentive Interests or GAFLL Class B Ordinary Shares shall include a provision whereby such holder expressly agrees to the provisions of this Section 2.16, including agreeing and acknowledging that the Equity Representative (i) shall not have any liability to the Company Shareholders for any act done or omitted hereunder (except in the case of willful misconduct or fraud) and (ii) shall be indemnified, held harmless and defended by the Company Stakeholders from and against all losses arising out of or in connection with (x) the Equity Representative's actions taken, or omissions to act, arising out of, in connection with, or otherwise with respect to this Agreement, and (y) actions taken with respect to this Agreement believed by Equity Representative to be within the scope of its authority; provided, that such losses do not arise out of the willful misconduct or fraud of the Equity Representative.

(h) The provisions of this Section 2.16 shall be binding upon the executors, heirs, legal representatives, personal representatives, successor trustees, successors of any Company Shareholder, whether pursuant to testamentary disposition, the Laws of descent and distribution or otherwise.

Section 2.17 Escrow Account.

At the Closing, Parent shall deposit the Escrow Amount in immediately available funds into an escrow account (the "Escrow Account") to be established and maintained by the Escrow Agent pursuant to the terms and conditions of an escrow agreement in a form reasonably acceptable to Parent and the Company, to be entered into on the Closing Date by Parent, the Equity Representative and the Escrow Agent (the "Escrow Agreement"). The Escrow Amount shall serve as security for, and be the sole source of payment of, Parent's rights pursuant to Section 2.15(g), if any. Promptly following the determination of the Closing Book Value as reflected in the Final Closing Statement, and the making of all payments due pursuant to Section 2.15(g), if any, if there are any amounts remaining in the Escrow Account (the "Remaining Escrow Amount"), then Parent and the Equity Representative shall deliver a joint written instruction to the Escrow Agent to pay to the Paying Agent (for distribution by the Paying Agent to the Company Stakeholders (including the Rollover Equityholders) in accordance with the Final Merger Consideration Schedule) the Remaining Escrow Amount by wire transfer of immediately available funds to an account designated in writing by the Paying Agent to the Escrow Agent. In respect of any payment out of the Escrow Account to a Company Stakeholder that is subject to employment Tax withholding (or any other Tax withholding for which the Surviving Company or a Subsidiary thereof is the withholding agent), such payment shall be first paid to the Surviving Company (or a Subsidiary thereof, at the Surviving Company's direction) in order for such Person to effect such Tax withholding, with the net amount paid to the applicable Company Stakeholder.

ARTICLE III

EXCHANGE OF BOOK-ENTRY SHARES; COMPANY SARS

Section 3.01 Paying Agent; Company SARs .

(a) Prior to the Effective Time, Parent and the Equity Representative shall enter into an agreement (in form and substance reasonably satisfactory to the Company) with the Paying Agent to act as paying agent for the payment of the Merger Consideration. Immediately prior to the Effective Time, Parent shall cause Merger Sub to deposit with the Paying Agent cash in the aggregate amount required to pay the Estimated Aggregate Cash Merger Consideration less the

Escrow Amount less the Aggregate SAR Value (such cash amount being referred to herein as the "Exchange Fund"). The Exchange Fund shall be used solely for purposes of paying the applicable portion of the Estimated Aggregate Cash Merger Consideration in accordance with this Article III and shall not be used to satisfy any other obligation of the Company or any of its Subsidiaries. Parent shall pay all charges and expenses, including those of the Paying Agent, in connection with the exchange of Company Shares, Founder Incentive Interests, L&A Incentive Interests or GAFLL Class B Ordinary Shares for the Merger Consideration.

(b) At the Closing, Parent shall cause Merger Sub to pay to the Company cash an amount equal to the Aggregate SAR Value to the account designated by the Company in writing at least three (3) Business Days prior to the Closing Date.

Section 3.02 Exchange Procedures. Notwithstanding anything to the contrary contained in this Agreement, each holder of Company Shares, Founder Incentive Interests, L&A Incentive Interests or GAFLL Class B Ordinary Shares shall not be required to deliver a share certificate to the Paying Agent to receive the Merger Consideration that such holder is entitled to receive pursuant to Article II. Each holder of record of one or more Company Shares, Founder Incentive Interests, L&A Incentive Interests or GAFLL Class B Ordinary Shares were converted into the right to receive the Merger Consideration shall upon the delivery by the holder thereof of a duly executed and completed letter of transmittal pursuant to the provisions of this Section 3.02, be entitled to receive cash out of the Exchange Fund determined in accordance with the Estimated Merger Consideration Schedule. In connection with such exchange, by no later than two (2) Business Days prior to the Closing Date, Parent shall cause the Paying Agent to provide each holder of Company Shares, Founder Incentive Interests, L&A Incentive Interests or GAFLL Class B Ordinary Shares with a letter of transmittal. Parent shall cause the Paying Agent to pay as promptly as practicable and in any event within three (3) Business Days after receipt of the letter of transmittal, the cash portion of the Merger Consideration to which such holder is entitled to receive pursuant to Article II.

Section 3.03 No Further Ownership Rights. The Merger Consideration paid in accordance with the terms Article II shall be deemed to have been paid in full satisfaction of all rights of any Company Stakeholder in respect of the Aggregate Merger Consideration and, after the Effective Time, except as contemplated in Article II, there shall be no further registration of transfers in the register of shareholders of the Surviving Company of the Company Shares that were outstanding immediately prior to the Effective Time.

Section 3.04 Termination of Exchange Fund. Any portion of the Exchange Fund (including any interest and other income received with respect thereto) that remains undistributed to the former Company Shareholders on the date twelve (12) months after the Effective Time shall be delivered to Parent upon demand, and any former holder of Company Shares who has not theretofore received any applicable portion of the Merger Consideration to which such Company Shareholder is entitled under this Article III shall thereafter look only to the Surviving Company (subject to abandoned property, escheat or other similar Laws) for payment of claims with respect thereto.

Section 3.05 No Liability. None of the Company, Parent, the Surviving Company or Merger Sub or any of their respective Representatives shall be liable to any holder of Company Shares for any part of the portion of the Merger Consideration delivered to a public official pursuant to any applicable abandoned property, escheat or similar Law. Any amounts remaining unclaimed by holders of any such Company Shares two years after the Effective Time or at such earlier date as is immediately prior to the time at which such amounts would otherwise escheat to, or become property of, any Governmental Authority shall, to the extent permitted by applicable Law or Order, become the property of Parent free and clear of any claims or interest of any such holders or their successors, assigns or personal representatives previously entitled thereto.

Section 3.06 Shares of Dissenting Holders.

(a) At the Effective Time, all Dissenting Shares shall automatically be canceled and, unless otherwise required by applicable Law, converted into the right to receive the Merger Consideration pursuant to Section 2.08. Any Dissenting Shareholder shall receive payment of the Merger Consideration only upon final determination of the claim relating to those Dissenting Shares and any holder of Dissenting Shares shall, in the event that the fair value of a Dissenting Share as appraised by the Supreme Court of Bermuda under Section 106(6) of the Bermuda Companies Act (the "Appraised Fair Value") is greater than the Merger Consideration applicable to such Company Shares be entitled to receive such difference from the Surviving Company by payment made within thirty (30) days after such Appraised Fair Value is finally determined pursuant to such appraisal procedure.

(b) In the event that a holder fails to perfect, effectively withdraws or otherwise waives any right to appraisal (each, an "Appraisal Withdrawal"), such holder shall have no other rights with respect to such Dissenting Shares other than as contemplated by Section 2.08.

(c) The Company shall give Parent (i) written notice of (A) any demands for appraisal of Dissenting Shares or Appraisal Withdrawals and any other written instruments, notices, petitions or other communication received by the Company in connection with the foregoing and (B) to the extent that the Company has Knowledge thereof, any applications to the Supreme Court of Bermuda for appraisal of the fair value of the Dissenting Shares and (ii) to the extent permitted by applicable Law, the opportunity to participate with the Company in any settlement negotiations and proceedings with respect to any demands for appraisal under the Bermuda Companies Act. The Company shall not, without the prior written consent of Parent, voluntarily make any payment with respect to, offer to settle or settle any such demands or applications, or waive any failure to timely deliver a written demand for appraisal or to timely take any other action to exercise appraisal rights in accordance with the Bermuda Companies Act or exercise any right to terminate this Agreement and the Merger under section 106(7) of the Bermuda Companies Act as a result of dissenter claims. Payment of any amount payable to holders of Dissenting Shares shall be the obligation of the Surviving Company.

Section 3.07 Withholding of Tax. Notwithstanding any other provision of this Agreement, Parent, the Surviving Company, the Paying Agent and the Escrow Agent shall be entitled to deduct and withhold from the Aggregate Merger Consideration otherwise payable pursuant to this Agreement any amounts required by Law to be deducted or withheld; provided, that, absent any change in Law between the date hereof and the Closing, no U.S. Tax will be withheld on the Aggregate Merger Consideration (other than withholdings described in Section 2.08(g) and Section 2.17 in respect of payments to the holders of Company SARs in respect of such Company SARs) if the Company, Life and Global Atlantic Financial Limited at or prior to the Closing furnish a duly completed and validly executed statement, in the form attached hereto as Exhibit F-1 (in the case of the Company and Life) and Exhibit F-2 (in the case of Global Atlantic Financial Limited). Prior to making any deduction or withholding (other than in respect of the Company SARs), Parent, the Surviving Company, the Paying Agent and the Escrow Agent shall provide the Company with reasonable advance notice of the intention to make such deduction or withholding, and shall use commercially reasonable efforts to cooperate with the Company so as to reduce or eliminate such deduction or withholding as permitted by applicable Law. Any amounts deducted or withheld shall be paid over to the appropriate Governmental Authority, and Parent shall promptly furnish to the Equity Representative copies of the official receipts therefor. To the extent that amounts deducted or withheld by Parent, the Surviving Company, the Paying Agent or the Escrow Agent are paid over to the applicable Governmental Authority in accordance with applicable Law, such deducted or withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Person in respect of which such deduction and withholding was made by Parent, the Surviving Company, the Paying Agent or Escrow Agent, as the case may be.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as otherwise disclosed in the Company Disclosure Letter (it being understood that any information contained therein will qualify and apply to the representations and warranties in this Article IV to which the information is specifically stated as referring to and will qualify and apply to other representations and warranties in this Article IV to the extent that it is reasonably apparent upon reading such information that such disclosure also qualifies or is responsive to such other sections), the Company represents and warrants to each of the other parties hereto as follows:

Section 4.01 Organization. The Company is an exempted company duly organized and validly existing under the Laws of Bermuda. The Company (i) has all requisite corporate power and authority to own, lease and operate its properties and assets and to carry on its business as it is now being conducted and (ii) is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it make such licensing or qualification necessary, except where failure to have such power and authority, or to be so licensed, qualified or in good standing, individually or in the aggregate, has not had a Material Adverse Effect. The Company has made available to Parent accurate and complete copies of the Company's Constituent Documents, as amended and in effect on the date of this Agreement.

Section 4.02 Subsidiaries.

(a) Each Subsidiary of the Company is a corporation duly incorporated or a limited liability company, partnership or other entity duly organized and is validly existing and, as applicable, in good standing under the Laws of the jurisdiction of its incorporation or organization. Each Subsidiary of the Company (a) has all requisite corporate or other power and authority to own, lease and operate its properties and assets and to carry on its business as now being conducted and (b) is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it make such licensing or qualification necessary, except where failure to have such power and authority, or to be so licensed, qualified or in good standing, individually or in the aggregate, has not had a Material Adverse Effect.

(b) The Company or one or more of its Subsidiaries is the record holder and Beneficial Owner of all of the outstanding Securities of its Subsidiaries, free and clear of any Liens and free of any other limitation or restriction, including any limitation or restriction on the right to vote, sell, transfer or otherwise dispose of the Securities, other than generally applicable limitations or restrictions on transfer arising under applicable securities Laws and applicable Insurance Laws governing the acquisition of control of the Insurance Subsidiaries. All of the Securities so owned by the Company and its Subsidiaries have been duly authorized and validly issued and are fully paid and nonassessable, and no such shares have been issued in violation of any preemptive or similar rights by which the Company or any of its Subsidiaries is bound. Except for the Securities of the Subsidiaries of the Company and Investment Assets acquired in the ordinary course of business consistent with the investment policies and guidelines applicable to the Company at the time of acquisition, the Company does not own, directly or indirectly, any Securities or other ownership interests in any Person or any Indebtedness of any Person.

Section 4.03 Capitalization.

(a) The authorized share capital stock of the Company is US$0.01 par value per share and consists of 500,000,010 Company Shares and ten (10) Founder Incentive Interests. As of the date hereof, 105,808,904 shares of Company Class A Ordinary Shares, 37,468,278 shares of Company Class G Ordinary Shares and ten (10) Founder Incentive Interests are issued and outstanding. As of the date hereof, 24,167 Company SARs and 3,505,452 Company RSAs are outstanding. The Company Shares that have been issued and are outstanding immediately prior to the Effective Time have been duly authorized and validly issued and are fully paid and nonassessable. Except as set forth in this Section 4.03(a), there are no outstanding Securities of the Company.

(b) Other than as set forth in the Shareholders Agreement and the Constituent Documents, there are no preemptive or similar rights that obligate the Company or any of its Subsidiaries to issue or sell any Securities of the Company or any of its Subsidiaries. Neither the Company nor any of its Subsidiaries has outstanding any bonds, debentures, notes or other obligations the holders of which have the right to vote (or which are convertible into or exercisable for Securities having the right to vote) with the holders of any class of Securities of the Company or any of its Subsidiaries on any matter submitted to such holders of Securities.

Except pursuant to this Agreement and as described above, and other than the Company Stock Awards, there are no options, warrants, calls, rights, convertible or exchangeable securities, "phantom" stock rights, stock appreciation rights, stock-based performance units, Contracts or undertakings of any kind to which the Company or any of its Subsidiaries is a party or by which any of them is bound (i) obligating the Company or any of its Subsidiaries to issue, deliver, sell or transfer or repurchase, redeem or otherwise acquire, or cause to be issued, delivered, sold or transferred or repurchased, redeemed or otherwise acquired, any Securities of the Company or any of its Subsidiaries, or any Security convertible or exercisable for or exchangeable into any Securities of the Company or any of its Subsidiaries, (ii) obligating the Company or any of its Subsidiaries to issue, grant, extend or enter into any such option, warrant, call, right, security, Contract or undertaking or (iii) that give any Person the right to receive any economic benefit or right similar to or derived from the economic benefits and rights accruing to holders of Securities of the Company or any of its Subsidiaries. Other than the Voting Agreements, the Shareholders Agreement and the Constituent Documents, there are no proxies, voting trusts or other Contracts to which the Company or any of its Subsidiaries is a party or by which any of them is bound with respect to the voting of the Securities of the Company or any of its Subsidiaries or the registration of the Securities of the Company or any of its Subsidiaries under any United States or foreign securities Law.

(c) All Company SARs have been granted having a per share exercise or base price at least equal to the fair market value of the underlying equity on the date of grant, and have not otherwise been subject to "modification" or "extension" within the meaning of Section 409A of the Code and associated Treasury Department guidance ("Section 409A"). All grants of awards under the Amended and Restated Global Atlantic Financial Company Annual Incentive Plan, Global Atlantic Equipment Long Term Incentive Plan and Company SAR Plan and grants of L&A Incentive Interests were validly issued and properly approved by the applicable governing body in accordance with the applicable plan or award agreement governing such award and applicable Laws (including Section 409A).

Section 4.04 Authorization.

(a) The Company has all necessary corporate power and authority to execute and deliver this Agreement and, subject to the Company Required Vote, to perform its obligations hereunder and to consummate the Merger and the other transactions contemplated by this Agreement. The execution, delivery and performance by the Company of this Agreement, and the consummation by the Company of the Merger and the other transactions contemplated by this Agreement, have been duly authorized by all necessary corporate action (including the approval of the Company Board of Directors), and no other corporate proceedings on the part of the Company, and no other votes or approvals of any class or series of capital stock of the Company, are necessary to authorize this Agreement or to consummate the Merger or the other transactions contemplated hereby (other than, with respect to the consummation of the Merger and the adoption of this Agreement, the Company Required Vote). This Agreement has been duly executed and delivered by the Company and, assuming the due authorization, execution and delivery by Parent and Merger Sub, constitutes a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization or similar Laws affecting creditors' rights generally and by general principles of equity.

(b) The Company Required Vote is the only vote or approval of the holders of any class or series of Securities of the Company or any of its Subsidiaries that is necessary to approve this Agreement, the Statutory Merger Agreement and the Merger.

Section 4.05 Consents and Approvals; No Violations.

(a) Assuming that all Approvals of or from, or Filings with, Governmental Authorities described in Section 4.05(b) and Section 5.03(b) have been obtained or made and the Company Required Vote has been obtained, the execution and delivery of this Agreement by the Company does not and the consummation by the Company of the transactions contemplated by this Agreement will not (i) conflict with any provisions of the Constituent Documents of the Company or any of the Subsidiaries of the Company, (ii) violate any Law or Order or (iii) result, after the giving of notice, with lapse of time, or otherwise, in any violation, default or loss of a benefit under, or permit the acceleration or termination of any obligation under or require any consent under, any Material Contract, except, in the case of clauses (ii) and (iii), any matters that, individually or in the aggregate, have not had a Material Adverse Effect.

(b) No clearance, consent, approval, order, waiver, license or authorization of or from (an "Approval"), or declaration, registration or filing with, or notice to, any Governmental Authority (a "Filing") is required to be made or obtained by the Company or any of its Subsidiaries in connection with the execution or delivery of this Agreement by the Company or the consummation by the Company of the transactions contemplated by this Agreement, except for (i) compliance by the Company with the HSR Act, (ii) compliance by Global Atlantic Distributors, LLC with FINRA Rule 1017, (iii) the matters set forth in Section 4.05(b) of the Company Disclosure Letter and (iv) such other matters that, individually or in the aggregate, have not had a Material Adverse Effect.

Section 4.06 Financial Statements.

(a) The Company has delivered to Parent complete copies of the (i) audited consolidated financial statements of the Company and its Subsidiaries at and for the years ended December 31, 2018 and December 31, 2019 (the last such date, the "Balance Sheet Date"), together with the report of the Company's independent auditors thereon (collectively, the "Audited Financial Statements") and (ii) unaudited interim consolidated financial statements of the Company and its Subsidiaries at and for the quarter ended March 31, 2020 (the "Unaudited Financial Statements", together with the Audited Financial Statements, the "Financial Statements"). The Financial Statements, which have been derived from the books and records of the Company and its Subsidiaries, have been prepared in accordance with United States generally accepted accounting principles ("GAAP"), applied on a consistent basis (except as may be indicated in the notes thereto). The balance sheets (including the related notes) included in such Financial Statements present fairly in all material respects in accordance with GAAP the financial position of the Company and its Subsidiaries as at the respective dates thereof, and the consolidated statements of income (including the related notes) included in such Financial Statements present fairly in all material respects in accordance with GAAP the results of operations of the Company and its Subsidiaries for the respective periods indicated subject, in the case of the Unaudited Financial Statements, to absence of footnote disclosures and changes resulting from normal year-end adjustments (which are expected to be consistent with past practice and not material in nature or amount).

(b) The Company and its Subsidiaries maintain (i) books and records reflecting their respective assets and liabilities that are accurate in all material respects and (ii) systems of internal accounting controls that are designed to provide reasonable assurance regarding the accurate recording of transactions in all material respects.

(c) Since January 1, 2018, the Company has not been, and to the Company's Knowledge, no director or officer of the Company or any of its Subsidiaries has identified or has been advised by any employee, the auditors or accountants of the Company or any of its Subsidiaries of any (i) material complaint, allegation, assertion or claim regarding the accounting or auditing practices, procedures, methodologies or methods of the Company or any of its Subsidiaries or their respective internal accounting controls, including any material complaint, allegation, assertion or claim that the Company or any of its Subsidiaries has engaged in questionable accounting or auditing practices or (ii) fraud or allegation of fraud, whether or not material, by the Company or any of its Subsidiaries regarding the accounting or auditing practices, procedures, methodologies or methods of the Company or any of its Subsidiaries or their respective internal accounting controls.

Section 4.07 Absence of Undisclosed Liabilities. The Company and its Subsidiaries do not have any liabilities of the type required to be recorded or reflected in a balance sheet prepared in accordance with GAAP, other than liabilities or obligations (a) reserved against in the Financial Statements, (b) incurred in the ordinary course of business since the Balance Sheet Date that do not relate to any breach of Contract, breach of warranty, tort, infringement, misappropriation or violation of Law, (c) that, individually or in the aggregate, have not had a Material Adverse Effect or (d) incurred pursuant to or in connection with this Agreement and the transactions contemplated hereby.

Section 4.08 Absence of Certain Changes. Since the Balance Sheet Date to the date hereof, (a) the Company and its Subsidiaries have conducted their respective businesses only in the ordinary course of business consistent with past practice, and (b) there has not been any Material Adverse Effect.

Section 4.09 Litigation. There is no Litigation (whether at Law or in equity) pending, or, to the Knowledge of the Company, threatened against the Company or any of its Subsidiaries that, individually or in the aggregate, has had a Material Adverse Effect. There is no Order outstanding against or, to the Knowledge of the Company, any investigation by any Governmental Authority involving the Company or any of its Subsidiaries that, individually or in the aggregate, has resulted in a Material Adverse Effect.

Section 4.10 Compliance with Laws.

(a) Each of the Company and its Subsidiaries holds all Permits necessary for the lawful conduct of their respective businesses or ownership of their respective assets and properties, except where failure to hold Permits, individually or in the aggregate, has not had a Material Adverse Effect. Each of the Company and its Subsidiaries is in compliance with the terms of the Permits, except where non-compliance, individually or in the aggregate, has not had a Material Adverse Effect. Neither the Company nor any of its Subsidiaries has received at any time since January 1, 2018 any notice or other written communication from any Governmental Authority regarding any actual or threatened revocation, withdrawal, suspension, cancellation, termination or material modification of any Permit, except for matters that, individually or in the aggregate, have not had a Material Adverse Effect.

(b) Except for matters that, individually or in the aggregate, have not had a Material Adverse Effect, the Company and its Subsidiaries are and, since January 1, 2018, have been, in compliance with all applicable Laws and Orders. Since January 1, 2018, neither the Company nor any of its Subsidiaries has received any written notice or, to the Knowledge of the Company, other communication from any Governmental Authority regarding any actual or possible noncompliance with any Law by the Company or any of its Subsidiaries, except for matters that, individually or in the aggregate, have not had a Material Adverse Effect.

(c) This Section 4.10 does not relate to intellectual property matters (which are the subject of Section 4.12), employee plan and labor matters (which are the subject of Section 4.13 and Section 4.14), Tax matters (which are the subject of Section 4.17) or insurance regulatory matters (which are the subject of Section 4.19, Section 4.22, Section 4.23, Section 4.24 and Section 4.25).

Section 4.11 Real Property.

(a) The Company and its Subsidiaries do not own any material real property other than real property held as Investment Assets.

(b) With respect to each Lease relating to a parcel of material Leased Real Property (i) the Company or its applicable Subsidiary that is party thereto has good and valid leasehold interests in such Lease (subject to the terms of the applicable Lease governing its interests therein), in each case free and clear of all Liens, other than Permitted Liens, (ii) each such Lease is the legal, valid, binding and enforceable obligation of the Company or its applicable Subsidiary that is lessee thereunder and in full force and effect in accordance with its terms and (iii) the Company or its applicable Subsidiary has complied with the terms of such Lease and none of the Company or its applicable Subsidiary or, to the Knowledge of the Company, any other party thereto is (with or without notice or lapse of time, or both) in default or breach under the terms of any Lease, except, in each case, in respects that, individually or in the aggregate, have not had a Material Adverse Effect.

Section 4.12 Intellectual Property. Except as, individually or in the aggregate, has not had a Material Adverse Effect, the Company or a Subsidiary of the Company owns, or is licensed or otherwise has the right to use, all Intellectual Property Rights that are used in the conduct of the Business, taken as a whole. To the Knowledge of the Company, the conduct of the business of the Company and its Subsidiaries as currently conducted does not infringe, misappropriate or otherwise violate any Intellectual Property Rights of any Person, and, as of the date hereof, there is no Litigation pending or, to the Knowledge of the Company, threatened in writing that the Company or any of its Subsidiaries is infringing the Intellectual Property Rights of any Person, except for such infringements, misappropriations, violations and claims that individually or in the aggregate, have not had a Material Adverse Effect. To the Knowledge of the Company, no Person is infringing any Intellectual Property Rights owned by the Company or a Subsidiary of the Company in a manner that, individually or in the aggregate, has had a Material Adverse Effect.

Section 4.13 Employee Benefit Plans.

(a) Section 4.13 of the Company Disclosure Letter sets forth a true and complete list as of the date hereof of each material Benefit Plan. For purposes of this Agreement, "Benefit Plan" shall mean (i) each "employee benefit plan" (as such term is defined in Section 3(3) of ERISA) that the Company or any of its Subsidiaries sponsors, maintains, participates in, is a party or contributes to (or is required to contribute to), or with respect to which the Company or any of its Subsidiaries has or could reasonably be expected to have any liability; and (ii) each other employee benefit plan, program or arrangement, including any stock option, stock purchase, stock appreciation right, phantom stock or equity or any other stock-or equity-based incentive plan, cash bonus or incentive compensation arrangement, retirement or deferred compensation plan, profit sharing plan, unemployment or severance compensation plan, employment or consulting agreement, change in control benefit, retention or post-employment arrangement for the benefit of any current or former employee, individual independent contractor or director of the Company or any of its Subsidiaries that does not constitute an "employee benefit plan" (as defined in Section 3(3) of ERISA), that the Company or any of its Subsidiaries sponsors, maintains, participates in, is a party or contributes to (or is required to contribute to), or with respect to which the Company or any of its Subsidiaries has or would reasonably be expected to have any liability (each, a "Benefit Plan").

(b) With respect to each material Benefit Plan, the Company has made available to Parent a true and complete copy of such Benefit Plan, including any amendments thereto, and a true and complete copy of the following items (in each case, only if applicable): (i) each trust or other funding arrangement, (ii) each summary plan description and summary of material modifications, (iii) the most recently filed annual report on IRS Form 5500, (iv) the most recent financial statements and actuarial or other valuation reports prepared with respect thereto and (v) the most recently received IRS determination letter.

(c) Neither the Company or any of its Subsidiaries nor any Person that is a member of a "controlled group of corporations" with, or is under "common control" with, or is a member of the same "affiliated service group" with the Company or any of its Subsidiaries, in each case, as defined in Sections 414(b), (c), (m) or (o) of the Code (nor any of their respective predecessors) maintains, contributes to or sponsors (or has in the past six (6) years maintained, contributed to, or sponsored) a multiemployer plan as defined in Section 3(37) of ERISA, a multiple employer welfare arrangement as defined in Section 3(40) of ERISA or a plan that is subject to Section 302 or Title IV Plan of ERISA or Section 412 or 4971 of the Code.

(d) Except as has not had, individually or in the aggregate, a Material Adverse Effect, (i) each Benefit Plan has been established, operated and administered in accordance with its terms and applicable Law, including but not limited to ERISA and the Code, (ii) there is no Litigation pending or, to the Knowledge of the Company, threatened by or on behalf of any Benefit Plan, by any employee or beneficiary covered under any such Benefit Plan, as applicable, or otherwise involving any such Benefit Plan (other than routine claims for benefits), and (iii) there is no administrative investigation, audit or other administrative proceeding before any Governmental Authority, including the IRS, the Department of Labor or the Pension Guaranty Benefit Corporation is pending, threatened or in progress. With respect to each Benefit Plan intended to be "qualified" within the meaning of Section 401(a) of the Code, (A) each such Benefit Plan has received a favorable determination or opinion letter from the IRS with respect to its qualification, (B) the trusts maintained thereunder have been determined to be exempt from Taxation under Section 501(a) of the Code, and (C) no event has occurred that would reasonably be expected to result in disqualification or adversely affect such exemption. Neither the Company nor or any of its Subsidiaries has any liability with respect to, and no Benefit Plan provides welfare benefits, including death or medical benefits (whether or not insured), beyond retirement or termination of service, other than coverage mandated solely by applicable Law

(e) The consummation of the transactions contemplated by this Agreement will not, either alone or in combination with another event, (A) entitle any current or former officer, director, individual independent contractor or employee of the Company or any of its Subsidiaries to severance pay, unemployment compensation or any other payment or benefit, or (B) accelerate the time of payment or vesting, or increase the amount of compensation due any such officer, director, individual independent contractor or employee. No amounts payable or benefits provided under the Benefit Plans will fail to be deductible for U.S. federal income Tax purposes by virtue of Section 280G of the Code. No current or former officer, director, individual independent contractor or employee of the Company or any of its Subsidiaries has the right to be indemnified for Taxes incurred pursuant to Section 409A or 4999 of the Code.

Section 4.14 Labor Relations. None of the Company or any of its Subsidiaries is a party to or bound by any collective bargaining agreement. Since January 1, 2018, there has been no strike or lockout affecting the Company or any of its Subsidiaries and, to the Knowledge of the Company, no such action is pending or has been threatened. Except as has not had and would not be expected to be, individually or in aggregate, material, the Company and each of its Subsidiaries is in compliance with all applicable Laws respecting labor, employment, fair employment practices, Tax withholding, authorization to work, classification matters (as to employee/contractor status and exempt/nonexempt status) and terms and conditions of employment.

Section 4.15 Contracts.

(a) Section 4.15 of the Company Disclosure Letter sets forth a true and complete list of the following Contracts to which the Company or any of its Subsidiaries is a party or by which it is bound as of the date hereof:

(i) any joint venture, partnership, limited liability company or other similar Contract relating to the formation, creation, operation, management, sharing of profit or losses or control of any partnership, strategic alliance or joint venture, in each case, material to the

Company and its Subsidiaries, taken as a whole, but excluding investment portfolio transactions in the ordinary course of business consistent with past practices;

(ii) any Contract, including any option Contract, entered into since January 1, 2018, relating to the acquisition or disposition, with material obligations remaining to be performed or material liabilities continuing after the date of this Agreement, of any business or real property that is material to the Company and its Subsidiaries, taken as a whole (whether by merger, sale of stock, sale of assets or otherwise) (other than any such Contracts related to the acquisition or disposition of Investment Assets);

(iii) any investment advisory Contract or any other Contract relating to investment management, investment advisory or sub-advisory services to which any Insurance Subsidiary or Global Atlantic Investment Advisors, LLC is a party or under which any Subsidiary of the Company receives such services and which involves annual fee payments in excess of $10,000,000 per year;

(iv) any Contract that involved aggregate payments or receipts by or to the Company or any of its Subsidiaries in excess of $10,000,000 during the 12-month period ending December 31, 2019, other (x) than those terminable on less than ninety (90) days' notice without payment by the Company or any Subsidiary of the Company of any material penalty or (y) any Contract related to Investment Assets;

(v) the top five Distribution Agreements, measured by commissions and other fees paid by the Company and its Subsidiaries thereunder in the 12-month period ended December 31, 2019;

(vi) any Contract (including any exclusivity Contract) that limits or restricts or purports to limit or restrict either the type of business in which the Company or any of its Subsidiaries may engage or the manner or locations in which any of them may so engage in any business, including any covenant not to compete (geographically or otherwise), in each case that is material to the Company and its Subsidiaries, taken as a whole;

(vii) any Contract that imposes "standstill" restrictions on any Person with respect to acquisitions of common stock or mergers, consolidations, acquisitions of stock or assets or other business combinations involving the Company or any of its Subsidiaries; or

(viii) any Contract that provides for Indebtedness of the Company or any of its Subsidiaries having an outstanding or committed amount in excess of $25,000,000.

(b) The Contracts listed or required to be listed in Section 4.15(a) of the Company Disclosure Letter are referred to herein as the "Material Contracts". Except for matters which, individually or in the aggregate, have not had a Material Adverse Effect, as of the date hereof (i) each Material Contract is a valid and binding Contract of the Company or any of its applicable Affiliates, as the case may be, and, to the Knowledge of the Company, each other party thereto, and is in full force and effect, except, in each case, as enforcement may be limited by bankruptcy, insolvency, reorganization or similar Laws affecting creditors' rights generally and by general principles of equity and (ii) none of the Company, any of its applicable Affiliates or, to the

Knowledge of the Company, any other party thereto is (with or without notice or lapse of time, or both) in default or breach under the terms of any such Material Contract. The Company has made available to Parent accurate and complete copies of each such Material Contract (including all written modifications and amendments thereto).

Section 4.16 Product Tax Matters.

(a) The Tax treatment of each Insurance Contract is not, and since the time of issuance or subsequent modification has not been, in any material respect, less favorable to the purchaser, policyholder or intended beneficiaries thereof, than the Tax treatment that was purported to apply in written materials provided by the issuer of such Insurance Contract at the time of its issuance (or any subsequent modification of such Insurance Contract), except where the failure to have such Tax treatment (i) individually or in the aggregate is not materially adverse to the issuer of such Insurance Contract or (ii) is attributable to any changes in Law since the time of issuance (or subsequent modification). For purposes of this Section 4.16(a), the provisions of applicable Law relating to the Tax treatment of such Insurance Contracts shall include, but not be limited to, Sections 72, 101, 817, 7702, 7702A and 7702B of the Code.

(b) To the Knowledge of the Company, none of the Insurance Contracts is a "modified endowment contract" within the meaning of Section 7702A of the Code, except for any Insurance Contract that is being administered as a "modified endowment contract" and with respect to which the policyholder either (i) consented in writing to the treatment of such policy as a "modified endowment contract" and has not acted to revoke such consent or (ii) was informed in writing about the treatment of such policy as a "modified endowment contract," declined to have such treatment corrected and has not subsequently requested to have such treatment corrected.

(c) All Insurance Contracts (other than annuities contracts) that are subject (i) neither to Section 101(f) nor to Section 7702 of the Code qualify as life insurance contracts for purposes of the Code, (ii) to Section 101(f) of the Code satisfy in all material respects the requirements of that section and otherwise qualify as life insurance contracts for purposes of the Code and (iii) to Section 7702 of the Code satisfy in all material respects the requirements of Section 7702(a) of the Code and otherwise qualify as life insurance contracts for purposes of the Code. All Insurance Contracts that are annuities contracts satisfy in all material respects the requirements of Section 72 of the Code.

(d) Each Insurance Contract that is subject to Section 817 of the Code complies with, and, at all applicable testing dates since issuance, has complied with, the diversification requirements applicable thereto, and the Company or a Subsidiary is treated, for federal Tax purposes, as the owner of the assets underlying such Insurance Contract.

(e) The issuer of each Insurance Contract has complied with the withholding, reporting and information requirements of the Code applicable to the Insurance Contracts, except where failure so to comply would not be materially adverse to any such issuer. .

Section 4.17 Tax Matters.

(a) Each of the Company and its Subsidiaries has (i) duly and timely filed (or there have been duly and timely filed on its behalf), taking into account extensions, with the appropriate Taxing Authorities all Tax Returns required to be filed by it in respect of any material Taxes, and all such Tax Returns were accurate and complete in all material respects, (ii) duly and timely paid in full all Taxes shown as due on such Tax Returns or established adequate reserves therefor in accordance with GAAP, (iii) duly and timely paid in full, or established adequate reserves in accordance with GAAP for, all material Taxes that are due and payable by it, whether or not such Taxes were asserted by the relevant Taxing Authority or shown as due on such Tax Returns and (iv) complied in all material respects with all Laws applicable to the withholding of Taxes and has paid to the proper Taxing Authority (or set aside in accounts for such purpose) all material amounts required to be so withheld and paid.

(b) The Tax reserves of the each Insurance Subsidiary that is treated as a domestic corporation for U.S. federal tax purposes has been computed and maintained in the manner required under Sections 807, 817, 817A and 846 of the Code and any U.S. Treasury regulations and administrative guidance issued thereunder.

(c) There is no Litigation or Tax audit or proceedings now pending, outstanding or, to the Knowledge of the Company, threatened in writing against or with respect to the Company or any of its Subsidiaries in respect of any material Taxes or material Tax Returns.

(d) There are no Tax rulings or determinations, requests for Tax rulings or determinations, closing agreements, or other similar agreements or requests, filed, pending or in effect with any Taxing Authority relating to the Company or any of its Subsidiaries which would reasonably be expected to materially and adversely affect the Company's or such Subsidiary's liability for Taxes.

(e) There are no Tax sharing agreements, Tax indemnity agreements or other similar Contracts (other than Contracts between the Company and its Subsidiaries and indemnities included in ordinary course Contracts) that will require any payment by the Company or any of its Subsidiaries of any material Tax of another Person after the Closing Date.

(f) None of the Company or any of its Subsidiaries has any material liability for Taxes as a result of having been a member of any affiliated group within the meaning of Section 1504(a) of the Code, or any similar affiliated, consolidated, combined or unitary group for Tax purposes under state, local or foreign Law (other than a group the common parent of which is the Company or any of its Subsidiaries), or has any material liability for the Taxes of any Person (other than the Company or any of its Subsidiaries) under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local or foreign Law), as a transferee or successor, or otherwise.

(g) None of the Company or any of its Subsidiaries will be required to include any material item of income in, or exclude any material item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any change in method of accounting under Section 481 of the Code (or any similar provision of state, local or foreign Law), installment sale or open transaction disposition made prior to the Closing, prepaid amount received prior to the Closing outside of the ordinary course of business or change in the basis for determining any item referred to in Section 807(c) of the Code, in each case for a taxable period ending on or prior to the Closing Date.

(h) No material written claim, other than claims that have been resolved, has been made within the past five years by an authority in a jurisdiction where the Company or any of its Subsidiaries has not filed Tax Returns that it is or may be subject to taxation by that jurisdiction.

(i) There are no material Liens or other encumbrances for Taxes upon any material property or assets of the Company or any of its Subsidiaries, except for Permitted Liens.

(j) Neither the Company nor any of its Subsidiaries has participated in a "listed transaction" within the meaning of Treasury Regulations Section 1.6011-4(b)(2) for any taxable period for which the statute of limitations remains open.

(k) Neither the Company nor any of its Subsidiaries has currently in effect any waiver of any statute of limitations in respect of material Taxes or any agreement to any extension of time with regard to a material Tax assessment or deficiency (other than pursuant to extensions of time to file Tax Returns obtained in the ordinary course of business consistent with past practices), and no such waivers are pending.

(l) None of the Company or any of its Subsidiaries has been a "controlled corporation" or a "distributing corporation" in any distribution occurring during the two-year period ending on the date of this Agreement that was purported or intended to be governed by Section 355 of the Code.

(m) None of the Company or any of its Subsidiaries, other than Global Atlantic Re Limited has elected to be treated as a "domestic corporation" within the meaning of Section 953(d) of the Code.

(n) Each of the Insurance Subsidiaries that is treated as a domestic corporation for U.S. federal tax purposes is and has been a life insurance company under Section 816(a) of the Code and subject to U.S. federal income taxation under Section 801 of the Code.

Section 4.18 Insurance Coverage. The Company and its Subsidiaries maintain policies of insurance in such amounts and against such risks as the Company believes to be commercially reasonable. Except as has not had, individually or in the aggregate, a Material Adverse Effect, all such insurance policies are in full force and neither the Company nor any of its Subsidiaries is in breach or default under any such policy.

Section 4.19 Insurance Subsidiaries.

(a) Each Subsidiary of the Company that conducts the business of insurance or reinsurance (each, an "Insurance Subsidiary"), and each other Subsidiary of the Company that is subject to regulation under the Insurance Laws, holds all material Permits necessary to conduct its business as currently conducted. Neither the Company nor any of its Subsidiaries has received at any time since January 1, 2018 any notice or other written communication, from any

Governmental Authority regarding any actual or threatened revocation, withdrawal, suspension, cancellation, termination or material modification of any such Permit, except for matters that, individually or in the aggregate, have not had a Material Adverse Effect. All such material Permits are valid and in full force and effect. Except for matters that, individually or in the aggregate, have not had a Material Adverse Effect, the Company and each of its Subsidiaries is and since January 1, 2018 has been, in compliance with applicable Insurance Laws. Since January 1, 2018, neither the Company nor any of its Subsidiaries has received any notice or other written communication from any Governmental Authority regarding any actual or possible noncompliance with any Insurance Laws by the Company or any of its Subsidiaries, except for matters that, individually or in the aggregate, have not had a Material Adverse Effect. As of the date hereof, no Insurance Subsidiary is "commercially domiciled" under the Laws of any jurisdiction. The Company and the Insurance Subsidiaries have timely filed all material reports, statements, documents, registrations, filings or submissions (including any sales material) required to be filed with any Governmental Authority since January 1, 2018 in the manner prescribed by applicable Laws. Such reports, statements, documents, registrations, filings and submissions complied when filed with the requirements of applicable Laws, and no deficiencies have been asserted in writing by any such Governmental Authority with respect to such reports, statements, documents, registrations, filings or submissions that have not been remedied to the satisfaction of such Governmental Authority, except for any non-compliance or deficiencies that, individually or in the aggregate, has not had a Material Adverse Effect.

(b) Neither the Company nor any of the Insurance Subsidiaries is a party to any written Contract, consent decree or memorandum of understanding with, or a party to any commitment letter or similar undertaking to, or subject to any cease-and-desist or other Order or directive by, or a recipient of any extraordinary supervisory letter from, or has adopted any policy, procedure or board or stockholder resolution at the request of, any Governmental Authority that restricts materially the conduct of its business or, gives rise to any capital maintenance obligations.

Section 4.20 Statutory Statements; Examinations.

(a) Each Insurance Subsidiary has filed or submitted, since the later of January 1, 2018 and the date such Insurance Subsidiary became a Subsidiary of the Company, all annual and quarterly statements, together with all exhibits, interrogatories, notes, schedules and actuarial opinions, affirmations or certifications (collectively, the "Statutory Statements") required to be filed with or submitted to the appropriate Governmental Authority of the jurisdiction in which such Insurance Subsidiary is domiciled on forms prescribed or permitted by such Governmental Authority. The Company has made available to Parent accurate and complete copies of all Statutory Statements. The financial statements included in the Statutory Statements were prepared in conformity with Applicable SAP in effect as of the date of the respective Statutory Statements, applied on a consistent basis during the periods involved, and fairly present in all material respects in accordance with Applicable SAP the statutory financial position of the relevant Insurance Subsidiary as of the respective dates thereof and the results of operations, cash flows, and changes in capital and surplus of such Insurance Subsidiary for the respective periods then ended. The Statutory Statements complied in all material respects with all applicable Laws when filed or submitted and no material violation or deficiency has been asserted in writing by any Governmental Authority with respect to any of the Statutory Statements that has not been cured or otherwise resolved, or that is not in the process of being cured or otherwise resolved to the satisfaction of such Governmental Authority.

(b) All permitted accounting practices used by the Insurance Subsidiaries in connection with the Statutory Statements, which were required to be approved by Governmental Authorities prior to use have been approved by the applicable Governmental Authorities in writing at or prior to the time used by the Insurance Subsidiaries in connection with the applicable Statutory Statements. To the Knowledge of the Company, the consummation of the transactions contemplated hereby will not result in the termination of any such approval.

Section 4.21 Reinsurance. Each reinsurance treaty or agreement, slip, binder, cover note or other similar arrangement pursuant to which any Insurance Subsidiary cedes or assumes Insurance Reserves in an amount in excess of $10,000,000 (the "Reinsurance Contracts") is valid and binding on the applicable Insurance Subsidiary, and to the Knowledge of the Company, each other party thereto, and is in full force and effect, except, in each case, as enforcement may be limited by bankruptcy, insolvency, reorganization or similar Laws affecting creditors' rights generally and by general principles of equity, and except where the failure to be valid, binding or in full force and effect, individually or in the aggregate, has not had a Material Adverse Effect. None of the applicable Insurance Subsidiaries or, to the Knowledge of the Company, any counterparty to any Reinsurance Contract is (with or without notice or lapse of time or both) in default or breach under the terms of such Reinsurance Contract, except where such default or breach, individually or in the aggregate, has not had a Material Adverse Effect. None of the Insurance Subsidiaries or, to the Knowledge of the Company, any ceding company or reinsurer under any Reinsurance Contract is insolvent or the subject of a rehabilitation, liquidation, conservatorship, receivership, bankruptcy or similar proceeding and the financial condition of any such ceding company or reinsurer is not impaired to the extent that a default thereunder is reasonably anticipated, except as, individually or in the aggregate, has not had a Material Adverse Effect. No notice of intended cancellation has been received by the Insurance Subsidiary from any such ceding company or reinsurer, and there are no disputes under any Reinsurance Contract, except for cancellations or disputes that, individually or in the aggregate, have not had a Material Adverse Effect. Except as has not had, individually or in the aggregate, a Material Adverse Effect, no ceded Reinsurance Contract contains any provision providing that any party thereto (other than the Company or any of its Subsidiaries) may terminate, cancel or commute the same by reason of the consummation of the transactions contemplated herein.

Section 4.22 Insurance Reserves; Actuarial Reports.

(a) The reserves for benefits, losses (including incurred but not reported losses and losses in course of settlement), claims, unearned premiums and expenses arising under or in connection with the Insurance Contracts (collectively, "Insurance Reserves") contained in the Statutory Statements (i) were computed in accordance with generally accepted actuarial standards consistently applied throughout the specified periods thereof and are fairly stated in accordance with sound actuarial principles, (ii) are based on actuarial assumptions which produced reserves at least as great as those called for in the provisions of the relevant Insurance Contracts as to reserve basis and method, and are in accordance with all other applicable contract provisions in all material respects, (iii) met the requirements of all applicable Laws and were at least as great as the minimum aggregate amounts required by applicable Law. The Company does not make any representation or warranty in this Section 4.22 or in any other provision of this Agreement to the effect that the Insurance Reserves will be sufficient or adequate for the purposes for which they were established or that such Insurance Reserves may not develop adversely or, subject to Section 4.21, that the reinsurance recoverables taken into account in determining the amount of the Insurance Reserves will be collectible.

(b) The Company has made available to Parent an accurate and complete copy of the Actuarial Appraisal of the Life and Annuity Business of Global Atlantic Financial Group as of September 30, 2018, Section I – Introduction and Qualifications: Data Reliance as prepared by Milliman, Inc., together with all attachments, addenda, supplements and modifications thereto (the "Actuarial Analysis"). As of the date hereof, Milliman, Inc. has not notified the Company or any of its Affiliates that the Actuarial Analysis is inaccurate in any material respect. The factual information furnished by the Company, its Affiliates and their respective Representatives to Milliman, Inc. in connection with the preparation of the Actuarial Analysis and listed in "Section I – Introduction and Qualifications: Data Reliance" thereof (excluding any portions of such data that are projections, estimates or otherwise forward-looking in nature), was (i) obtained from the books and records of the relevant Insurance Subsidiaries, which are the same books and records that were utilized by the Company and its applicable Affiliates to prepare the Financial Statements and the Statutory Statements and (ii) accurate in all material respects as of the date of such Actuarial Analysis.

Section 4.23 Insurance Contracts.

(a) The Insurance Contracts are, and since January 1, 2018 have been, to the extent required under applicable Law, on forms and at rates approved by applicable Governmental Authorities or filed and not objected to by such Governmental Authority within the period provided for objection, in each case except as, individually or in the aggregate, has not had a Material Adverse Effect.

(b) Except as, individually or in the aggregate, has not had a Material Adverse Effect, (x) since January 1, 2018, all benefits due and payable, or required to be credited, by or on behalf of any Affiliate of the Company (including any Insurance Subsidiary), on Insurance Contracts, as applicable, in force on such dates have in all material respects been paid or credited, as the case may be, in accordance with the terms of such Insurance Contracts under which they arose, and such payments or credits were not materially delinquent, except for such claims for which any Affiliate of the Company believed there was a reasonable basis to contest payment.

(c) Except as set forth on Section 4.23(c) of the Company Disclosure Letter, no provision in any Insurance Contract gives the holder thereof or any other Person the right to receive policy dividends or otherwise participate in the revenue, earnings or profits of an Insurance Subsidiary.

Section 4.24 Distributors.

(a) To the Knowledge of the Company, each of the Independent Distributors of the Insurance Subsidiaries is and has been, since January 1, 2018, in connection with the Insurance Contracts, in compliance in all material respects with all applicable Laws, except where any failure to be in compliance thereof, individually or in the aggregate, has not had a Material Adverse Effect.

(b) Except as, individually or in the aggregate, has not had a Material Adverse Effect, since January 1, 2018, to the Knowledge of the Company, each Independent Distributor, at the time that such Independent Distributor wrote, sold or produced any Insurance Contract was duly licensed, authorized and appointed (for the type of business written, sold or produced by such Independent Distributor) in the particular jurisdiction in which such Independent Distributor wrote, sold or produced such business.

Section 4.25 Separate Accounts and Registered Funds.

(a) Except as has not had, individually or in the aggregate, a Material Adverse Effect, each Separate Account and Registered Fund is, and has been, (i) duly and validly established and maintained in compliance with applicable Law and (ii) is operating and, at all times since January 1, 2018 (or, if later, the date of its establishment), has been operated in compliance with applicable Law.

(b) Each Separate Account is either duly registered as an investment company under the Investment Company Act, and such registration is in full force and effect, or is excluded from the definition of "investment company" pursuant to Section 3(c)(1), 3(c)(7) or 3(c)(11) of the Investment Company Act. Each Separate Account subject to Title I of ERISA or Section 4975 of the Code has been operated in compliance in all material respects therewith. Each Registered Fund is duly registered as an investment company under the Investment Company Act, and such registration is in full force and effect. Each Separate Account that is registered under the Investment Company Act and each Registered Fund is, and since January 1, 2018 has been, operated in compliance with the Investment Company Act, has filed all reports and amendments of its registration statement required to be filed, has been granted all exemptive relief necessary to conduct its operations as currently conducted, and is in compliance with all conditions to any such relief, except, in each case, as has not had, individually or in the aggregate, a Material Adverse Effect. The Insurance Contracts under which Separate Account assets are held are duly and validly issued and are either exempt from registration under the Securities Act or were sold pursuant to an effective registration statement under the Securities Act, and such registration statement is currently in effect to the extent necessary to allow the applicable Insurance Subsidiary to receive contributions under such Insurance Contracts. Since January 1, 2018, the registration statements of the Registered Funds, Separate Accounts and the Insurance Contracts, and each amendment thereto, at the time that each became effective, contained no untrue statement of a material fact, and did not omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading.

(c) Since January 1, 2018, each prospectus, offering document, sales brochure, sales literature or advertising material, as amended or supplemented, relating to any Separate Account or Registered Fund, as of their respective mailing dates or dates of use, complied in all material respects with applicable Law, including United States federal and state securities Laws and Insurance Laws. Since January 1, 2018, all advertising or marketing materials relating to a Separate Account or Registered Fund that were required to be filed with FINRA or any other Governmental Authority have been or will be timely filed therewith, except where such failure to comply, individually or in the aggregate, has not had a Material Adverse Effect.

(d) To the knowledge of Company, each Registered Fund and Separate Account is, and has been since 2018, in compliance with applicable Law, except where such failure to comply, individually or in the aggregate, has not had a Material Adverse Effect.

(e) Each of the audited financial statements for each of the Registered Funds for each of their respective fiscal years ending on or after January 1, 2018 (the "Registered Fund Financial Statements") has been prepared in accordance with GAAP applied on a consistent basis for the periods involved (except as required by GAAP) and fairly presents in all material respects the financial positions and statement of assets and liabilities as of the date thereof and the results of operations for the period then ended. At the date of each Registered Fund Financial Statement, no Registered Fund had incurred any obligation or liability (contingent or other) that, individually or in the aggregate, is or, when accrued, would be material to the financial condition or results of operations of the Registered Fund, except as reflected in such Registered Fund Financial Statement.

Section 4.26 Investment Assets. Except as, individually or in the aggregate, has not had a Material Adverse Effect, (i) each of the Investment Assets owned by an Insurance Subsidiary complied in all material respects with applicable Law as in effect at the time such Investment Asset was acquired by the applicable Insurance Subsidiary and (ii) as of the date hereof, the Company and each of its Subsidiaries has good and marketable title in and to all of the Investment Assets it purports to own, free and clear of all Liens, other than Permitted Liens.

Section 4.27 Investment Adviser.

(a) Global Atlantic Investment Advisors, LLC is and has been, since January 1, 2018, registered with the SEC as an investment adviser under the Advisers Act or is exempt from such registration, is registered as an investment adviser in each state in which such registration is required, and is a member in good standing of such other organizations in which its membership is required in order to conduct its business as now conducted, in each case, except such failures, individually or in the aggregate, have not had a Material Adverse Effect.

(b) Global Atlantic Investment Advisors, LLC has filed a Form ADV with the appropriate Governmental Authorities, which form at the time of filing, and as amended and supplemented as of the date hereof, is in effect pursuant to and in material compliance with the requirements of the Advisers Act or applicable state investment adviser Laws. The Company has made available to Parent accurate and complete copies of such Forms ADV as amended or supplemented through the date of this Agreement.

(c) The officers and employees of the Company and its Subsidiaries who are required to be approved, licensed or registered as investment advisory representatives for the activities conducted by them on behalf of the Company and its Subsidiaries are and at all times since January 1, 2018 to the date hereof have been duly approved, licensed or registered in each state or jurisdiction in which and with each Governmental Authority with whom such approval, licensing or registration is so required, except where the failure to be so approved, licensed or registered, individually or in the aggregate, has not had a Material Adverse Effect.

(d) None of the Company or its Subsidiaries acts as an investment adviser to any Person who is not (i) an Affiliate of the Company or (ii) or a counterparty to a reinsurance agreement with any of the Insurance Subsidiaries. For purposes of this Section 4.27(d), "Affiliate" includes the Separate Accounts and registered investment companies (or series thereof) owned exclusively by such Separate Accounts.

(e) None of the Company, its Subsidiaries, or their "covered associates" has made a "contribution" to an "official" of a "government entity" (each as defined in Rule 206(4)-5 under the Advisers Act) that prohibits the receipt of compensation by the Company or its Subsidiaries with respect to a Governmental Authority to which the Company or any of its Subsidiaries is providing investment advisory services.

Section 4.28 Broker-Dealer. Except as, individually or in the aggregate, has not had a Material Adverse Effect:

(a) Global Atlantic Distributors, LLC is and has been, since January 1, 2018, a member in good standing of FINRA and duly registered as a broker-dealer under the Exchange Act and in all jurisdictions where such registration, licensing or qualification is so required. Since January 1, 2018, none of the Company or any of its Subsidiaries other than Global Atlantic Distributors, LLC engages or has engaged in Broker-Dealer Activities other than pursuant to an exemption from registration. Global Atlantic Distributors, LLC is a member of FINRA and such other organizations in which its membership is required in order to conduct its business as now conducted. The Company has made available to Parent accurate and complete copies of Global Atlantic Distributors, LLC's Form BD as most recently filed with the SEC, as amended to the date of this Agreement. Global Atlantic Distributors, LLC has made all amendments to such form as it is required to make under any applicable Law.

(b) Except as set forth in Section 4.28(b) of the Company Disclosure Letter and to the extent relating to or affecting the Business, Global Atlantic Distributors, LLC currently maintains, and since January 1, 2018 has maintained, "net capital" (as such term is defined in Rule 15c3-1(c)(2) under the Exchange Act) equal to or in excess of the minimum "net capital" required to be maintained by Global Atlantic Distributors, LLC, and, to the extent relating to or affecting the Business, each of its Subsidiaries, under the Exchange Act and in an amount sufficient to ensure that it is not required to file a notice under Rule 17a-11 under the Exchange Act.

(c) As of the date hereof, neither Global Atlantic Distributors, LLC nor, to the Knowledge of the Company, any "associated person" (as such term is defined under the rules under FINRA (the "FINRA Rules") of Global Atlantic Distributors, LLC is ineligible or disqualified pursuant to Section 15(b) of the Exchange Act to act as a broker-dealer or as an associated person of a registered broker-dealer. As of the date hereof, there is no Litigation pending or, to the Knowledge of the Company, threatened in writing that would reasonably be expected to result in Global Atlantic Distributors, LLC or, to the Knowledge of the Company, any "associated person" (as such term is defined under the FINRA Rules) thereof becoming ineligible to act in such capacity.

(d) Each of Global Atlantic Distributors, LLC's respective officers, employees, "associated persons" (as such term is defined under the FINRA Rules) and independent contractors, who are required under applicable Law to be registered, licensed or qualified as a "registered representative" (as such term is defined under the FINRA Rules) of Global Atlantic Distributors, LLC are as of the date hereof, and have been since January 1, 2018, duly registered as such and such registrations are and were since January 1, 2018, in full force and effect, or are or were in the process of being registered as such within the time periods required by any Governmental Authority, as applicable.

(e) None of the Company or its Subsidiaries acts as a broker-dealer to any Person who is not an Affiliate of the Company other than in respect of variable life or annuity Insurance Contracts issued by one or more Insurance Subsidiaries.

Section 4.29 Anti-Corruption and Sanctions.

(a) Except as, individually or in the aggregate, has not had a Material Adverse Effect, the Company and its Subsidiaries have complied with all applicable Anti-Bribery Laws, Anti-Money Laundering Laws, and Sanctions. Neither the Company nor any of its Subsidiaries is party to any actual or, to the Knowledge of the Company, threatened legal proceedings or enforcement actions relating to any breach of Anti-Bribery Laws, Anti-Money Laundering Laws, or Sanctions.

(b) Neither the Company nor any of its Subsidiaries, nor to the Company's Knowledge, any director, officer, employee, agent, or other Person acting on their behalf (i) has offered, promised, provided, or authorized the provision of any money, property, or other thing of value, directly or indirectly, to any Person to improperly influence official action or secure an improper advantage; nor (ii) is a Sanctioned Person nor has engaged in any dealings or transactions, directly or indirectly, with or for the benefit of any Sanctioned Person, unless such dealings or transactions are permitted by applicable law.

(c) The Company and its Subsidiaries have established and adhered in all material aspects to an anti-money laundering compliance program that (1) meets the requirements of all applicable Anti-Money Laundering Laws; and (2) includes, at minimum, the following elements: a dedicated anti-money laundering compliance officer, risk-based due diligence procedures, training for relevant personnel, independent testing, a system of internal controls reasonably designed to ensure ongoing compliance, and procedures for detecting and reporting suspicious transactions or activities, each element as required under applicable Anti-Money Laundering Laws.

Section 4.30 Brokers. No Person is entitled to any brokerage, financial advisory, finder's or similar fee or commission payable by any party in connection with the transactions contemplated by this Agreement based upon Contracts made by or on behalf of the Company or any of its Subsidiaries.

Section 4.31 Related Party Transactions.

Except with respect to any ordinary course ISDAs, banking agreements, brokerage agreements, trade agreements, purchase agreements, placement agent agreements and similar commercial agreements with the Founder or its Affiliates entered into on an arms' length basis, Section 4.31(a)(ii) of the Company Disclosure Letter sets forth a list of each agreement (other than (x) employment agreements, relocation agreements, reimbursement agreements and other similar compensation agreements with any employees, officers, managers and/or directors for expenses incurred in the ordinary course of business and (y) ordinary course commercial agreements entered into on an arms' length basis) between (i) the Company or any of its Subsidiaries, on the one hand, and (ii) any Affiliate, officer, Company Stakeholder owning in excess of 1% of the outstanding Company Shares or director of the Company or any of its Subsidiaries (other than the Company and its Subsidiaries), on the other hand that is effect as of the date hereof (each such agreement, a "Related Party Agreement").

Section 4.32 Investment Company Status. The Company is not required to be registered as an "investment company" within the meaning of the Investment Company Act and is not relying on the exception from the definition of "investment company" in Section 3(c)(1) or 3(c)(7) of the Investment Company Act.

Section 4.33 No Other Representation or Warranty. Except for the representations and warranties expressly contained in this Article IV, neither the Company nor any other Person on behalf of the Company makes any express or implied representation or warranty with respect to the Company, its Subsidiaries or their respective businesses or with respect to any other information provided to Parent, Merger Sub or their Representatives or Affiliates in connection with the transactions contemplated hereby. Neither the Company nor any other Person will have or be subject to any liability to Parent, Merger Sub or any other Person resulting from the distribution to Parent, Merger Sub or their respective Representatives or Affiliates, or Parent's, Merger Sub's or their Representatives' or Affiliates' use of, any such information, including any information, documents, projections, forecasts or any other material made available to Parent, Merger Sub or their Representatives or Affiliates in certain "data rooms" or management presentations in connection with Parent's and Merger Sub's consideration and review of the transactions contemplated hereby, unless any such information is expressly included in a representation or warranty contained in this Article IV.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUB

Except as otherwise disclosed in the Parent Disclosure Letter (it being understood that any information contained therein will qualify and apply to the representations and warranties in this Article V to which the information is specifically stated as referring to and will qualify and apply to other representations and warranties in this Article V to the extent that it is reasonably apparent upon reading such information that such disclosure also qualifies or is responsive to such other sections), Parent and Merger Sub jointly and severally represent and warrant to the Company as follows:

Section 5.01 Organization. Parent is a limited liability company duly organized and validly existing under the Laws of Cayman Islands, and Merger Sub is an exempted company duly organized and validly existing under the Law of Bermuda. Each of Parent and Merger Sub (i) has all requisite corporate power and authority to own, lease and operate its properties and assets and to carry on its business as it is now being conducted and (ii) is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it make such licensing or qualification necessary, except where failure to have such power or authority, individually or in the aggregate, has not had a Parent Material Adverse Effect. Parent has made available to the Company accurate and complete copies of its and Merger Sub's Constituent Documents, as amended and in effect on the date of this Agreement.

Section 5.02 Authorization. Each of Parent and Merger Sub has all necessary corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the Merger and the other transactions contemplated by this Agreement, except for the need to obtain consent of Parent, as the sole shareholder of Merger Sub (which approval shall be provided by the written consent of Parent immediately following the execution of this Agreement). The execution, delivery and performance of this Agreement, and the consummation by Parent and Merger Sub of the Merger and the other transactions contemplated by this Agreement, have been duly authorized by all necessary corporate action (including the approval of their respective boards of directors), and no other corporate proceedings on the part of Parent or Merger Sub, and no other votes or approvals of any class or series of capital stock of KKR, Parent or Merger Sub are necessary for each to authorize this Agreement or to consummate the Merger or the other transactions contemplated hereby, except for the need to obtain consent of Parent, as the sole shareholder of Merger Sub (which approval shall be provided by the written consent of Parent immediately following the execution of this Agreement). This Agreement has been duly and validly executed and delivered by Parent and Merger Sub and, assuming the due authorization, execution and delivery by the Company, is a legal, valid and binding obligation of each of Parent and Merger Sub, enforceable against each of Parent and Merger Sub in accordance with its terms, except as enforcement thereof may be limited against Parent or Merger Sub by bankruptcy, insolvency, reorganization or similar Laws affecting creditors' rights generally and by general principles of equity.

Section 5.03 Consents and Approvals; No Violations.

(a) Assuming that all Approvals of or from, or Filings with, Governmental Authorities described in Section 4.05(b) and Section 5.03(b) have been obtained or made, the execution and delivery of this Agreement by Parent and Merger Sub does not and the consummation by Parent and Merger Sub of the transactions contemplated by this Agreement will not (i) conflict with any provisions of the Constituent Documents of Parent and Merger Sub or any material Subsidiary of Parent or Merger Sub, (ii) violate any Law or Order or (iii) result, after the giving of notice, with lapse of time, or otherwise, in any violation, default or loss of a benefit under, or permit the acceleration or termination of any obligation under or require any consent under, any Contract, except, in the case of clauses (ii) and (iii) any matters that, individually or in the aggregate, have not had a Parent Material Adverse Effect.

(b) No Approval or Filing is required to be made or obtained by Parent, Merger Sub or any of their respective Subsidiaries in connection with the execution or delivery of this Agreement by Parent and Merger Sub or the consummation by Parent and Merger Sub of the transactions contemplated by this Agreement, except for (i) compliance by Parent and Merger Sub with the HSR Act, (ii) the Approvals and Filings set forth in Section 5.03(b)(ii) of the Parent Disclosure Letter and (iii) such other matters that, individually or in the aggregate, have not had a Parent Material Adverse Effect.

Section 5.04 Litigation. As of the date hereof, there is no Litigation (whether at Law or in equity) pending, or, to the knowledge of Parent, threatened against or otherwise affecting Parent, Merger Sub or any of their Subsidiaries that seeks to enjoin, or would reasonably be expected to have the effect of preventing, making illegal or otherwise interfering with, any of the transactions contemplated by this Agreement. As of the date hereof, there is no Order outstanding against Parent, Merger Sub or any of their respective properties or assets that would reasonably be expected to prevent or materially impair or materially delay the ability of Parent or Merger Sub to consummate the transactions contemplated herein.

Section 5.05 No Regulatory Impediments. As of the date of this Agreement, each of Parent and Merger Sub has no reason to believe that any facts or circumstances related to its or its Affiliates' identity, financial condition, jurisdiction of domicile or regulatory status will impair or delay its ability to promptly obtain the Approvals referenced in Section 5.03(b).

Section 5.06 Financing. Parent will have at the Closing sufficient immediately available funds to pay, in cash, an amount at least equal to the Estimated Aggregate Cash Merger Consideration and all other amounts payable at the Closing pursuant to this Agreement or otherwise necessary to timely consummate the transactions contemplated by this Agreement. The obligations of Parent to effect the transactions contemplated by this Agreement are not conditioned upon the availability to Parent or any of its Affiliates of any debt, equity or other financing in any amount whatsoever.

Section 5.07 Equity Financing.

(a) Parent has delivered to the Company a true, correct and complete copy of the fully executed equity commitment letter from KKR, dated as of the date hereof (including all exhibits, schedules, annexes and amendments thereto as of the date of this Agreement, the "Equity Commitment Letter") pursuant to which KKR has committed, subject to the terms and conditions therein, to provide equity financing to Parent in the amount set forth therein for purpose of funding the transactions contemplated hereby (the "Equity Financing"). The Equity Commitment Letter provides, and will continue to provide, that the Company is a third party beneficiary thereof entitled to enforce the Equity Commitment Letter in accordance with its terms.

(b) The Equity Commitment Letter is in full force and effect and is a legal, valid and binding obligation of Parent, enforceable in accordance with its terms. The Equity Commitment Letter has not been withdrawn, terminated, repudiated, rescinded, amended, supplemented or modified, in any respect, and no such withdrawal, termination, repudiation, rescission, amendment, supplement or modification is contemplated.

(c) Neither Parent nor KKR has committed any breach of any of its covenants or other obligations set forth in, or is in default under, the Equity Commitment Letter, and to the Knowledge of Parent, no event has occurred or circumstance exists that, with or without notice, lapse of time or both, would or would reasonably be likely to (i) constitute or result in a breach or default on the part of any Person under the Equity Commitment Letter, (ii) constitute or result in a failure by Parent or KKR to satisfy a condition precedent to or other contingency to be satisfied by Parent or KKR set forth in the Equity Commitment Letter, (iii) make any of the statements by Parent or KKR set forth in the Equity Commitment Letter inaccurate in any material respect or (iv) subject to the satisfaction (or waiver by Parent and Merger Sub) of the conditions set forth in Section 7.01 and Section 7.02, otherwise result in any portion of the Equity Financing not being available.

(d) As of the date of this Agreement, none of Parent or Merger Sub has received any notice or other communication from KKR with respect to (i) any actual or potential breach or default on the part of Parent or KKR, (ii) any actual or potential failure by Parent or KKR to satisfy any condition precedent or other contingency to be satisfied by Parent or KKR set forth in the Equity Commitment Letter or (iii) any intention of KKR to terminate the Equity Commitment Letter or to not provide all or any portion of the Equity Financing. As of the date hereof, subject to the satisfaction (or waiver by Parent and Merger Sub) of the conditions set forth in Section 7.01 and Section 7.02, Parent and Merger Sub (A) have no reason to believe Parent will not be able to satisfy on a timely basis each term and condition to be satisfied by Parent and that are within its control relating to the closing or funding of the Equity Financing, (B) know of no fact, occurrence, circumstance or condition that would reasonably be likely to (1) cause the Equity Commitment Letter to terminate, to be withdrawn, modified, repudiated or rescinded or to be or become ineffective, (2) cause any of the terms or conditions to be satisfied by Parent relating to the closing or funding of any portion of the Equity Financing not to be met or complied with, or (3) otherwise cause the full amount (or any portion) of the funds contemplated to be available under the Equity Commitment Letter to not be available to Parent and Merger Sub on a timely basis (and in any event as of the Closing) and (C) know of no potential impediment to the funding of any of the payment obligations of Parent or Merger Sub under this Agreement.

(e) There are no, and there will not be any, conditions precedent or other contingencies related to the obligation of any party to the Equity Commitment Letter to fund or invest, as applicable, the full amount (or any portion) of the Equity Financing, other than as expressly set forth in the Equity Commitment Letter as in effect on the date hereof (the "Disclosed Conditions"). Other than the Disclosed Conditions, neither KKR nor any other Person has any right to impose, and none of KKR, Parent, Merger Sub, the Company or any Subsidiary obligor have any obligation to accept, any condition precedent to any funding of the Equity Financing nor any reduction to the aggregate amount available under the Equity

Commitment Letter (nor any term or condition which would have the effect of reducing the aggregate amount available under the Equity Commitment Letter). There are no side letters and (except for the Equity Commitment Letter) there are no agreements, contracts, arrangements or understandings, whether written or oral, with KKR or any other Person relating to the Equity Financing or the Equity Commitment Letter that, in each case, could permit KKR to reduce its commitments with respect to the Equity Financing. Other than as set forth in the Equity Commitment Letter, there are no conditions precedent relating to the funding of the full amount of the Equity Financing that would reasonably be likely to, (i) impair the validity of the Equity Commitment Letter, (ii) reduce the aggregate amount of the Equity Financing, (iii) prevent or delay the consummation of the transactions contemplated hereby, (iv) cause the Equity Commitment Letter to be ineffective, or (v) otherwise result in the Equity Financing not being available on a timely basis in order to consummate the transactions contemplated hereby.

(f) For the avoidance of doubt, in no event shall the receipt or availability of any funds or financing by or to KKR, Parent or Merger Sub be a condition to any of Parent's or Merger Sub's obligations hereunder.

Section 5.08 Business Plan. The business plan to be submitted to the Massachusetts Division of Insurance, the Indiana Department of Insurance and the Iowa Insurance Division pursuant to Section 6.03 shall be substantially in the form of the business plan delivered by Parent to the Company prior to the date hereof (except for the statutory projections set forth therein). The statutory financial projections included with the business plans submitted to such insurance regulators shall be broadly consistent with the economic plans that have been exchanged to date between the Company and the Parent.

Section 5.09 Parent Limited Guaranty. Concurrently with the execution of this Agreement, KKR has delivered to the Company a true, correct and complete copy of the fully executed Parent Limited Guaranty. The Parent Limited Guaranty is in full force and effect and is a legal, valid and binding obligation of the parties thereto, enforceable in accordance with their respective terms.

Section 5.10 Parent and Merger Sub Operations.

(a) As of the date hereof, Merger Sub is a wholly owned direct subsidiary of Parent. Each of Parent and Merger Sub was formed solely for the purpose of engaging in the transactions contemplated by this Agreement, and has, and immediately prior to the Effective Time will have, engaged in no business or incurred any liabilities or obligations other than in connection with the transactions contemplated by this Agreement.

Section 5.11 Vote/Approval Required. No vote or consent of the holders of any class or series of capital stock of KKR or Parent is necessary to approve this Agreement or the Merger or the transactions contemplated hereby.

Section 5.12 Brokers. No Person is entitled to any brokerage, financial advisory, finder's or similar fee or commission payable by any Party in connection with the transactions contemplated by this Agreement based upon Contracts made by or on behalf of KKR, Parent, Merger Sub or any of their respective Subsidiaries.

Section 5.13 Information Supplied. None of the information supplied or to be supplied by or on behalf of KKR, Parent, Merger Sub or any of their respective Subsidiaries for inclusion or incorporation by reference in the Proxy Statement to be sent to the holders of Company Shares in connection with the Company Shareholders Meeting (including any amendment or supplement thereto or document incorporated by reference therein) shall, on the date the Proxy Statement is first mailed to the holders of Company Shares, at the time of any amendment thereof or supplement thereto and at the time of the Company Shareholders Meeting, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading or omit to state a material fact necessary to correct any statement in any earlier communication with respect to the solicitation of proxies for the Company Shareholders Meeting which has become false or misleading.

Section 5.14 U.S. Federal Income Tax Status of Parent. Parent will timely file an election to be, treated as a partnership for all U.S. federal income tax purposes with an effective date that is prior to the Closing.

Section 5.15 Purchase for Investment. Parent is purchasing the Company Shares for investment for its own account and not with a view to, or for sale in connection with, any distribution thereof. Parent (either alone or together with its advisors) has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of its investment in the Company Shares and is capable of bearing the economic risks of such investment.

Section 5.16 No Other Representation or Warranty.

(a) Except for the representations and warranties contained in Article IV, each of Parent and Merger Sub acknowledges that neither the Company nor any Person on behalf of the Company makes any other express or implied representation or warranty with respect to the Company or with respect to any other information provided or made available to Parent or Merger Sub in connection with the transactions contemplated by this Agreement. In particular, and without limiting the generality of the foregoing, neither the Company nor any other Person makes or has made any express or implied representation or warranty to Parent, Merger Sub or any of their respective Representatives or Affiliates with respect to (a) any financial projection, forecast, estimate, budget or prospective information relating to the Company, any of its Subsidiaries or their respective businesses, (b) any judgment based on actuarial principles, practices or analyses by any Person or as to the future satisfaction or outcome of any assumption, (c) whether (i) reserves for losses (A) will be sufficient or adequate for the purposes for which they were established or (B) may not develop adversely or (ii) the reinsurance recoverables taken into account in determining the amount of such reserves for losses will be collectible, or (d) except for the representations and warranties made by the Company in this Article V, any oral or written information presented to Parent, Merger Sub or any of their respective Representatives or Affiliates in the course of their due diligence investigation of the Company, the negotiation of this Agreement or the course of the Transactions.

(b) Except for the representations and warranties expressly set forth in Article IV, Parent and Merger Sub hereby agree and acknowledge that neither the Company nor any of its Subsidiaries, nor any other Person, has made or is making, and Parent and Merger Sub are not relying on, any other express or implied representation or warranty with respect to the Company or any of its Subsidiaries or their respective businesses, operations, assets, liabilities, condition (financial or otherwise) or prospects, including with respect to any information made available to Parent, Merger Sub or any of their respective Representatives or Affiliates (including with respect to any judgment based on actuarial principles, practices or analyses by any Person or as to the future satisfaction or outcome of any assumption) or any information developed by Parent, Merger Sub or any of their respective Representatives or Affiliates.

ARTICLE VI

COVENANTS

Section 6.01 Conduct of Business by the Company Pending the Merger. During the period from the date of this Agreement until the Closing or earlier termination of this Agreement, except as (i) otherwise expressly contemplated or permitted by this Agreement, (ii) as set forth in Section 6.01 of the Company Disclosure Letter, (iii) as required by applicable Law or Order or (iv) with the prior written consent of Parent (which consent shall not be unreasonably withheld, delayed or conditioned), (x) the Company shall and shall cause each of its Subsidiaries to conduct their respective businesses and operations in the ordinary course of business in all material respects consistent with past practices (except for any action in response or related to any Contagion Event or any change in Law, policy or guidance of any Governmental Authority as a result of or related to any Contagion Event), and (y) the Company shall not and shall cause each of its Subsidiaries not to:

(a) amend or modify any of the Constituent Documents of the Company or any of its Subsidiaries;

(b) split, combine or reclassify any of its Securities or issue or authorize the issuance of any other Securities in respect of, in lieu of, or in substitution for, its Securities;

(c) issue, grant, deliver or sell any Securities (other than in accordance with the terms of awards that are issued and outstanding on the date hereof and that were issued under the Benefit Plans);

(d) merge or consolidate with any Person (other than the Company or any of its Subsidiaries) or acquire, directly or indirectly, any assets exceeding in aggregate $50,000,000 (other than reinsurance agreements) or Securities of any other Person (other than any of the Company's Subsidiaries), other than acquisitions of Investment Assets consistent with the investment policies and guidelines applicable to the Insurance Subsidiaries' investment activities in effect as of the date of this Agreement;

(e) make any loans, advances or capital contributions to, or investments in, any other Person other than (1) by the Company or any of its Subsidiaries to or in the Company or any of its Subsidiaries, (2) policy loans under Insurance Contracts in the ordinary course of business consistent with past practices, (3) pursuant to any Contract or other legal obligation existing at the date of this Agreement, in each case, as set forth on Section 6.01(e) of the Company Disclosure Letter or (4) in respect of acquisitions of Investment Assets consistent with the investment policies and guidelines applicable to the Insurance Subsidiaries' investment activities in effect as of the date of this Agreement;

(f) create, incur, guarantee or assume any Indebtedness, issuances of debt securities, guarantees, loans or advances not in existence as of the date of this Agreement, except (i) Indebtedness incurred in the ordinary course of business consistent with past practices not to exceed $100,000,000 in the aggregate, (ii) Indebtedness incurred under facilities or lines of credit in existence on the date of this Agreement, (iii) Indebtedness in replacement of existing Indebtedness on customary commercial terms, consistent in all material respects with the Indebtedness being replaced, and (iv) guarantees by the Company of Indebtedness of its Subsidiaries or guarantees by the Subsidiaries of the Company of Indebtedness of the Company;

(g) other than in connection with Investment Assets, make or commit to make any capital expenditure, except for (i) aggregate expenditures (calculated net of proceeds from normal course asset disposals) in an amount not in excess of (and for projects consistent with) the capital expenditure budget made available to Parent prior to the date of this Agreement (the amount of the capital expenditure budget being set forth in Section 6.01(g) of the Company Disclosure Letter) and (ii) additional expenditures in an amount not to exceed $10,000,000 in the aggregate;

(h) make any material change in the actuarial, underwriting, claims administration, reinsurance, reserving, payment or investment policies, practices or principles of any Insurance Subsidiary;

(i) abandon, modify, waive or terminate any material Permit;

(j) materially amend or, other than pursuant to its current terms, terminate, renew or extend any Material Contract (other than any reinsurance contract), or enter into any Contract (other than any reinsurance contract) that would be a Material Contract if in effect on the date of this Agreement, in each case other than in the ordinary course of business consistent with past practice (other than Material Contracts described in Section 4.15(a)(iii)); provided that (x) for any reinsurance transaction (or series of related reinsurance transactions), the total amount of capital commitment by the Company do not exceed $200,000,000 and (y) the renewal or extension of any Contract with a Third Party administrator do not include material changes to the terms thereof (other than changes to dates, time periods and related matters necessary to document such extension or renewal);

(k) enter into any reinsurance agreement, other than a reinsurance agreement involving capital commitments by the Company and its Subsidiaries that do not exceed $200,000,000; provided, however, that the Company and its Subsidiaries may enter into reinsurance agreements with capital commitments in excess of $200,000,000 with the prior consent of Parent (such consent not to be unreasonably withheld, delayed or conditioned);

(l) except as required by a Benefit Plan as of the date hereof or in the ordinary course of business consistent with past practices with respect to employees who are not members of the Management Committee of the Company as of the date of this Agreement (each, a "Non-Management Employee"), grant any increases in the cash compensation of or benefits to any of its directors, officers, individual independent contractors or employees;

(m) except as required by a Benefit Plan as of the date hereof or as required by applicable Law, (i) make any grant, or increase, any severance, change in control, retention, termination or similar compensation or benefits payable to any director, employee, individual independent contractor or officer, (ii) accelerate the time of payment or vesting of, or the lapsing of material restrictions with respect to, or fund or otherwise secure the payment of, any compensation or benefits under any Benefit Plan, (iii) adopt, enter into, amend or terminate any Benefit Plan (or any plan, program, agreement, or arrangement that would constitute a Benefit Plan if in effect on the date hereof), or (iv) hire or terminate (other than for cause or due to permanent disability) any employee other than Non-Management Employees;

(n) enter into or otherwise become bound by a collective bargaining agreement or similar labor Contract with a labor union, works council, employee committee or representative or other labor organization with respect to employees of the Company or any of its Subsidiaries;

(o) settle or compromise any Litigation involving claims for monetary damages (excluding settlements and compromises relating to Taxes), other than (i) settlements or compromises of claims under Insurance Contracts within applicable policy limits, (ii) settlements or compromises that require only payments of money by the Company or its Subsidiaries without ongoing limits on the conduct or operation of the Company or its Subsidiaries, which payments of money will not exceed $5,000,000 per Litigation or $15,000,000 in the aggregate for all such Litigations, in each case, in excess of the litigation reserve set forth in the Financial Statements, (iii) settlement or compromises of claims which amounts are within the litigation reserve set forth in the Financial Statements or (iv) compromises with policyholders or annuity holders involving de minimis cost or expense to the Company or its Subsidiaries, or enter into any consent, decree, injunction or similar restraint or form of equitable relief that, individually or in the aggregate, is material to the Company and its Subsidiaries, taken as a whole, or would reasonably be expected to impede or delay in any material respect the consummation of the transactions contemplated by this Agreement;

(p) adopt or implement a plan of complete or partial liquidation or resolution providing for or authorizing such liquidation or a dissolution, merger, restructuring, consolidation, recapitalization or other reorganization of the Company or any of its Subsidiaries Subsidiary; provided, that any Tax election otherwise permitted by Section 6.01(q) will not be prohibited by this Section 6.01(p);

(q) (i) make, revoke or amend any material election relating to Taxes, file any material amended Tax Return or surrender any right to claim a material Tax refund, offset or other reduction in Tax liability, (ii) settle or compromise any Litigation or other Tax proceeding relating to material Taxes or extend or waive the application of any statute of limitations regarding the assessment or collection of any Tax, (iii) make a request for a written ruling of a

Taxing Authority relating to material Taxes, other than any ordinary course request for a determination concerning qualified status of any Benefit Plan intended to be qualified under Section 401(a) of the Code or (iv) change any method of Tax accounting or change the basis for determining any item referred to in Section 807(c) of the Code;

(r) change in any material respect any method of accounting or accounting principles or practices (or any system of internal accounting controls) by the Company or any of its Subsidiaries, except for any such change required by a change in GAAP or Applicable SAP or by a Governmental Authority or applicable Law;

(s) (i) enter into any new line of business, or (ii) change in any material respect any material enterprise risk management policies, in each case, except as required by Law or by policies imposed, or requests made, by a Governmental Authority;

(t) enter into any agreement or commitment with any insurance regulatory authority other than in the ordinary course of business consistent with past practice;

(u) sell, assign, transfer, license, dispose of or encumber any assets, rights or properties (including Intellectual Property) with a fair market value in excess of $10,000,000 individually or $20,000,000 in the aggregate, including pursuant to reinsurance, except in connection with or the disposition of obsolete or worn out assets in the ordinary course of business consistent with past practice, or disposition of Investment Assets consistent with the investment policies, practices and guidelines applicable to the Insurance Subsidiaries' investment activities in effect as of the date of this Agreement;

(v) make any material change in its reserves, or conduct any material revaluation of any assets or liabilities other than, in each case, as required by GAAP or Applicable SAP;

(w) fail to manage its Investment Assets in a manner consistent with past practices; or

(x) agree or commit to do any of the foregoing.

Section 6.02 Access to Information and Employees; Confidentiality.

(a) From the date hereof until the earlier of the Closing and the termination of this Agreement, upon reasonable notice, the Company will, and will cause each of its Subsidiaries to, afford to Parent and its Representatives reasonable access during normal business hours to the respective properties, books, records (including Tax records), Contracts, commitments and personnel of the Company and its Subsidiaries and will furnish, and will cause to be furnished, as promptly as practicable to Parent and its Representatives (i) a copy of each material report, including all Statutory Statements, filed or submitted with insurance regulatory authorities after the date of this Agreement and (ii) all other information with respect to the Company and its Subsidiaries, as applicable, as Parent or its Representatives may reasonably request. In addition, the Company shall, or shall cause its applicable Subsidiaries to, use reasonable best efforts to deliver to Parent, on a bi-weekly (once every two (2) weeks) basis, a summary report of all investment transaction activity in a form reasonably acceptable to Parent and the Company. Subject to applicable procedures mutually agreed by the Parties to ensure compliance with applicable securities Laws, during the period from the date of this Agreement through the earlier of the Closing and the termination of this Agreement pursuant to its terms, (A) the Company shall cause its applicable employees having primary responsibility for the matters set forth in the foregoing sentence to consult with Representatives of Parent as reasonably requested thereby, not to exceed once per each two (2) week period, with respect to investment matters, including the treatment of impaired or potentially impaired investment assets, and (B) in such meetings with management, Parent may make recommendations to the Company with respect to such matters, and the Company shall consider such recommendations in good faith; provided, that the Company and its applicable employees shall not be required to accept or act upon such recommendations.

(b) Notwithstanding Section 6.02(a), the Company will not be required to permit any inspection, or to disclose any information, that would (i) violate applicable Law, (ii) waive the protection of an attorney-client privilege or other legal privilege (subject to reasonable cooperation between the parties with respect to entering into appropriate joint defense, community of interest or similar agreements or arrangements with respect to the preservation of such privileges) or (iii) result in the disclosure of any trade secrets of third parties or violate any of its obligations with respect to confidentiality. Without limiting the foregoing, in the event that the Company does not provide access or information in reliance on the immediately preceding sentence, it will provide notice to Parent that it is withholding such access or information and will use reasonable best efforts to communicate, to the extent feasible, the applicable information in a way that would not violate applicable Law, Contract or obligation or risk waiver of such privilege

(c) All information furnished to Parent, its Affiliates or Representatives pursuant to Section 6.02(a) or otherwise pursuant to this Agreement will be subject to the confidentiality agreement dated as of March 23, 2020 between the Company and Kohlberg Kravis Roberts & Co. L.P. (the "Confidentiality Agreement"). The Confidentiality Agreement shall survive any termination of this Agreement.

(d) From and after the Closing Date and until the seventh anniversary thereof, Parent shall cause the Surviving Company and its Subsidiaries to retain the Company and its Subsidiaries' books and records (including Tax records) in accordance with the requirements of applicable Law and subject to retention policies that are no less stringent than those generally applied by the Company as of the date hereof.

(e) From and after the Closing Date and until the seventh anniversary thereof, Parent shall cause the Surviving Company and its Subsidiaries to afford to the Company's Representatives, the Company Stakeholders and the Equity Representative reasonable access during normal business hours to the books and records (including Tax records) of the Company and its Subsidiaries related to the conduct of their business prior to the Closing, to the extent required by the Company's Representatives, the Company Stakeholders or the Equity Representative in connection with (i) the preparation of financial statements required to be prepared under applicable Law or stock exchange rules or for other bona fide reporting purposes, (ii) the preparation of filings and submissions to Governmental Authorities, (iii) the conduct of any Litigation, (iv) compliance with any applicable Orders or (vi) compliance with applicable Law.

(f) As promptly as practicable after the date hereof, the Company shall provide to KKR the information set forth on Section 6.02(f) of the Company Disclosure Letter with respect to the Company.

Section 6.03 Reasonable Best Efforts to Consummate Merger; Notification.

(a) Upon the terms and subject to the conditions set forth in this Agreement, each of Parent, Merger Sub and the Company agrees to use, and shall cause their respective Affiliates to use, reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable to fulfill all conditions applicable to such party pursuant to this Agreement and to consummate and make effective the Merger and the other transactions contemplated hereby, including using reasonable best efforts to: (i) obtain all necessary, proper or advisable actions or nonactions, consents, approvals, authorizations, waivers or qualifications from Governmental Authorities and other third parties, (ii) make all necessary, proper or advisable registrations, filings and notices as may be necessary to obtain a consent, approval, authorization, waiver or exemption from any Governmental Authority, and (iii) execute and deliver any additional agreements, documents or instruments necessary, proper or advisable to consummate the transactions contemplated by, and to fully carry out the purposes of, this Agreement.

(b) Without limiting the foregoing, Parent and Merger Sub shall use, and shall cause their respective Affiliates, as applicable, to use, reasonable best efforts to avoid impediments under any applicable Law that may be asserted by, or Order that may be entered by, any Governmental Authority with respect to this Agreement, the Merger or any other transaction contemplated hereby so as to enable the Closing to occur as promptly as practicable, including using reasonable best efforts to: (i) obtain all consents, approvals, authorizations or waivers of Governmental Authorities necessary, proper or advisable to consummate the transactions contemplated by this Agreement and secure the expiration or termination of any applicable waiting period under the HSR Act, (ii) resolve any objections that may be asserted by any Governmental Authority with respect to the Merger or any other transaction contemplated hereby and (iii) prevent the entry of, and have vacated, lifted, reversed or overturned, any Order that would prevent, prohibit, restrict or delay the consummation of the Merger or any other transaction contemplated hereby.

(c) Parent shall not, and shall cause its Affiliates not to, directly or indirectly (whether by merger, consolidation or otherwise), acquire, purchase, lease or license (or agree to acquire, purchase, lease or license) any business, corporation, partnership, association or other business organization or division or part thereof, or any securities or collection of assets, if doing so would reasonably be expected to: (i) impose any material delay in the obtaining of, or materially increase the risk of not obtaining, consents, approvals, authorizations or waivers of Governmental Authorities necessary, proper or advisable to consummate the transactions contemplated by this Agreement and secure the expiration or termination of any applicable waiting period under the HSR Act; (ii) materially increase the probability of any Governmental

Authority entering an Order prohibiting the consummation of the transactions contemplated by this Agreement; (iii) materially increase the risk of not being able to remove any such Order on appeal or otherwise; or (iv) otherwise impair or delay the ability of Parent and Merger Sub to perform their material obligations under this Agreement.

(d) In furtherance and without limiting the foregoing, (i) Parent shall file, or cause to be filed, a "Form A" Acquisition of Control Statement with all required applicants, together with all material exhibits, affidavits and certificates, with the Insurance Commissioner of the State of Iowa, within fifteen (15) Business Days of the date hereof; (ii) Parent shall file, or cause to be filed, a "Form A" Acquisition of Control Statement with all required applicants, together with all material exhibits, affidavits and certificates, with the Insurance Commissioner of the State of Indiana, within fifteen (15) Business Days of the date hereof; (iii) Parent shall file, or cause to be filed, a "Form A" Acquisition of Control Statement with all required applicants, together with all material exhibits, affidavits and certificates, with the Insurance Commissioner of the State of Massachusetts, within fifteen (15) Business Days of the date hereof; (iv) the Company shall file, or cause to be filed, a change of controller approval application, together with all material exhibits, affidavits and certificates, with the Bermuda Monetary Authority in Bermuda; (v) as promptly as practicable after the date hereof but no later than fifteen (15) Business Days of the date hereof, the Company shall cause Global Atlantic Distributors, LLC to prepare and file with FINRA a continuing membership application (the "FINRA CMA") for approval of a change in ownership or control as specified under FINRA Rule 1017 and shall provide Parent with an opportunity to review and comment upon the FINRA CMA prior to the filing; and (vi) the parties shall take, make or refrain from any other actions or nonactions, consents, approvals, authorizations, waivers, qualifications, registrations, filings and notices of, with or to Governmental Authorities necessary, proper or advisable to consummate the transactions contemplated by this Agreement, including any filing required under the HSR Act, within fifteen (15) Business Days of the date hereof. All filing fees payable in connection with the foregoing shall be borne by Parent. Parent agrees promptly to provide, or cause to be provided, all information, including copies of all agreements, documents and instruments, as well as affidavits, statements or other information, that may be required or requested by any Governmental Authority relating to Parent (including any of its directors, officers, employees, partners, members or shareholders) and all Persons who are deemed or may be deemed to "control" Parent or Merger Sub within the meaning of applicable Insurance Laws (including any of their respective directors, officers, employees, partners, members or shareholders), or its or their structure, ownership, businesses, operations, regulatory and legal compliance, assets, liabilities, financing, financial condition or results of operations, or any of its or their directors, officers, employees, partners, members or shareholders. The Company shall cause Global Atlantic Distributors, LLC to seek FastTrack treatment for the FINRA CMA.

(e) As soon as reasonably practicable after the date of this Agreement, the Company will cause the investment companies (or series thereof) that are registered under the Investment Company Act and advised by Global Atlantic Investment Advisors, LLC (the "Registered Funds") to seek in compliance with Section 15 of the Investment Company Act (x) the approval of such Registered Funds' boards of trustees ("Registered Fund Board Approval") and shareholders ("Registered Fund Shareholder Approval") of new Registered Fund Advisory Agreements having substantially the same terms as the existing Registered Fund Advisory

Agreements, and (y) Registered Fund Board Approval of a new underwriting agreement between Forethought Variable Insurance Trust and Global Atlantic Distributors, LLC having substantially the same terms as the existing underwriting agreement between Forethought Variable Insurance Trust and Global Atlantic Distributors, LLC (collectively, the "Registered Fund Approvals"); provided, that only Registered Fund Board Approval shall be required for Registered Fund Sub-Advisory Agreements applicable to any Registered Fund that is eligible to rely upon a "manager of managers" SEC exemptive order in lieu of obtaining Registered Fund Shareholder Approval of the new Registered Fund Sub-Advisory Agreement if (i) the conditions of such "manager of mangers" order are complied with an all respects by the Registered Fund and the parties to the applicable Registered Fund Sub-Advisory Agreement and (ii) an SEC substitution order or applicable Law does not prohibit the Registered Fund or the parties to the Registered Fund Sub-Advisory Agreement from relying on such exemptive relief. The Company shall use its reasonable best efforts to obtain, and Parent agrees to use its reasonable best efforts to cooperate in obtaining, the Registered Fund Approvals as promptly as practicable (and, in any event, no later than 150 days after the Closing Date). Parent agrees to provide such information for provision to the board of trustees of the Registered Funds as may be reasonably required to obtain the Registered Fund Board Approvals. The Company shall request Registered Fund Board Approval, in conformity with Rule 15a-4 under the Investment Company Act, of all interim investment advisory and sub advisory Contracts necessary for the current investment adviser and sub-advisers of each Registered Fund to continue to act as an investment adviser or sub-adviser, as applicable, to the Registered Fund following the Closing, to be effective immediately following the Closing in the event that the Registered Fund Approvals described herein are not obtained prior to Closing, containing terms that are consistent with the applicable requirements of Rule 15a-4 and that are, taken as a whole, substantially similar to the terms of the existing Registered Fund Advisory Agreements with such Registered Fund (except for changes thereto to the extent necessary to comply with Rule 15a-4 under the Investment Company Act).

(f) Upon the written request of Parent, the Company shall, and shall cause its Subsidiaries, to provide reasonable cooperation and assistance to Parent and its counsel, at Parent's sole cost and expense, in the preparation of, and, at the direction of Parent, the filing of any application, consent, approval, authorization, waiver or exemption set forth on Section 6.03(f) of the Parent Disclosure Letter in connection with actions proposed to be taken or agreements proposed to be entered into by the Company on or following the Closing Date (the "Accommodation Filings"). Parent and the Company shall cooperate to file, or cause to be filed, the Accommodation Filings within thirty (30) Business Days from the date hereof. Except for the transactions and matters set forth in Section 6.03(f) of the Parent Disclosure Letter, Parent and its Affiliates shall not at any time prior to the Closing, in connection with the transactions contemplated by this Agreement, file any application with or request for non-disapproval by any Governmental Authority with respect to any inter-affiliate transaction between any Insurance Subsidiary, on the one hand, and Parent or any of its Affiliates, on the other hand, that would require approval or non-disapproval under applicable Law. Each of the parties acknowledges and agrees that the effectiveness of the Accommodation Filings set forth in Section 6.03(f) of the Parent Disclosure Letter is not a condition to the Closing, including to the extent the transactions or matters contemplated thereby are included in any of the consents, approvals, authorizations or filings set forth in Schedule 7.01(c).

(g) Each of the Company, Parent and Merger Sub agrees that it shall reasonably cooperate and consult with one another with respect to the obtaining of all consents, approvals, authorizations, waivers or exemptions of Governmental Authorities necessary, proper or advisable to consummate the transactions contemplated by this Agreement and each of the Company, Parent and Merger Sub shall keep the others apprised on a prompt basis of the status of matters relating to such consents, approvals, authorizations, waivers or exemptions. Parent and the Company shall have the right to review in advance, subject to withholding of Personally Identifiable Information and, to the extent practicable, and subject to any restrictions under applicable Law each shall consult the other on, any filing made with, or written materials submitted to, any Governmental Authority in connection with the transactions contemplated by this Agreement and each party agrees to in good faith consider and reasonably accept comments of the other parties thereon. Parent and the Company shall promptly furnish to each other copies of all such filings and written materials after their filing or submission, in each case subject to applicable Laws and subject to withholding of Personally Identifiable Information.

(h) Parent, Merger Sub and the Company shall promptly advise each other upon receiving any communication from any Governmental Authority whose consent, approval, authorization, waiver or exemption is required for consummation of the transactions contemplated by this Agreement, including promptly furnishing each other copies of any written or electronic communications, and shall promptly advise each other when any such communication causes such party to believe that there is a reasonable likelihood that any such consent, approval, authorization, waiver or exemption will not be obtained or that the receipt of any such consent, approval, authorization, waiver or exemption will be materially delayed or conditioned.

(i) None of Parent, Merger Sub and the Company shall, and each of them shall cause their respective Affiliates not to, permit any of their respective Representatives to participate in any live or telephonic meeting or hearing (other than non-substantive scheduling or administrative calls and other than, with respect to Parent and Merger Sub, any meeting with a Governmental Authority that relates solely to Personal Identifiable Information of an individual Affiliate of Parent; provided, that the Company is given prior notice of the meeting and a summary of topics to be discussed prior to the meeting) with any Governmental Authority in respect of any filings, investigation or other inquiry relating to the transactions contemplated by this Agreement unless it consults with the other in advance and, to the extent permitted by applicable Law and by such Governmental Authority, gives the other party the opportunity to attend and participate in such meeting or hearing.

(j) The Company and its Subsidiaries shall not agree to or accept any requirement or condition proposed by any Governmental Authority in connection with the transactions contemplated hereby (including the Accommodation Filings) without the consent of Parent, not to be unreasonably withheld. Notwithstanding anything in this Agreement to the contrary, in no event shall the Company or its Affiliates be required to agree to take or enter into any action which would be binding on the Company or its Affiliates in the event that the Closing does not occur.

(k) Parent and its Affiliates will use their reasonable best efforts to ensure that any KKR Co-Investor is not required to (i) file or join in the filing of any Form A as an applicant in connection with the transactions contemplated hereby or (ii) otherwise make any other filing with a United States federal or state, or Bermuda, Governmental Authority (other than a disclaimer of control filings with an insurance regulator) that would result in a requirement under applicable Law that such United States federal or state Governmental Authority approve the consummation of the Merger and the other transactions contemplated by this Agreement. In the event that, notwithstanding such efforts, (A) any Governmental Authority determines and notifies Parent that a KKR Co-Investor is required to file or join in such a Form A filing or is required to make such an additional filing described in the foregoing clause (ii) and (B) Parent is not able to restructure such KKR Co-Investor's investment so as to avoid such requirement, then Parent shall provide written notice thereof to the Company and may (or at the written request of the Company, shall) not permit such KKR Co-Investor to be an investor in Parent or the Surviving Company.

(l) In addition, the Company shall cooperate with Parent in connection with the implementation, following the Effective Time, of sub-advisory agreements to be entered into between an Insurance Subsidiary or any of its Affiliates, on the one hand, and KKR or any of its Affiliates, on the other hand (subject to receipt of any required consent or approval thereof by the relevant Governmental Authority, and related preparation prior to the Closing to facilitate implementation of such arrangements as promptly as practicable following the Effective Time).

Section 6.04 Proxy Statement; Company Shareholder Meeting; Voting Agreement; Exclusive Dealings. As promptly as reasonably practicable after the date hereof, the Company (with the assistance and cooperation of Parent as reasonably requested by the Company) shall take all actions necessary to seek and obtain the Company Required Vote. In furtherance of the foregoing, the Company shall, in consultation with Parent, prepare the Proxy Statement and shall take into account all reasonable comments by Parent on such Proxy Statement (and any amendment or supplement thereto). Prior to mailing any proposed amendment of or supplement to the Proxy Statement, the Company shall provide Parent with a reasonable opportunity to review and comment on such document and shall take into account all reasonable comments. If, at any time prior to the Company Shareholders Meeting, any information relating to the Company or any of its Affiliates should be discovered by the Company which should be set forth in an amendment or supplement to the Proxy Statement, so that the Proxy Statement shall not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading, the Company shall promptly, to the extent required by Law, disseminate to the Company Shareholders such amendment or supplement.

(b) The Company, acting through the Company Board of Directors, shall take all actions in accordance with applicable Law, the Shareholders Agreement and the Constituent Documents of the Company to (i) duly call, give notice of, convene and promptly hold a special general meeting of its shareholders (including any adjournments, recesses, reconvenings or postponements thereof, the "Company Shareholders Meeting") for the purpose of obtaining the Company Required Vote and (ii) recommend that the Company shareholders vote in favor of the

Merger. No business other than the Company Required Vote will be proposed at the Company Shareholders Meeting. Unless this Agreement has been duly terminated in accordance with the terms herein, the Company shall take all lawful action to solicit from the Company Shareholders proxies in favor of the proposal to adopt this Agreement and approve the Merger and shall take all other action reasonably necessary or advisable to secure the vote or consent of the Company Shareholders that are required by the Bermuda Companies Act. Notwithstanding anything to the contrary contained in this Agreement, the Company, after consultation with Parent, shall adjourn or postpone the Company Shareholders Meeting (but not to a date that is later than five Business Days prior to the Outside Termination Date) to the extent necessary to ensure that any legally required supplement or amendment to the Proxy Statement is provided to the Company Shareholders or, if as of the time for which the Company Shareholders Meeting is originally scheduled (as set forth in the Proxy Statement) or the time of any such adjournment or postponement, there are insufficient shares of Company Shares represented (either in person or by proxy) to constitute a quorum necessary to conduct the business of the Company Shareholders Meeting or to allow reasonable additional time to solicit additional proxies if necessary in order to obtain the Company Required Vote (but shall not adjourn or postpone the Company Shareholders Meeting for any other purpose). If at any Company Shareholders Meeting, the Company fails to obtain the Company Required Vote, the Company shall continue to take all such actions described in this Section 6.04(b), including calling and holding additional special general meetings of shareholders to obtain the Company Required Vote. The Company hereby acknowledges that, pursuant to the Voting Agreements, each of the Company Shareholders party thereto has irrevocably granted to and appointed Parent as such shareholder's proxy to vote all of the Company Shares held by such shareholder at the Company Shareholders Meeting, solely on the matters and in the manner specified in the Voting Agreements. The Company further hereby acknowledges and agrees that during the term of the Voting Agreements, it shall recognize the grant of any such proxy and the exercise thereof by Parent in accordance with the terms thereof at the Company Shareholders Meeting. Voting at the Company Shareholders Meeting on the Company Required Vote will be taken in accordance with the Company's customary practices for shareholder votes.

(c) The Company will use its reasonable best efforts to cause certain additional Company Shareholders which, together with the Proposing Shareholders, beneficially own in aggregate a majority of the Company's outstanding Company Shares, to execute and deliver, within ten (10) Business Days from the date of this Agreement, to the Company and Parent an additional Voting Agreement in substantially the same form as the Voting Agreement delivered by the Proposing Shareholders as of the date of this Agreement.

(d) During the period from the date of this Agreement through the earlier of the Closing Date and the date of the termination of this Agreement pursuant to Article VIII, none of the Company or the Equity Representative will, or will permit its Controlled Affiliates to, and shall use reasonable best efforts to cause their respective Representatives and Affiliates not to, directly or indirectly, solicit or engage in discussions or negotiations with, provide any information to, or enter into any Contract with, any Person (other than Parent, Merger Sub and their Representatives and Affiliates) concerning any purchase or acquisition of, or offer to purchase or to acquire, directly or indirectly, any Company Shares or any Securities convertible into or exchangeable for Company Shares, or any Securities of any of the Company's

Subsidiaries, or a material portion of the assets, properties or business of the Company or any of its Subsidiaries (other than assets, properties or business sold in the ordinary course of business, and Securities issued or sold by Subsidiaries in accordance with the ordinary course investment activities of such Subsidiaries) or any other transaction that would require the Company to abandon, terminate or fail to consummate the transactions contemplated hereby (any of the foregoing, a "Competing Transaction"). Each of the Company and the Equity Representative shall (and shall cause their respective Controlled Affiliates and Representatives to) (a) immediately cease and cause to be terminated any and all existing activities, discussions or negotiations with any Persons (other than Parent, its Affiliates or any of their respective Representatives) conducted on or prior to the date hereof with respect to any Competing Transaction, including by terminating any access to any online or other data sites, (b) not provide information with respect to, or afford access to the books or records of, the Company or any of its Subsidiaries to any Persons (other than Parent, its Affiliates or any of their respective Representatives) in connection with any Competing Transaction, and (c) not enter into any Contract with any Persons (other than Parent or its Affiliates) with respect to any Competing Transaction.

Section 6.05 Equity Financing.

(a) Parent and Merger Sub acknowledge that they shall be, subject to the satisfaction of the conditions set forth in Section 7.01 and Section 7.02, fully responsible for obtaining the Equity Financing and each shall take, or cause to be taken, all actions, and do, or cause to be done, all things, necessary, proper or advisable to obtain the Equity Financing, including taking all actions necessary to (i) maintain in effect the Equity Commitment Letter, (ii) satisfy on a timely basis all conditions in such Equity Commitment Letter that are within Parent and Merger Sub's control, (iii) subject to satisfaction of the conditions in the Equity Commitment Letter, consummate the Equity Financing at the Closing and (iv) fully enforce its rights under the Equity Commitment Letter (including through litigation). Any breach of the Equity Commitment Letter by any party thereto shall be deemed a breach by Parent and Merger Sub of this Section 6.05(a). Prior to the Closing, neither Parent nor Merger Sub shall agree to, or permit, any amendment or modification of, or waiver under, the Equity Commitment Letter without the prior written consent of the Company.

(b) Parent and Merger Sub shall give the Company prompt (and in any event within two (2) Business Days) notice (i) of any breach or default, or threatened breach or default, related to the Equity Financing of which Parent or Merger Sub becomes aware, (ii) of the receipt or delivery of any notice or other communication, in each case from any Person with respect to any actual or potential breach of any provisions of the Equity Commitment Letter by KKR, or any default, termination or repudiation by any party to the Equity Commitment Letter and (iii) if at any time for any reason either Parent or Merger Sub believes that it will not be able to obtain all or any portion of the Equity Financing on the terms and conditions, in the manner or from the sources, contemplated by the Equity Commitment Letter. Parent and Merger Sub shall promptly provide any information reasonably requested by the Company relating to any circumstance referred to in clause (i), (ii) or (iii) of the immediately preceding sentence.

(c) Parent and Merger Sub acknowledge and agree that the obtaining of the Equity Financing is not a condition to the Closing.

Section 6.06 Financing Cooperation. Between the date hereof and the Closing Date, the Company agrees to use commercially reasonable efforts to provide, and shall cause its Subsidiaries to use commercially reasonable efforts to provide, and shall use its commercially reasonable efforts to direct its and their respective Representatives (including legal and accounting representatives) to provide all cooperation reasonably requested by Parent (at Parent's sole expense) in connection with the arrangement of debt or equity financing by KKR, Parent or any of their respective Affiliates, including in connection with obtaining co-investments from the KKR Co-Investors, entering into and consummating Rollover Agreements and/or any other potential capital raising in connection with the Merger and the other transactions contemplated hereby (the "Financings"). Such cooperation shall include, in each case: (i) (A) furnishing Parent and the arrangers for the Financings (the "Arrangers") as promptly as practicable with (x) audited consolidated balance sheets of the Company and its Subsidiaries as of the end of the two most recently completed fiscal years ended at least 60 days prior to the Closing Date, statements of income, cash flow and shareholders' equity of the Company and its Subsidiaries for the two most recently completed fiscal years ended at least 60 days prior to the Closing Date, together with all related notes and schedules thereto (the "Annual Financial Statements") and (y) unaudited consolidated quarterly balance sheets and related statements of income, cash flow and shareholders' equity of the Company and its Subsidiaries for any subsequent quarterly interim period ended at least 40 days prior to the Closing Date and for the comparable period of the prior fiscal year, together with all related notes and schedules thereto, which shall have been reviewed by the independent auditors of the Company (the "Interim Financial Statements") in each case of clauses (x) and (y) prepared in accordance with GAAP (other than segment reporting or disclosure), (B) furnishing Parent and the Arrangers as promptly as practicable with other financial information about the Company and its Subsidiaries reasonably necessary to allow Parent to prepare pro forma financial statements (including for the most recently completed fiscal year ended at least 60 days prior to the Closing Date and any subsequent interim period ended at least 40 days prior to the Closing Date and for the comparable period of the prior fiscal year) prepared in accordance with GAAP; provided that such information shall not include, and Parent shall be solely responsible for, the preparation of pro forma financial information and that the Company and its Affiliates shall not be required to provide any audited, unaudited or other financial statements except for the Annual Financial Statements and the Interim Financial Statements and (C) using commercially reasonable efforts to cause to be furnished (x) to Parent consents of the independent auditors of the Company for use of their unqualified audit reports in any materials relating to the Financings or otherwise required to be filed by Parent with the SEC and (y) to the Arrangers customary comfort letters from the independent auditors of the Company to the extent financial statements or other financial information of the Company and its Subsidiaries audited or reviewed by such auditor are included or incorporated by reference into any prospectus, prospectus supplement, offering memorandum or other disclosure documents prepared by Parent in connection with the Financings, (ii) participation in meetings, presentations and due diligence sessions, (iii) providing other information reasonably available to the Company and assisting with the preparation of a prospectus, prospectus supplement, offering memorandum or other disclosure documents in connection with the Financings, including providing a reasonable summary description of the Business for use in any such disclosure documents and related marketing materials and (iv) taking all actions reasonably necessary and appropriate to permit the Arrangers and their counsel to complete customary pre-closing due diligence on the Business. Notwithstanding the foregoing (A) no such cooperation shall be required to the extent that it would (1) require the Company or its Affiliates to take any action that in the good faith judgment of the Company unreasonably interferes with the ongoing business or operations of the Company and its Affiliates, (2) require the Company or its Affiliates to incur any fee, expense or other liability prior to the Closing Date for which they are not promptly reimbursed or indemnified by Parent, (3) cause any representation or warranty of the Company under this Agreement to be breached, (4) cause any condition to Closing to fail to be satisfied or otherwise cause any breach of this Agreement by the Company, (5) be reasonably expected to cause any director, officer or employee of the Company or its Affiliates to incur any personal liability or (6) cause any breach of any applicable Law and (B) the Company and its Affiliates shall not be required to (x) enter into, execute or approve any agreement or other documentation prior to the Closing or agree to any change or modification of any existing agreement or other documentation that in each case would be effective prior to the Closing or (y) provide any indemnification in connection with any information provided by the Company, its Subsidiaries or its and their respective Representatives (including legal and accounting representatives) in connection with the Financings. Parent shall (i) upon written request from the Company, promptly reimburse the Company and its Affiliates for all reasonable and documented out-of-pocket fees, costs and expenses (including, to the extent incurred at the request or consent of Parent, reasonable legal fees) incurred by the Company or its Affiliates in connection with the cooperation or assistance contemplated by this Section 6.06 and (ii) indemnify and hold harmless the Company and its Affiliates and Representatives from and against any and all losses, liabilities, damages, claims, costs or expenses suffered or incurred by them in connection with the performance of their obligations under this Section 6.06 in the arrangement of the Financing and any information utilized in connection therewith, except to the extent that any of the foregoing arise from the bad faith, gross negligence or willful misconduct of, or material breach of this Agreement by the Company, as applicable. Each of Parent and Merger Sub acknowledges and agrees that obtaining Financing is not a condition to its obligations under this Agreement.

Section 6.07 Public Announcements. The Company and Parent shall agree on a press release announcing the entering into of this Agreement and the transactions contemplated hereby. Thereafter, the Company and Parent shall consult with each other before issuing any press release or otherwise making any public statements (including scheduling of a press conference or conference call with investors or analysts) with respect to this Agreement or any of the transactions contemplated hereby and shall not issue any such press release or make any such public statement without the prior consent of the other party, which consent shall not be unreasonably withheld, conditioned or delayed; provided, however, that a party may, without the prior consent of the other party, issue such press release or make such public statement as may be required by Law or Order, the applicable rules of the New York Stock Exchange or any listing agreement with the New York Stock Exchange.

Section 6.08 Employee Matters.

(a) For a period of no less than twenty-four (24) months following the Closing Date, Parent shall provide to each employee of the Company and its Subsidiaries who is an employee of the Company or a Subsidiary at the Closing Date (each such employee, a "Company Employee"), solely during any period of employment, (i) base salary and cash-based target annual incentive bonus opportunities, in each case, no less than the base salary and cash-based target annual incentive bonus opportunities applicable to each such Company Employee immediately prior to the Closing Date (provided that, Parent may institute temporary reductions to base salary or cash-based target incentive annual bonus opportunities following the Closing Date in response to a Contagion Event and may maintain such reductions for such period as Parent determines, in good faith, is appropriate in light of such Contagion Event); provided, that, for purposes of this Section 6.08, "cash-based target annual incentive bonus opportunities" shall include annual incentive bonus opportunities currently issued in the form of Company RSAs under the Amended and Restated Global Atlantic Financial Company Annual Incentive Plan (but which following the Closing may be issued in the form of Parent common stock and/or paid in cash) and (ii) employee benefits that are substantially comparable, in the aggregate (in terms of participant cost and levels of benefits), to those employee benefits provided to Company Employees immediately prior to the Closing Date.

(b) Parent shall provide each Company Employee who incurs a termination of employment during the twenty-four (24)-month period following the Closing Date with severance payments and severance benefits that are no less favorable than the severance payments and severance benefits to which such Company Employee would have been entitled with respect to such termination under the applicable severance policies of the Company and its Subsidiaries as in effect immediately prior to the Closing Date, as set forth on Section 6.08(b) of the Company Disclosure Letter.

(c) From and after the Closing Date, Parent shall cause the Surviving Company and its Subsidiaries to honor all obligations under the Benefit Plans in accordance with their terms as in effect immediately prior to the Closing Date.

(d) Parent shall, or shall cause the Surviving Company or Parent's or the Surviving Company's Subsidiaries, as applicable, to give Company Employees full credit for Company Employees' service with the Company and its Subsidiaries for purposes of eligibility, vesting and determination of the level of benefits (including, for purposes of vacation and severance), but not for purposes of benefit accruals under a defined benefit pension plan, under any benefit plans made generally available to officers or employees or any class or level of officers or employees maintained by Parent, the Surviving Company or any of their respective Subsidiaries in which a Company Employee participates to the same extent recognized by the Company immediately prior to the Closing Date; provided, however, that such service shall not be recognized to the extent that such recognition would result in a duplication of benefits with respect to the same period of service.

(e) Parent shall use reasonable best efforts, or shall use reasonable best efforts to cause the Surviving Company or Parent's or the Surviving Company's Subsidiaries, as applicable, to (i) waive any preexisting condition limitations otherwise applicable to Company Employees and their eligible dependents under any plan of Parent or any Subsidiary of Parent that provides health benefits in which Company Employees participate following the Closing Date (a "Parent Plan"), other than any limitations that were in effect with respect to such employees under the analogous Benefit Plan immediately prior to such commencement of participation, (ii) if applicable, honor, for the balance of the plan year of the Parent Plan, any deductible, co-payment and out-of-pocket maximums incurred by the Company Employees and their eligible dependents under the analogous Benefit Plan during the elapsed portion of the plan year of such Benefit Plan in satisfying any deductibles, co-payments or out-of-pocket maximums under the Parent Plan and (iii) waive any waiting period limitation or evidence of insurability requirement that would otherwise be applicable to a Company Employee and his or her eligible dependents under a Parent Plan to the extent such Company Employee or eligible dependent had satisfied any similar limitation or requirement under an analogous Parent Plan immediately prior to such commencement of participation.

(f) This Section 6.08 shall be binding upon and shall inure solely to the benefit of each of the parties to this Agreement and nothing in this Section 6.08 or any other provision of this Agreement or any other related Contract, express or implied: (i) shall be construed to establish, amend, or modify any Benefit Plan or any other benefit plan, program, agreement or arrangement; (ii) except as expressly provided by Section 6.08(b), shall alter or limit the ability of the Company, the Surviving Company or any of their Subsidiaries, or Parent or any of its Subsidiaries to amend, modify or terminate any benefit plan, program, agreement or arrangement; or (iii) is intended to or shall confer upon any current or former employee of the Company or its Subsidiaries or any other person any right to employment or continued employment or service for any period of time by reason of this Agreement or any other related agreement, or any right to a particular term or condition of employment.

Section 6.09 Directors' and Officers' Indemnification and Insurance.

(a) From and after the Effective Time, the Surviving Company shall indemnify, defend and hold harmless all past and present directors and officers of the Company and its Subsidiaries (the "Indemnified Parties") for acts or omissions occurring at or prior to the Effective Time to the fullest extent permitted by the Bermuda Companies Act or provided under the Company Constituent Documents in effect on the date hereof. Parent shall cause the Surviving Company to perform its obligations under this Section 6.09.

(b) From the Effective Time and for a period of six (6) years thereafter, Parent and the Surviving Company shall use reasonable best efforts to maintain in effect directors' and officers' liability insurance covering acts or omissions occurring at or prior to the Effective Time with respect to those persons who are currently covered by the Company's directors' and officers' liability insurance policy (a copy of which has been made available or delivered to Parent) with terms, conditions, retentions and levels of coverage at least as favorable as those of such current insurance coverage; provided, however, that in no event will Parent or the Surviving Company be required to expend in any one year an amount in excess of 400 % of the annual premiums currently paid by the Company for such insurance (the "Maximum Premium"), which Maximum Premium is set forth in Section 6.09(b) of the Company Disclosure Letter; and provided, further, that, if the annual premiums for such insurance coverage exceed the Maximum Premium, Parent and the Surviving Company will be obligated to obtain a policy with the greatest coverage available for a cost not exceeding such amount; and provided, further, however, that at Parent's option in lieu of the foregoing insurance coverage, Parent may direct the Company to purchase, prior to the Effective Time, six (6) year "tail" insurance coverage that provides coverage identical in all material respects to the coverage described above; provided, that the Company does not pay more than the Maximum Premium.

(c) Parent, Merger Sub and the Company agree that all rights to indemnification and exculpation from liabilities for acts or omissions occurring at or prior to the Effective Time (and rights for advancement of expenses) now existing in favor of the current or former directors or officers of the Company and its Subsidiaries as provided in their respective Constituent Documents and any indemnification or other agreements of the Company and its Subsidiaries as in effect on the date of this Agreement shall be assumed by the Surviving Company in the Merger, without further action, at the Effective Time and shall survive the Merger and shall continue in full force and effect in accordance with their terms. Further, the Constituent Documents of the Surviving Company shall contain provisions no less favorable with respect to indemnification, advancement of expenses and exculpation of former or present directors and officers than are presently set forth in the Company Constituent Documents, which provisions shall not be amended, repealed or otherwise modified for a period of six (6) years from the Effective Time in any manner that would adversely affect the rights thereunder of any such individuals, except as amendments may be required by the Bermuda Companies Act during such period.

(d) This Section 6.09 shall survive the consummation of the Merger, is intended to benefit, and shall be enforceable by each Indemnified Party and their respective successors, heirs and representatives, shall be binding on all successors and assigns of Parent and the Surviving Company and shall not be amended without the prior written consent of the applicable Indemnified Party (including his or her successors, heirs and representatives).

(e) In the event that the Surviving Company or its successors or assigns (i) consolidates with or merges into any other Person and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers or conveys all or a majority of its properties and assets to any Person, then, and in each such case, proper provision shall be made so that the successors and assigns of the Surviving Company shall succeed to the obligations set forth in this Section 6.09. In addition, the Surviving Company shall not distribute, sell, transfer or otherwise dispose of any of its assets in a manner that would reasonably be expected to render the Surviving Company unable to satisfy its obligations under this Section 6.09.

(f) The rights of the Indemnified Parties under this Section 6.09 shall be in addition to, and not in substitution for, any rights such Indemnified Parties may have under the Constituent Documents of the Company or any of its Subsidiaries, or under any applicable Contracts or Laws, and Parent shall, and shall cause the Surviving Company to, honor and perform under all indemnification agreements entered into by the Company or any of its Subsidiaries.

Section 6.10 Section 280G. With respect to each employee, shareholder, director and/or individual independent contractor of the Company or any of its Subsidiaries who is, or would reasonably be expected to be as of the Closing Date, a "disqualified individual" (as defined in Section 280G(c) of the Code and the regulations promulgated thereunder), the Company and its Subsidiaries shall use their commercially reasonable best efforts to (a) ensure that any payments that would otherwise constitute a "parachute payment" (as defined in Section 280G(b)(2) of the Code and the regulations promulgated thereunder) shall be exempt from the definition of "parachute payment" by reason of the exemption provided under Section 280G(b)(5)(A)(ii) of the Code and the regulations promulgated thereunder, and (b) take all actions reasonably necessary to exempt such payments (including obtaining any necessary waivers from such "disqualified individuals" and soliciting the consent of the Company's stockholders) as soon as reasonably practicable following the date of this Agreement, but in no event later than seven (7) Business Days prior to the Closing. Prior to obtaining such waivers and soliciting such consent, the Company shall provide drafts of such waivers and stockholder consent materials to Parent for its review and approval (such approval not to be unreasonably withheld or delayed). If any of the benefits or payments fail to be approved by the stockholders of the Company, such benefits or payments shall not be provided or made. No later than three (3) Business Days prior to the Closing, the Company shall deliver to Parent satisfactory evidence that a vote of the Company's stockholders was solicited in accordance with the foregoing provisions of this Section 6.10 and that either (A) the requisite number of stockholder votes consenting to such benefits and payments was obtained with respect to such benefits and payments (the "280G Approval") or (B) that the 280G Approval was not obtained.

Section 6.11 No Control of the Other Party's Business. Nothing contained in this Agreement shall give Parent, directly or indirectly, the right to control or direct the Company's or its Subsidiaries' operations prior to the Effective Time, and nothing contained in this Agreement shall give the Company, directly or indirectly, the right to control or direct Parent's, Merger Sub's or their respective Subsidiaries' operations prior to the Effective Time. Prior to the Effective Time, each of the Company and Parent shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over its and its Subsidiaries' respective operations.

Section 6.12 Shareholder Litigation. The Company shall promptly advise Parent orally and in writing of any Litigation brought by any shareholder of the Company against the Company or its directors or officers relating to this Agreement or the transactions contemplated by this Agreement and shall keep Parent reasonably informed regarding any such litigation. The Company shall give Parent the opportunity to participate in, subject to a customary joint defense agreement, but not control the defense of any such litigation, shall give due consideration to Parent's advice with respect to such litigation and shall not settle any such litigation or permit any derivative claim by shareholders without the prior written consent of Parent (such consent not to be unreasonably withheld, delayed or conditioned). Parent shall promptly advise the Company orally and in writing of any Litigation brought by any stockholder of Parent against Parent or its directors or officers relating to this Agreement or the transactions contemplated by this Agreement and shall keep the Company reasonably informed regarding any such litigation.

Section 6.13 Tax Matters.

(a) The parties acknowledge that (x) any Merger Consideration paid to any Company Shareholder and the Founder in connection with the Merger shall be characterized for all U.S. income tax purposes as a payment made directly from the members of Parent that contributed such property (indirectly) to Merger Sub to such Company Shareholder or the Founder as a sale of a partnership interest in the Company, (y) the liquidation of LAMC will be treated as a liquidation of LAMC, and the final U.S. federal income taxable year of LAMC shall terminate on the Closing Date, and (z) the Life Rollover and the Life Merger will together be treated as an acquisition described in Situation 1 of Revenue Ruling 99-6, and the final U.S. federal income taxable year of Life shall terminate on the Closing Date (and, for the avoidance of doubt, any Merger Consideration paid to any LAMC Partner in connection with the Life Merger shall be characterized for all U.S. income tax purposes with respect to such LAMC Partner (but not with respect to Parent) as a payment made directly from Parent to such LAMC Partner as a sale of a partnership interest in Life). All parties hereto shall file all U.S. income tax filings consistent with the foregoing. The parties further agree that following the Closing, (i) Parent shall be treated as a continuation of the Company pursuant to Section 708 of the Code, (ii) Parent shall be entitled to make (if the Company or the Surviving Company does not already have in effect) an election pursuant to Section 754 of the Code for the Tax period that includes the Closing Date, (iii) Parent shall be entitled to make or cause to be made, with respect to Life, an election pursuant to Section 754 of the Code for the Tax period that includes the Closing Date (unless such an election is already in effect) and (iv) Parent shall apply the "remedial method" pursuant to Treasury Regulations Section 1.704-3(d) with respect to property owned by Parent, the Surviving Company or Life immediately after the Closing and that such property does not include any property subject to deduction or amortization for U.S. federal income tax purposes.

(b) The Company shall prepare, or cause to be prepared, and timely file, or cause to be timely filed, all Tax Returns for the Company and its Subsidiaries that are required to be filed on or before the Closing Date. All such Tax Returns shall be prepared in accordance with the most recent past practice of the Company and its Subsidiaries (except as otherwise required by Law). The Surviving Company shall prepare, or cause to be prepared, and timely file, or cause to be timely filed, all other Tax Returns.

(c) Any U.S. income Tax Return of any Flow-Through Entity that is in respect of a Tax period that includes any Tax period or portion thereof ending on or prior to the Closing Date but is due after the Closing Date shall be prepared in accordance with the most recent past practice of such Flow-Through Entity (except as otherwise required by Law); provided, that, (i) any Tax Return for any Tax period that also includes any period or portion thereof that ends after the Closing Date shall be prepared in a manner consistent with the closing of the books method set forth in Section 706(d) of the Code and the Treasury Regulations thereunder, and (ii) to the extent permitted by the Law, any deductions recognized by any Flow-Through Entity that are economically borne by the Company Shareholders or the LAMC Partners, as applicable, pursuant to this Agreement, shall be allocated to the Tax period or portion thereof ending on or prior to the Closing Date. All Tax Returns described in the immediately preceding sentence shall be delivered to the Equity Representative for the Equity Representative's review no later than thirty (30) Business Days before the filing date thereof and the Equity Representative shall provide comments, if any, on such Tax Returns no later than five (5) Business Days before the filing thereof. The Surviving Company shall cause any revision reasonably requested in writing by the Equity Representative with respect to any such Tax Return to be incorporated in such Tax Return, to the extent such revision is consistent with past practices (if any) and applicable Law.

(d) If any Governmental Authority issues Parent, the Surviving Company or any Flow-Through Entity a written notice of proposed adjustment, or a written notice of its intent to audit or conduct another proceeding with respect to a U.S. income Tax Return or U.S. income Taxes of any Flow-Through Entity, for any Tax period or portion thereof ending that includes any period on or prior to the Closing Date (a "Tax Proceeding"), then the Surviving Company shall notify the Equity Representative of its receipt of such communication from the Governmental Authority within ten (10) days of receipt and provide the Equity Representative copies of all correspondence and other documents received from the Governmental Authority. The Surviving Company shall control any Tax Proceeding; provided, that the Equity Representative shall be entitled to participate in any such Tax Proceeding at its own expense and the Surviving Company shall not settle or compromise any such Tax Proceeding without the prior written consent of the Equity Representative, such consent not to be unreasonably withheld or delayed. Notwithstanding anything to the contrary in this Section 6.13 or this Agreement, Parent, the Surviving Company or any such Flow-Through Entity shall have the right to cause the relevant entity that is subject to the Tax Proceeding to make an election under Section 6226(a) of the Code (and/or any corresponding elections under state and local Law) to treat a "partnership adjustment" as an adjustment to be taken into account by the relevant partners in accordance with Section 6226(b) of the Code, and such election shall not require the consent of the Equity Representative.

(e) The parties and the Equity Representative shall reasonably cooperate in connection with the filing of any Tax Return and in connection with any Tax Proceeding. Such cooperation shall include signing any Tax Returns, amended Tax Returns, claims or other documents necessary to settle any Tax Proceeding, the retention and (upon the other party's request) the provision of records and information which are reasonably relevant to any such Tax Proceeding or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided in accordance with this Agreement; provided, that such cooperation shall not obligate any party to take any actions that would violate any applicable Law.

(f) Without the Equity Representative's consent (such consent not to be unreasonably withheld), Parent shall not, and shall cause its Affiliates (including, after the Closing, the Surviving Company) not to, (i) other than as specified in Section 5.14, cause or permit either Surviving Company or any of its Subsidiaries to make any election pursuant to Treasury Regulations Section 301.7701-3 that is effective on or before the day after the Closing Date, (ii) make any Tax election under Section 336 or Section 338 of the Code with respect to the transactions contemplated by this Agreement, (iii) agree to any waiver or extension of the statute of limitations relating to any U.S. income Taxes of any Flow-Through Entity for any Tax period that includes any Tax period or portion thereof ending on or prior to the Closing Date, without the prior written consent of the Equity Representative, (iv) except in connection with any action permitted pursuant to Section 6.13(d) of this Agreement, amend any U.S. income Tax Return of any Flow-Through Entity for any Tax period ending on or prior to the Closing Date or (v) take any other action on the Closing Date after the Closing that could reasonably be expected to increase the liability of any Company Shareholder or any of its direct or indirect owners for income Taxes with respect to any Tax period or portion thereof that includes any period or portion thereof ending on or prior to the Closing Date.

(g) Any liability for transfer Taxes, including any real estate transfer Tax with respect to interests in real property owned directly or indirectly by the Company or any of its Subsidiaries immediately prior to the Closing, shall be borne by the Surviving Company.

(h) The Surviving Company agrees to reimburse the Equity Representative for its reasonable out-of-pocket expenses incurred in connection with serving as the Equity Representative solely with respect to the matters contemplated by this Section 6.13, in an aggregate amount of up to $100,000; provided, that the Surviving Company shall consider in good faith increasing the foregoing $100,000 limit upon request by the Equity Representative if such reasonable out-of-pocket expenses exceed $100,000.

Section 6.14 Termination of Related Party Arrangements. Other than with respect to the agreements set forth on Section 6.14 of the Company Disclosure Letter (which will not be terminated pursuant to this Section 6.14), on or prior to the Closing Date, the Company will cause the termination, effective no later than the Effective Time, of all Related Party Agreements without any further cost or liability to the Company or any of its Subsidiaries (or, after the Effective Time, Parent, the Surviving Company and their respective Affiliates).

Section 6.15 Annual Assumption Review. The Company shall consult with Parent in connection with its annual assumption review, including by providing Parent reasonable access to information, employees and actuaries engaged in such review, providing periodic updates regarding the progress and conclusions of such assumption review and considering in good faith comments provided by Parent in connection thereto.

Section 6.16 Rollover Offer.

(a) Prior to the Closing Date, for a period of at least twenty (20) Business Days following the delivery by Parent of Rollover Offer Documentation, Parent shall make an offer (the "Rollover Offer") to each Company Stakeholder (other than the holders of Company SARs) and, if determined by Parent, other than Company Shareholders who own less than one percent of the Equity Securities (as defined in the Shareholders Agreement) on a fully-diluted basis, providing such Company Stakeholder at its sole discretion, with the option to exchange an amount offered by Parent of Company Shares, Founder Incentive Interests, L&A Incentive Interests and/or GAFLL Class B Ordinary Shares held by such holder for the issuance of a portion of Parent's equity (which may be non-voting equity) determined in accordance with the terms of the applicable Rollover Agreement, the terms and conditions of which shall be established by Parent, in lieu of the right to receive the cash consideration to be otherwise paid for such Company Shares, the Founder Incentive Interests, L&A Incentive Interests and/or GAFLL Class B Ordinary Shares pursuant to this Agreement; provided that, if (x) any such Company Stakeholder is not an "accredited investor" as defined in Rule 501(d) promulgated under the Securities Act or (y) the consummation of the rollover by such Company Stakeholder would require the registration or qualification of any securities or class of securities or sale thereof under any applicable securities Laws (including, without limitation, registration of the sale of Parent securities to such Company Stakeholder pursuant to the Securities Act or registration of any class of Parent securities under the Securities Exchange Act of 1934, as amended) or would require the registration or qualification of Parent or any other Person as a broker or dealer or agent with respect to such securities or sale, then Parent shall have the right, but not the obligation, to not make or, if made, to revoke the Rollover Offer to such Company Stakeholder and in lieu thereof to cause to be paid to such holder the cash consideration to be paid for such holder's Company Shares, the Founder Incentive Interests, L&A Incentive Interests and GAFLL Class B Ordinary Shares pursuant to this Agreement. The terms and conditions of the Rollover Offer to each applicable Company Stakeholder, including the form of such Company Stakeholder's Rollover Agreement and the other documents necessary or appropriate to accept such offer and instructions with respect thereto and other necessary or appropriate disclosure, in each case, which shall be determined by Parent in its sole discretion, will be set forth in a private placement memorandum and accompanying documents and materials (collectively, the "Rollover Offer Documentation"), which will be prepared by Parent and its advisors and will contain customary representations and warranties for an offering conducted under Regulation D under the Securities Act to be made by each Company Stakeholder participating in the Rollover Offer. Any applicable Company Stakeholder that does not execute and deliver an executed Rollover Agreement and other documents necessary or appropriate, as determined by Parent, to accept the Rollover Offer in accordance with the instructions set forth in the Rollover Offer (including the deadline for such delivery) shall be deemed to have rejected the Rollover Offer and shall have no rights in respect thereof, and shall only have the right to receive the cash consideration to be paid for such Company Stakeholder's Company Shares, the Founder Incentive Interests, L&A Incentive Interests and/or GAFLL Class B Ordinary Shares pursuant to this Agreement. The Parent securities acquired pursuant to a Rollover Offer will not be subject to ongoing management fees or carried interest allocations.

(b) Promptly after the date of this Agreement, the Company and Parent shall reasonably cooperate with each other in connection with the preparation of the Rollover Offer Documentation and reasonable assistance with answering questions that any Company Stakeholder (other than the holder of Company SARs) may have with respect to the Rollover Offer, including the Rollover Offer Documentation or other documents contemplated by the Rollover Agreement.

ARTICLE VII

CONDITIONS PRECEDENT

Section 7.01 Conditions to Each Party's Obligation to Effect the Merger. The obligations of the parties to effect the Merger on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of the following conditions:

(a) Company Shareholder Approval. The Company Required Vote shall have been obtained.

(b) No Order. No Law or Order (whether temporary, preliminary or permanent) shall have been enacted, issued or enforced that is in effect and that prevents or prohibits consummation of the Merger.

(c) Governmental Consents. All Approvals of Governmental Authorities in connection with the consummation of the transactions contemplated by this Agreement that are set forth in Section 4.05(b) of the Company Disclosure Letter and Section 5.03(b) of the Parent Disclosure Letter must have been obtained and must be in full force and effect and all waiting periods required by applicable Law with respect thereto must have expired or been terminated.

Section 7.02 Additional Conditions to Obligations of Parent and Merger Sub. The obligations of Parent and Merger Sub to effect the Merger on the Closing Date are also subject to the satisfaction or waiver on or prior to the Closing Date of the following conditions:

(a) Representations and Warranties.

(i) The Company Fundamental Representations shall be true and correct in all respects as of the date hereof and as of the Closing Date as if made on the Closing Date (except to the extent expressly made as of an earlier date, in which case as of such earlier date); and

(ii) the representations and warranties of the Company contained in Article IV (other than the Company Fundamental Representations) shall be true and correct as of the date hereof and as of the Closing Date as if made on and as of the Closing Date (except to the extent expressly made as of an earlier date, in which case as of such earlier date), except where the failure of such representations and warranties to be so true and correct would not, individually or in the aggregate, reasonably be likely to have a Material Adverse Effect; provided, however, that for purposes of determining the satisfaction of this condition, no effect shall be given to any exception or qualification in such representations and warranties relating to “material,” “materiality” or “Material Adverse Effect” (other than with respect to Section 4.08).

(iii) Parent shall have received a certificate signed by an officer of the Company on its behalf with respect to the foregoing clauses (i) and (ii).

(b) Agreements and Covenants. The Company shall have performed or complied in all material respects with the agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Effective Time. Parent shall have received a certificate signed by an officer of the Company on its behalf to the foregoing effect.

(c) No Material Adverse Effect. Since the date hereof until the Closing Date, no Material Adverse Effect shall have occurred.

Section 7.03 Additional Conditions to Obligation of the Company. The obligation of the Company to effect the Merger on the Closing Date is also subject to the satisfaction or waiver on or prior to the Closing Date of the following conditions:

(a) Representations and Warranties.

(i) The Parent Fundamental Representations shall be true and correct in all respects as of the date hereof and as of the Closing Date as if made on the Closing Date (except to the extent expressly made as of an earlier date, in which case as of such earlier date); and

(ii) the representations and warranties of Parent and Merger Sub contained in Article V (other than the Parent Fundamental Representations) shall be true and correct as of the date hereof and as of the Closing Date as if made on and as of the Closing Date (except to the extent expressly made as of an earlier date, in which case as of such earlier date), except where the failure of such representations and warranties to be so true and correct would not, individually or in the aggregate, reasonably be likely to have a Parent Material Adverse Effect; provided, however, that for purposes of determining the satisfaction of this condition, no effect shall be given to any exception or qualification in such representations and warranties relating to "material," "materiality" or "Parent Material Adverse Effect".

(iii) The Company shall have received a certificate signed by an officer of Parent on its behalf with respect to the foregoing clauses (i) and (ii).

(b) Agreements and Covenants. Parent and Merger Sub shall have performed or complied in all material respects with the agreements and covenants required by this Agreement to be performed or complied with by them on or prior to the Effective Time. The Company shall have received a certificate signed by an officer of Parent on its behalf to the foregoing effect.

ARTICLE VIII

TERMINATION, AMENDMENT AND WAIVER

Section 8.01 Termination. This Agreement may be terminated and the Merger (and the other transactions contemplated hereby) may be abandoned at any time prior to the Effective Time (notwithstanding if the Company Required Vote has been obtained):

(a) by the mutual written consent of the Company and Parent, which consent shall have been approved by the action of their respective boards of directors;

(b) by Parent or the Company, if any Governmental Authority shall have issued an Order, or there exists any Law, in each case, permanently preventing or prohibiting the Merger, and such Order shall have become final and nonappealable or such Law is in effect; provided, however, that the party seeking to terminate this Agreement pursuant to this clause (b) shall have complied with its obligations under this Agreement to use reasonable best efforts to remove such Order;

(c) by Parent or the Company, if the Merger shall not have been consummated prior to May 7, 2021 (as such date may be extended pursuant to the proviso below or pursuant to Section 9.09, the "Outside Termination Date"); provided, that the right to terminate this Agreement under this Section 8.01(c) shall not be available to any party whose failure to fulfill any obligation under this Agreement has been the cause of, or results in, the failure of the Merger to occur on or before such date; provided, further, that, if on a date that would have been the Outside Termination Date the conditions set forth in Section 7.01(c) are the only conditions in

ARTICLE VII (other than those conditions that by their nature are to be satisfied at the Closing) that shall not have been satisfied or waived on or before such date, then the Outside Termination Date will be automatically extended to August 7, 2021; provided, further, that if the notice referenced in paragraph 5 of Section 4.05(b) of the Company Disclosure Letter is received at any time that is less than six (6) months prior to the Outside Termination Date, then the Outside Termination Date will be automatically extended to the first Business Day of the calendar month following the calendar month that is the sixth (6) month anniversary of the receipt of such notice.

(d) by Parent, if (i) there has been a breach by the Company of any representation, warranty, covenant or agreement contained in this Agreement (other than a breach by the Company of the representation and warranty contained in Section 4.08) that would, individually or in the aggregate, result in a failure of a condition set forth in Section 7.02(a) or Section 7.02(b) if continuing on the Closing Date, and (ii) such breach shall not have been cured (or is not capable of being cured) before the Outside Termination Date; provided, that Parent shall not have the right to terminate this Agreement pursuant to this Section 8.01(d) if Parent or Merger Sub is then in material breach of any of its representations, warranties, covenants or agreements contained in this Agreement;

(e) by the Company, if (i) there has been a breach by Parent or Merger Sub of any representation, warranty, covenant or agreement contained in this Agreement that would, individually or in the aggregate, result in a failure of a condition set forth in Section 7.03(a) or Section 7.03(b) if continuing on the Closing Date and (ii) such breach shall not have been cured (or is not capable of being cured) before the Outside Termination Date; provided, that the Company shall not have the right to terminate this Agreement pursuant to this Section 8.01(e) if the Company is then in material breach of any of its representations, warranties, covenants or agreements contained in this Agreement; or

(f) by the Company, if (i) all of the conditions set forth in Section 7.01 and Section 7.02 have been satisfied or waived (other than those conditions that by their terms are to be satisfied at the Closing) and (ii) the Closing shall not have occurred on the date set forth in Section 2.06 (other than by reason of the failure of the Company to fulfill any material obligation under this Agreement).

The party desiring to terminate this Agreement pursuant to this Section 8.01 (other than clause (a) hereof) shall give written notice of such termination to the other party in accordance with Section 9.02, specifying the provision or provisions hereof pursuant to which such termination is effected.

Section 8.02 Expense Allocation. Except as otherwise specified in Section 6.03, all costs and expenses (including fees and expenses payable to Representatives) incurred in connection with this Agreement, the Merger and the other transactions contemplated hereby shall be paid by the party incurring such cost or expense, whether or not the Merger is consummated.

Section 8.03 Effect of Termination. In the event of termination of this Agreement by either the Company or Parent as provided in Section 8.01, this Agreement shall forthwith become void and have no effect, without any liability or obligation on the part of Parent and Merger Sub or the Company, except that (a) the provisions of Section 6.02(c), Section 8.02, this

Section 8.03 and Article IX shall survive termination and (b) nothing herein shall relieve any party from liability for any intentional and material breach of this Agreement (it being acknowledged and agreed by the parties hereto that the failure to close the Merger by any party that was otherwise obligated to do so under the terms of this Agreement shall be deemed to be an intentional and material breach of this Agreement) or for fraud.

Section 8.04 Amendment. This Agreement may be amended by the parties in writing by action of their respective boards of directors at any time before or after the Company Required Vote has been obtained and prior to the filing of the Merger Application with the Registrar; provided, however, that, after the Company Required Vote shall have been obtained, no such amendment, modification or supplement shall change the amount or the form of the Merger Consideration to be delivered to the Company Shareholders or alter or change any other terms or conditions of this Agreement if such change would materially and adversely affect the Company or the Company Shareholders. This Agreement may not be amended, changed or supplemented or otherwise modified except by an instrument in writing signed on behalf of all of the parties.

Section 8.05 Extension; Waiver. At any time prior to the Effective Time, each of the Company, Parent and Merger Sub may (a) extend the time for the performance of any of the obligations or other acts of the other party, (b) waive any inaccuracies in the representations and warranties of the other party contained in this Agreement or in any document delivered pursuant to this Agreement, or (c) subject to the provisions of Section 8.04, waive compliance with any of the agreements or conditions of the other parties contained in this Agreement. Any agreement on the part of a party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party. The failure of any party to this Agreement to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of those rights.

ARTICLE IX

GENERAL PROVISIONS

Section 9.01 Nonsurvival of Representations, Warranties, Covenants and Agreements. None of the representations, warranties, covenants and agreements in this Agreement or in any instrument delivered pursuant to this Agreement, including any rights arising out of any breach of such representations, warranties, covenants and agreements, shall survive the Effective Time, except for (a) those covenants or agreements contained herein that by their terms apply to or are to be performed in whole or in part after the Effective Time and (b) this Article IX.

Section 9.02 Notices. All notices, requests, claims, demands and other communications under this Agreement shall be in writing (and made orally if so required pursuant to any Section of this Agreement) and shall be deemed given (and duly received) if delivered personally, sent by overnight courier (providing proof of delivery and confirmation of receipt by email notice to the applicable contact person) to the parties or the Equity Representative, as applicable, or sent by facsimile or email (providing proof of transmission and, in the case of a facsimile, confirmation of transmission by email notice to the applicable contact person) at the following addresses or facsimile numbers (or at such other address or facsimile number for a party as shall be specified by like notice):

if to Parent or Merger Sub, to:

Magnolia Parent LLC
c/o Maples Corporate Services Limited
P.O. Box 309
Ugland House
South Church Street
Georgetown, Cayman Islands

and

KKR Group Partnership L.P.
9 West 57th Street
New York, New York 10019
Tel: 212-750-8300
Email: generalcounsel@kkr.com
Attention: General Counsel

with a copy to (which shall not constitute notice):

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017
Telephone: 212-455-3232
Email: ksudol@stblaw.com
Attention: Kathryn King Sudol, Esq.

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017
Telephone: 212-455-3443
Email: mlerner@stblaw.com;
Attention: Marni J. Lerner, Esq.

if to the Company, to:

Global Atlantic Financial Company
4 World Trade Center, 51st Floor
New York, New York 10007
Telephone: 212-389-2268
Email: Philip.Sherrill@gafg.com
Attention: Philip Sherrill

Global Atlantic Financial Company
4 World Trade Center, 51st Floor
New York, New York 10007
Telephone: 212-389-2229
Email: Samuel.Ramos@gafg.com
Attention: Samuel Ramos

with copies to (which shall not constitute notice):

Debevoise & Plimpton LLP
919 Third Avenue
New York, New York 10022
Telephone: 212-909-6459
Email: nfpotter@debevoise.com
Attention: Nicholas F. Potter, Esq.

Debevoise & Plimpton LLP
919 Third Avenue
New York, New York 10022
Telephone: 212-909-6203
Email: dgrosgold@debevoise.com
Attention: David Grosgold, Esq.

if to Life, to:

Global Atlantic Financial Life Limited
2nd Floor
19 Par-La-Ville Road
Hamilton HM 11
Bermuda
Telephone: 441-294-6123
Email: Samuel.Ramos@gafg.com
Attention: Samuel Ramos

with copies to (which shall not constitute notice):

Global Atlantic Financial Company
4 World Trade Center, 51st Floor
New York, New York 10007
Telephone: 212-389-2268
Email: Philip.Sherrill@gafg.com
Attention: Philip Sherrill

Global Atlantic Financial Company
4 World Trade Center, 51st Floor
New York, New York 10007

Telephone: 212-389-2229
Email: Samuel.Ramos@gafg.com
Attention: Samuel Ramos

with a copy to (which shall not constitute notice):

Debevoise & Plimpton LLP
919 Third Avenue
New York, New York 10022
Telephone: 212-909-6459
Email: nfpotter@debevoise.com
Attention: Nicholas F. Potter, Esq.

Debevoise & Plimpton LLP
919 Third Avenue
New York, New York 10022
Telephone: 212-909-6203
Email: dgrosgold@debevoise.com
Attention: David Grosgold, Esq.

if to LAMC, to:

LAMC LP
c/o LAMC GP
c/o Global Atlantic Financial Group Limited
19 Par-La-Ville Road
Hamilton HM 11
Bermuda
Telephone: 441-294-6123
Email: Samuel.Ramos@gafg.com
Attention: Samuel Ramos

with copies to (which shall not constitute notice):

Global Atlantic Financial Company
4 World Trade Center, 51st Floor
New York, New York 10007
Telephone: 212-389-2268
Email: Philip.Sherrill@gafg.com
Attention: Philip Sherrill

Global Atlantic Financial Company
4 World Trade Center, 51st Floor
New York, New York 10007
Telephone: 212-389-2229
Email: Samuel.Ramos@gafg.com
Attention: Samuel Ramos

with a copy to (which shall not constitute notice):

Debevoise & Plimpton LLP
919 Third Avenue
New York, New York 10022
Telephone: 212-909-6459
Email: nfpotter@debevoise.com
Attention: Nicholas F. Potter, Esq.

Debevoise & Plimpton LLP
919 Third Avenue
New York, New York 10022
Telephone: 212-909-6203
Email: dgrosgold@debevoise.com
Attention: David Grosgold, Esq.

if to the Equity Representative, to:

Goldman Sachs & Co. LLC
200 West Street
New York, New York 10282
Attention: Timothy O'Neill, David Plutzer
Fax: 212-428-1300; 212-428-4561

Section 9.03 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered (including by facsimile or other electronic transmission) to the other parties.

Section 9.04 Entire Agreement; No Third-Party Beneficiaries. This Agreement, the Confidentiality Agreement, the Equity Commitment Letter, the Parent Limited Guaranty and the Voting Agreements (a) constitute the entire agreement, and supersede all prior agreements and understandings, both written and oral, among the parties, or any of them, with respect to the subject matter of this Agreement and (b) are not intended to and do not confer upon any Person other than the parties hereto any rights or remedies hereunder, other than (i) the Persons intended to benefit from the provisions of Section 6.09, each of whom shall have the right to enforce such provisions directly, (ii) the right of the Company on behalf of its security holders to pursue damages in the event of Parent's or Merger Sub's breach of this Agreement (a claim with respect to which shall be enforceable only by the Company, in its sole and absolute discretion, on behalf of the Company Stakeholders) and (iii) the right of the Company Stakeholders to receive the Aggregate Merger Consideration after the Closing (a claim with respect to which may not be made unless and until the Effective Time shall have occurred). The representations, warranties, covenants and agreements in this Agreement are the product of negotiations among the parties and are for the sole benefit of the parties and may, in certain instances, be qualified, limited or changed by confidential disclosure letters. Any inaccuracies in such representations or warranties or failure to perform or breach of such covenants or agreements are subject to waiver by the parties in accordance with Section 8.05 without notice or liability to any other Person. In some instances, the representations, warranties, covenants and agreements in this Agreement may represent an allocation among the parties of risk associated with particular matters regardless of the knowledge of any of the parties. Consequently, Persons other than the parties may not rely upon the representations, warranties, covenants and agreements in this Agreement as characterizations of actual facts or circumstances as of the date of this Agreement or as of any other date.

Section 9.05 Assignment. Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned or delegated, in whole or in part, by operation of Law or otherwise by any of the parties without the prior written consent of the other parties. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

Section 9.06 Governing Law. This Agreement, and all claims or causes of action (whether in contract, tort or otherwise) that may be based upon, arise out of or relating to this Agreement or the negotiation, execution or performance of this Agreement (including any claim or cause of action based upon, arising out of or related to any representation or warranty made in or in connection with this Agreement) shall be governed by and construed in accordance with the Laws of the State of Delaware, without respect to its applicable principles of conflicts of laws that might require the application of the laws of another jurisdiction, except to the extent that the authorization, effectiveness or effect of the Merger (including regarding the filing of the Merger Application with, and issue of the Certificate of Merger by, the Registrar) are required by statute or public policy to be governed by the Laws of Bermuda, in which case the internal Laws of Bermuda shall govern and apply, but only as to such matters and to the limited extent necessary to comply with and cause the Merger to be effective under the Laws of Bermuda.

Section 9.07 Consent to Jurisdiction. Each of the parties hereby irrevocably and unconditionally (a) submits, for itself and its property, to the exclusive jurisdiction and venue of the Delaware Court of Chancery (or, only if the Delaware Court of Chancery does not have jurisdiction over a particular matter, the Superior Court of the State of Delaware (and the Complex Commercial Litigation Division thereof if such division has jurisdiction over the particular matter) or if the Superior Court of the State of Delaware does not have jurisdiction, any federal court of the United States of America sitting in the State of Delaware) ("Delaware Courts"), and any appellate court from any decision thereof, in any Litigation arising out of or relating to this Agreement, including the negotiation, execution or performance of this Agreement and agrees that all claims in respect of any such Litigation shall be heard and determined in the Delaware Courts, (b) waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any Litigation arising out of or relating to this Agreement or the negotiation, execution or performance of this Agreement in the Delaware Courts, including any objection based on its place of incorporation or domicile, (c) waives, to the fullest extent permitted by Law, the defense of an inconvenient forum to the maintenance of such Litigation in any such court and (d) agrees that a final judgment in any such Litigation shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Law. Each of the parties consents and agrees that service of process, summons, notice or document for any action permitted hereunder may be delivered by registered mail addressed to it at the applicable address set forth in Section 9.02 or in any other manner permitted by applicable Law. Service of any process, summons, notice or document by registered mail or overnight courier addressed to any of the parties hereto at the addresses set forth above shall be effective service of process against such party for any suit, action or proceeding brought in any such court.

Section 9.08 Waiver of Jury Trial. EACH OF THE PARTIES ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY THAT MAY BE BASED UPON, ARISE OUT OF OR RELATED TO THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY FOR ANY DISPUTE BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE BREACH, TERMINATION OR VALIDITY HEREOF OR ANY TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH OF THE PARTIES CERTIFIES AND ACKNOWLEDGES THAT (A) NEITHER THE OTHER PARTIES NOR THEIR RESPECTIVE REPRESENTATIVES, AGENTS OR ATTORNEYS HAVE REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH OF THE PARTIES UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH OF THE PARTIES MAKES THIS WAIVER VOLUNTARILY AND (D) EACH OF THE PARTIES HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS OF THIS SECTION 9.08. ANY PARTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

Section 9.09 Specific Performance. The parties hereto agree that irreparable damage would occur and that the parties hereto would not have any adequate remedy at law in the event that any provision of this Agreement were not performed in accordance with its specific terms or were otherwise breached and that money damages or other legal remedies would not be an adequate remedy for any such failure to perform or breach. It is accordingly agreed that, without posting a bond or other undertaking, the parties hereto shall be entitled to injunctive or other equitable relief to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in the Delaware Courts, this being in addition to any other remedy to which they are entitled at law or in equity. In the event that any such action is brought in equity to enforce the provisions of this Agreement, no party hereto will allege, and each party hereto hereby waives the defense or counterclaim, that there is an adequate remedy at law. The parties hereto further agree that (a) by seeking any remedy provided for in this Section 9.09, a party hereto shall not in any respect waive its right to seek any other form of relief that may be available to such party hereto under this Agreement and (b) nothing contained in this Section 9.09 shall require any party hereto to institute any Litigation for (or limit such party's right to institute any Litigation for) specific performance under this Section 9.09 before exercising any other right under this Agreement. If, prior to the Outside Termination Date, any party hereto brings any Litigation in accordance with this Agreement to enforce specifically the performance of the terms and provisions hereof against any other party, the Outside Termination Date shall be automatically extended (i) for the period during which such Litigation is pending, plus ten (10) Business Days or (ii) by such other time period established by the court presiding over such Litigation on good cause shown, as the case may be.

Section 9.10 Exclusions from Representations and Warranties. Except as expressly set forth in Article IV, notwithstanding anything to the contrary in this Agreement or any other agreement, document or instrument delivered or to be delivered in connection herewith, each of Parent and Merger Sub acknowledges and agrees that the Company and its Subsidiaries make no representations or warranties with respect to, and nothing contained in this Agreement or in any other agreement, document or instrument to be delivered in connection herewith is intended or shall be construed to be a representation or warranty, express or implied, of the Company or any of its Subsidiaries, for any purposes of this Agreement or any other agreement, document or instrument to be delivered in connection herewith or therewith, in respect of (a) the adequacy or sufficiency of reserves, (b) the effect of the adequacy or sufficiency of reserves on any line item, asset, liability or equity amount in any financial statement, (c) whether or not reserves were determined in accordance with any actuarial, statutory, regulatory or other standard or (d) the collectability of any amounts under any Reinsurance Contract taken into account in calculating reserves. Furthermore, each of Parent and Merger Sub acknowledges, understands and agrees that, without limiting Section 4.33, no fact, condition, development or issue relating to the adequacy or sufficiency of reserves may be used, directly or indirectly, to demonstrate or support the breach or violation of any representation, warranty, covenant or agreement of or by the Company or its Subsidiaries contained in this Agreement or any other agreement, document or instrument delivered or to be delivered in connection herewith.

Section 9.11 Severability. If any term, provision, covenant or restriction of this Agreement is held by the Delaware Courts or other Governmental Authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such a determination, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

Section 9.12 Parent Undertaking. Parent hereby fully, irrevocably and unconditionally guarantees the full, complete and timely performance of all agreements, covenants and obligations of its Subsidiaries, when performance of the same shall be required in accordance with the terms of this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their respective officers thereunto duly authorized, all as of the date first written above.

GLOBAL ATLANTIC FINANCIAL GROUP LIMITED

By: ______________________________

Name: Allan Levine 07.06.2020 2:28 PM
Title: Chief Executive Officer

GLOBAL ATLANTIC FINANCIAL LIFE LIMITED

By: ______________________________

Name: Allan Levine 07.06.2020 2:28 PM

Title: Chief Executive Officer

MAGNOLIA PARENT LLC

By: ______________________

Name: David Sorkin

Title: Manager

MAGNOLIA MERGER SUB LIMITED

By: ______________________________

Name: David Sorkin

Title: Director

[Signature Page to Agreement and Plan of Merger]

Goldman Sachs & Co. LLC,
solely as Equity Representative

By: Tim O'Neill
Name: Tim O'Neill
Title: Managing Director

LAMC LP (SOLELY FOR SECTION 2.10(A) HEREUNDER)
By: LAMC GP, its general partner

By: ______________________________
Name: Allan Levine 07.06.2020 2:28 PM
Title: Director

EXHIBIT B-1

Dated 2020

GLOBAL ATLANTIC FINANCIAL GROUP LIMITED

-AND-

MAGNOLIA MERGER SUB LIMITED

BERMUDA MERGER AGREEMENT

Wakefield Quin Limited
Victoria Place, 31 Victoria Street, Hamilton HM 10, Bermuda
TEL. 441.494.4000 FAX. 441.494.4111 wq.bm

THIS MERGER AGREEMENT is made the day of , 2020

B E T W E E N:

1. **Global Atlantic Financial Group Limited**, a Bermuda exempted limited liability company with registration number 48541 and having its registered office at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda (the "**Company**"); and

2. **Magnolia Merger Sub Limited**, a Bermuda exempted limited liability company with registration number 55689 and having its registered office at Victoria Place, 31 Victoria Street, Hamilton, HM10, Bermuda ("**Merger Sub**").

W H E R E A S the Company and Merger Sub ("**Merging Companies**") have agreed to merge (the "**Merger**") pursuant to the provisions of section 104H of the Companies Act 1981 of Bermuda, as amended (the "**Act**") and this Agreement and the combined undertaking, property and liabilities of both Merging Companies shall vest in the Company as the surviving company consequent upon the Merger, which shall continue as an exempted company incorporated in Bermuda (the surviving company to be referred to in this Agreement as the "**Surviving Company**"), the separate corporate existence of the Merger Sub shall cease and the Merger Sub shall be removed from the register of companies maintained by the Registrar of Companies in Bermuda (the "**Registrar**").

W H E R E A S the Company and Merger Sub (amongst other parties) entered into an agreement and plan of merger dated July 7, 2020 that provides for the transaction details in respect of the Merger (the "**Plan of Merger**"), and this Agreement, pursuant to which the Merger will be conducted in accordance with the provisions of the Act.

W H E R E A S this Agreement constitutes the "Statutory Merger Agreement" defined in the Plan of Merger.

W H E R E A S the board of directors and shareholders of each of the respective Merging Companies have approved the proposed Merger for the purposes of section 106 of the Act, and the transactions contemplated by this Agreement and the Plan of Merger.

NOW IT IS HEREBY AGREED as follows:

1. **<u>DEFINITIONS</u>**

Capitalised words not otherwise defined in this Agreement have, unless the context otherwise requires, the same meanings as defined in the Plan of Merger. Unless the context otherwise requires, the following words and expressions have the following meanings in this Agreement:

"**Appraised Fair Value**" means the value of a Company Common Share as appraised by the Supreme Court of Bermuda under section 106(6) of the Act;

"**Company Class A Shares**" means the Class A Ordinary Shares in the capital of the Company with a par value of $0.01 each;

"**Company Class G Shares**" means the Class G Ordinary Shares in the capital of the Company with a par value of $0.01 each;

"**Company Shares**" means the Company Class A Shares and the Company Class G Shares;

"**Dissenting Shareholder**" means a Registered Shareholder who did not vote in favour of the Merger and who complies with all of the provisions of the Act concerning the right of Registered Shareholders to require appraisal of the fair value of their Company Shares pursuant to section 106(a) of the Act;

"**Dissenting Shares**" means any Company Share held by a Dissenting Shareholder;

"**Founder**" means The Goldman Sachs Group, Inc.;

"**Founder Incentive Interests**" shall mean the Incentive Shares (as defined in the Bye-Laws of the Company) held by the Founder in the Company;

"Merger Sub Shares" means the ordinary shares of par value US$1.00 per share of Merger Sub;

"**Person**" means any individual, corporation, partnership (general or limited), limited liability company, limited liability partnership, trust, joint venture, joint-stock company, syndicate, association, entity, unincorporated organization or Governmental Authority;

"**Registered Shareholder**" means a registered holder of Company Shares and the holder of the Founder Incentive Interests;

"**Subsidiary**" means, as to any Person, any corporation, partnership, limited liability company, association or other business entity (i) of which such Person directly or indirectly owns securities or other equity interests representing more than fifty percent (50%) of the aggregate voting power or (ii) of which such Person possesses more than fifty percent (50%) of the right to elect directors or Persons holding similar positions.

2. EFFECTIVENESS OF THE MERGER

The parties agree that the Merger shall occur upon the terms and conditions of the Plan of Merger and of this Agreement and that the effective date of the Merger shall be the effective date as provided for on the certificate of merger issued by the Registrar (the "**Effective Time**").

3. MEMORANDUM OF CONTINUATION OF SURVIVING CORPORATION

At the Effective Time, pursuant to the Merger, the memorandum of continuation of the Company [shall be amended to read in its entirety] as set forth in Exhibit A attached to this Agreement, to the effect that the authorised share capital shall be US$[•] divided into [•] shares of US$[0.01] each and, as so amended, shall be the memorandum of continuation of the Surviving Company.

4. BYE-LAWS OF SURVIVING CORPORATION

At the Effective Time, pursuant to the Merger, the bye-laws of the Company shall be amended to read in their entirety as set forth in Exhibit B attached to this Agreement, and, as so amended, shall be the bye-laws of the Surviving Company

5. DIRECTORS AND OFFICERS

The directors of the Surviving Company at the Effective Time shall be as set forth on Exhibit C attached to this Agreement, and such directors shall continue thereafter until the earlier of their death, resignation or removal or until their respective successors are duly elected or appointed and qualified, as the case may be, in accordance with the Act and the bye-laws of the Surviving Company.

6. CONVERSION AND CANCELLATION OF SHARES

At the Effective Time, by virtue of the occurrence of the Merger, and without any action on the part of the Company, Parent, Merger Sub or any holder of any Company Shares or Merger Sub Shares:

(a) Each issued and outstanding Merger Sub Share shall be converted into and become one validly issued, fully paid and non-assessable [common share, par value US$[0.01] per share, of the Surviving Company (the “**Surviving Company Shares**”).

(b) Each Company Share that is (i) owned by the Company as treasury shares or owned by any Subsidiary of the Company or (ii) owned by [KKR], Parent, Merger Sub or any other direct or indirect wholly owned Subsidiary of Parent or [KKR] issued and outstanding immediately prior to the Effective Time shall automatically be cancelled and shall cease to exist and be outstanding and a fixed consideration of US$[0.01] per share shall be delivered in exchange therefor and no further or other repayment of capital made in respect thereof

(b) Subject to Section 6(b) above, and at the Effective Time:

i. the Founder Incentive Interests issued and outstanding immediately prior to the Effective Time shall automatically be cancelled, and the Founder shall be entitled to receive the Founder Incentive Merger Consideration as defined in, in accordance with, and subject to, the Plan of Merger;

ii. each Company Class G Ordinary Share issued and outstanding immediately prior to the Effective Time shall automatically be cancelled and converted into and shall thereafter represent the right to receive the Class G Ordinary Shares Merger Consideration as defined in, in accordance with, and subject to, the Plan of Merger;

iii. each Company Class A Ordinary Share issued and outstanding immediately prior to the Effective Time shall automatically be cancelled and converted into and shall thereafter represent the right to receive the Class A Ordinary Shares Merger Consideration as defined in, in accordance with, and subject to, the Plan of Merger;

(c) Notwithstanding anything in this Agreement to the contrary, each Dissenting Share shall be converted into the right to receive the Merger Consideration pursuant to the Plan of Merger, but shall not receive payment of the Merger Consideration until final determination of the claim relating to any such Dissenting Shares. Any Dissenting Shareholders, in the event that the Appraised Fair Value is greater than the Merger Consideration, shall be entitled to receive, following the decision of the court, a cash payment in an amount equal to the difference between the Appraised Fair Value and the value of the Merger Consideration from the Surviving Company by payment within thirty (30) days after the Appraised Fair Value is finally determined pursuant to such appraisal procedure.

7. **MISCELLANEOUS**

(a) Subject to the terms and conditions of the Plan of Merger, the Company and Parent each undertake to do, execute and perform such further acts, documents and things within their respective powers as may be necessary to effect the Merger, including, without limitation, (a) holding all necessary meetings of their members, (b) passing all necessary resolutions of their directors, (c) procuring that their Affiliates pass all necessary resolutions of their members or directors, and (d) filing all necessary notices or other documents with the Registrar or other regulators, officials, governing bodies or entities.

(b) This Agreement may be executed in one or more counterparts, which may be delivered and exchanged in PDF or other legible electronic format, all of which when so executed and/or delivered shall be considered one and the same instrument and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

8. **GOVERNING LAW AND SUBMISSION TO JURISDICTION**

This Agreement shall be governed by and construed in accordance with the laws of Bermuda and the parties hereto submit to the exclusive jurisdiction of the courts of Bermuda in respect hereof.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK – SIGNATURES ON NEXT AND FNAL PAGE #7]

IN WITNESS WHEREOF the parties hereto have executed this Agreement the day and year first above written.

For and on behalf of
GLOBAL ATLANTIC FINANCIAL GROUP LIMITED

____
Signature
Name:
Director/Authorised Signatory

For and on behalf of
MAGNOLIA MERGER SUB LIMITED

____
Signature
Name:
Director/Authorised Signatory

EXHIBIT A

SURVIVING COMPANY MEMORANDUM OF -CONTINUANCE

EXHIBIT B

SURVIVING COMPANY BYE-LAWS

EXHIBIT C

NAMES AND ADDRESSES OF SURVIVING COMPANY DIRECTORS

Name of Director	Address of Director

EXHIBIT B-2

Dated 2020

GLOBAL ATLANTIC FINANCIAL GROUP LIMITED

-AND-

GLOBAL ATLANTIC FINANCIAL LIFE LIMITED

BERMUDA MERGER AGREEMENT

Wakefield Quin Limited
Victoria Place, 31 Victoria Street, Hamilton HM 10, Bermuda
TEL. 441.494.4000 FAX. 441.494.4111 wq.bm

THIS MERGER AGREEMENT is made the day of , 2020

B E T W E E N:

1. **Global Atlantic Financial Group Limited**, a Bermuda exempted limited liability company with registration number 48541 and having its registered office at Estera Corporate Services (Bermuda) Limited, Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda ("**Group Limited**"); and

2. **Global Atlantic Financial Life Limited**, a Bermuda exempted company with registration number [48540] and having its registered office at Estera Corporate Services (Bermuda) Limited, Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda (the "**Company**").

W H E R E A S, Group Limited is the surviving company consequent upon the merger of Group Limited and Magnolia Merger Sub ("**Merger I**"), which became effective on the same date as, but immediately prior to, the Effective Time.

W H E R E A S Group Limited and the Company ("**Merging Companies**") have agreed to merge, immediately after Merger I becoming effective, (the "**Life Merger**"), pursuant to the provisions of section 104H of the Companies Act 1981 of Bermuda, as amended (the "**Act**") and this Agreement and the combined undertaking, property and liabilities of both Merging Companies shall vest in Group Limited as the surviving company consequent upon the Life Merger, which shall continue as an exempted company incorporated in Bermuda (the surviving company to be referred to in this Agreement as the "**Surviving Company**"), the separate corporate existence of the Company shall cease and the Company shall be removed from the register of companies maintained by the Registrar of Companies in Bermuda (the "**Registrar**").

W H E R E A S Group Limited and the Company (amongst other parties) entered into an agreement and plan of merger dated July 7, 2020 that provides for the transaction details in respect of the Life Merger (the "**Plan of Merger**"), and this Agreement, pursuant to which the Life Merger will be conducted in accordance with the provisions of the Act.

W H E R E A S this Agreement constitutes the "Life Statutory Merger Agreement" defined in the Plan of Merger.

W H E R E A S the board of directors and shareholders of each of the respective Merging Companies have approved the proposed Life Merger for the purposes of section 106 of the Act, and the transactions contemplated by this Agreement and the Plan of Merger.

NOW IT IS HEREBY AGREED as follows:

1. **DEFINITIONS**

Capitalised words not otherwise defined in this Agreement have, unless the context otherwise requires, the same meanings as defined in the Plan of Merger. Unless the context otherwise requires, the following words and expressions have the following meanings in this Agreement:

"**Appraised Fair Value**" means the value of a Company Share as appraised by the Supreme Court of Bermuda under section 106(6) of the Act;

"**Company Class A Shares**" means the Class A Ordinary Shares in the capital of the Company with a par value of $0.01 each;

"**Company Class B Shares**" means the Class B Ordinary Shares in the capital of the Company with a par value of $0.01 each;

"**Company Incentive Shares**" means the non-voting shares of the Company entitling the holder thereof to receive L&A Incentive Distributions (as defined in the bye-laws of the Company);

"**Company Shares**" means the Company Class A Shares, the Company Class B Shares and the Company Incentive Shares.

"**Dissenting Shareholder**" means a Registered Company Shareholder who did not vote in favour of the Life Merger and who complies with all of the provisions of the Act concerning the right of Registered Company Shareholders to require appraisal of the fair value of their Company Shares pursuant to section 106(a) of the Act;

"**Dissenting Shares**" means any Company Share held by a Dissenting Shareholder;

"**Group Limited Shares**" means a common share, par value US$0.01 per share, of Group Limited.

"**Person**" means any individual, corporation, partnership (general or limited), limited liability company, limited liability partnership, trust, joint venture, joint-stock company, syndicate, association, entity, unincorporated organization or Governmental Authority;

"**Registered Company Shareholder**" means a registered holder of Company Shares;

"**Subsidiary**" means, as to any Person, any corporation, partnership, limited liability company, association or other business entity (i) of which such Person directly or indirectly owns securities or other equity interests representing more than fifty percent (50%) of the aggregate voting power or (ii) of which such Person possesses more than fifty percent (50%) of the right to elect directors or Persons holding similar positions.

2. <u>EFFECTIVENESS OF THE LIFE MERGER</u>

The parties agree that the Life Merger shall occur upon the terms and conditions of the Plan of Merger and of this Agreement and that the effective date of the Life Merger shall be the effective date as provided for on the certificate of merger issued by the Registrar (the "**Effective Time**"). For the avoidance of doubt, Merger I shall become effective on the same date as, but immediately prior to, the Effective Time.

3. <u>MEMORANDUM OF CONTINUATION OF SURVIVING CORPORATION</u>

At the Effective Time, pursuant to the Life Merger, the memorandum of continuation of Group Limited shall be the memorandum of continuation of the Surviving Company.

4. <u>BYE-LAWS OF SURVIVING CORPORATION</u>

At the Effective Time, pursuant to the Life Merger, the bye-laws of Group Limited shall be the bye-laws of the Surviving Company.

5. <u>DIRECTORS AND OFFICERS</u>

The directors of the Surviving Company at the Effective Time shall be the directors of Group Limited immediately prior to the Life Merger, and such directors shall continue thereafter until the earlier of their death, resignation or removal or until their respective successors are duly elected or appointed and qualified, as the case may be, in accordance with the Act and the bye-laws of the Surviving Company.

6. <u>CONVERSION AND CANCELLATION OF SHARES</u>

At the Effective Time, by virtue of the occurrence of the Life Merger, and without any action on the part of the Company, Group Limited or any holder of any Company Shares or the Group Limited Shares:

(a) Each issued and outstanding Group Limited Share shall be converted into and become one validly issued, fully paid and non-assessable common share, par value US$0.01 per share, of the Surviving Company (the "**Surviving Company Shares**").

(b) Each Company Share that is (i) owned by the Surviving Company as treasury shares or owned by any Subsidiary of the Surviving Company or (ii) owned by [KKR], Parent, or any other direct or indirect wholly owned Subsidiary of Parent or [KKR] issued and outstanding immediately prior to the Life Merger Effective Time shall automatically be cancelled and shall cease to exist and be outstanding and a fixed consideration of US$0.01 per share shall be delivered in exchange therefor and no further or other repayment of capital made in respect thereof.

(c) Subject to Section 6(b) above, and at the Effective Time, each Company Share (other than any Rollover Equity) shall automatically be cancelled and converted into and shall thereafter represent the right to receive an amount in cash equal to the portion of the Life Merger Consideration as defined in, in accordance with, and subject to, the provisions of sections 2.13 and 2.14 in the Plan of Merger.

(d) Notwithstanding anything in this Agreement to the contrary, each Dissenting Share shall be converted into the right to receive the Life Merger Consideration as defined in, in accordance with, and subject to, the provisions of sections 2.13 and 2.14 in the Plan of Merger, but shall not receive payment of the Life Merger Consideration until final determination of the claim relating to any such Dissenting Shares. Any Dissenting Shareholders, in the event that the Appraised Fair Value is greater than the Life Merger Consideration, shall be entitled to receive, following the decision of the court, a cash payment in an amount equal to the difference between the Appraised Fair Value and the value of the Life Merger Consideration from the Surviving Company by payment within thirty (30) days after the Appraised Fair Value is finally determined pursuant to such appraisal procedure.

7. <u>**MISCELLANEOUS**</u>

(a) Subject to the terms and conditions of the Plan of Merger, the Merging Companies each undertake to do, execute and perform such further acts, documents and things within their respective powers as may be necessary to effect the Life Merger, including, without limitation, (a) holding (or causing to be held) all necessary meetings of their members, (b) passing all necessary resolutions of their directors, (c) procuring that their

Affiliates pass all necessary resolutions of their members or directors, and (d) filing all necessary notices or other documents with the Registrar or other regulators, officials, governing bodies or entities.

(b) This Agreement may be executed in one or more counterparts, which may be delivered and exchanged in PDF or other legible electronic format, all of which when so executed and/or delivered shall be considered one and the same instrument and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

8. **GOVERNING LAW AND SUBMISSION TO JURISDICTION**

This Agreement shall be governed by and construed in accordance with the laws of Bermuda and the parties hereto submit to the exclusive jurisdiction of the courts of Bermuda in respect hereof.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF the parties hereto have executed this Agreement the day and year first above written.

For and on behalf of
GLOBAL ATLANTIC FINANCIAL GROUP LIMITED

____
Signature
Name:
Director/Authorised Signatory

For and on behalf of
GLOBAL ATLANTIC FINANCIAL LIFE LIMITED

____
Signature
Name:
Director/Authorised Signatory

EXHIBIT C-1

KKR & CO. INC.

FORM 10-K
(Annual Report)

Filed 02/18/20 for the Period Ending 12/31/19

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

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

Form 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**
For the fiscal year ended December 31, 2019

or

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

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

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

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

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Class A Common Stock	KKR	New York Stock Exchange
6.75% Series A Preferred Stock	KKR PR A	New York Stock Exchange
6.50% Series B Preferred Stock	KKR PR B	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 and 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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

DOCUMENTS INCORPORATED BY REFERENCE

None

KKR & CO. INC.

FORM 10-K

For the Year Ended December 31, 2019

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which reflect our current views with respect to, among other things, our operations and financial performance. You can identify these forward-looking statements by the use of words such as "outlook," "believe," "expect," "potential," "continue," "may," "should," "seek," "approximately," "predict," "intend," "will," "plan," "estimate," "anticipate," the negative version of these words, other comparable words or other statements that do not relate strictly to historical or factual matters. Without limiting the foregoing, statements regarding the declaration and payment of dividends on common or preferred stock of KKR, the timing, manner and volume of repurchases of common stock pursuant to a repurchase program, and the expected synergies and benefits from acquisitions, reorganizations or strategic partnerships, may constitute forward-looking statements. Forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements or cause the anticipated benefits and synergies from transactions to not be realized. We believe these factors include those described under the section entitled "Risk Factors" in this report. These factors should be read in conjunction with the other cautionary statements that are included in this report and in our other filings with the U.S. Securities and Exchange Commission (the "SEC"). We do not undertake any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

In this report, references to "KKR," "we," "us" and "our" refer to (i) KKR & Co. Inc. and its subsidiaries following the conversion from a Delaware limited partnership named KKR & Co. L.P. into a Delaware corporation named KKR & Co. Inc. on July 1, 2018 (the "Conversion") and (ii) KKR & Co. L.P. and its subsidiaries prior to the Conversion, in each case, except where the context requires otherwise. KKR & Co. L.P. became listed on the New York Stock Exchange ("NYSE") on July 15, 2010 under the symbol "KKR." On January 1, 2020, KKR completed an internal reorganization (the "Reorganization"), which was undertaken to, among other purposes, simplify KKR's internal structure following the Conversion. In the Reorganization, (i) KKR Management Holdings L.P. and KKR International Holdings L.P., which were former intermediate holdings companies for KKR's business, were combined with another intermediate holding company, KKR Fund Holdings L.P., which changed its name to KKR Group Partnership L.P. ("KKR Group Partnership") and became the sole intermediate holding company for KKR's business, (ii) the issuers of each series of KKR's outstanding senior notes were contributed to KKR Group Partnership and the guarantees by KKR International Holdings L.P. and KKR Management Holdings L.P. under the senior notes were automatically and unconditionally released and discharged pursuant to the terms of the indentures governing such senior notes, with KKR Group Partnership remaining as a guarantor and (iii) the ownership interests of certain operating subsidiaries of KKR Group Partnership were reorganized. In connection with the 6.75% Series A Preferred Stock ("Series A Preferred Stock") and 6.50% Series B Preferred Stock ("Series B Preferred Stock") of KKR & Co. Inc., KKR Group Partnership has series of preferred units issued and outstanding with economic terms designed to mirror those of the Series A Preferred Stock and Series B Preferred Stock, respectively.

References to our Class A common stock, Series A Preferred Stock or Series B Preferred Stock for periods prior to the Conversion mean the common units, Series A preferred units and Series B preferred units of KKR & Co. L.P., respectively. References to "KKR Group Partnerships" for periods prior to the Reorganization mean KKR Fund Holdings L.P., KKR Management Holdings L.P. and KKR International Holdings L.P., collectively, and references to "KKR Group Partnership" for periods following the Reorganization mean KKR Group Partnership L.P. References to a "KKR Group Partnership Unit" mean (i) one Class A partner interest in each of KKR Fund Holdings L.P., KKR Management Holdings L.P. and KKR International Holdings L.P., collectively, for periods prior to the Reorganization and (ii) one Class A partner interest in KKR Group Partnership for periods following the Reorganization. References to the "Class B Stockholder" are to KKR Management LLP, the holder of the sole share of our Class B common stock, which converted from a limited liability company named KKR Management LLC to a limited liability partnership in the Reorganization.

Contemporaneously with the Reorganization, KKR acquired KKR Capstone Americas LLC and its affiliates ("KKR Capstone") on January 1, 2020. References to "non-employee operating consultants" for periods prior to the acquisition include employees of KKR Capstone, who were not employees of KKR during such periods. Prior to the acquisition, KKR Capstone was owned and controlled by its senior management and was not a subsidiary or affiliate of KKR.

Unless otherwise indicated, references to equity interests in KKR's business, or to percentage interests in KKR's business, reflect the aggregate equity interests in KKR Group Partnership and are net of amounts that have been allocated to our principals and other employees and non-employee operating consultants in respect of the carried interest from KKR's business as part of our "carry pool" and certain minority interests. References to "principals" are to our senior employees who hold interests in KKR's business through KKR Holdings L.P. ("KKR Holdings") or another KKR entity, and references to our "senior principals" are to our senior employees who hold interests in the Class B Stockholder.

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

We disclose certain financial measures in this report that are calculated and presented using methodologies other than in accordance with GAAP, including after-tax distributable earnings, fee related earnings ("FRE") and book value. We believe that providing these performance measures on a supplemental basis to our GAAP results is helpful to stockholders in assessing the overall performance of KKR's businesses. These non-GAAP financial measures should not be considered as a substitute for, or superior to, similar financial measures calculated in accordance with GAAP. We caution readers that these non-GAAP financial measures may differ from the calculations of other investment managers, and as a result, may not be comparable to similar measures presented by other investment managers. Reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP, where applicable, are included under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Reconciliations to GAAP Measures." This report also uses the terms assets under management ("AUM"), fee paying assets under management ("FPAUM"), capital invested and syndicated capital. You should note that our calculations of these and other operating metrics may differ from the calculations of other investment managers and, as a result, may not be comparable to similar metrics presented by other investment managers. These non-GAAP and operating metrics are defined in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Non-GAAP and Other Operating and Performance Measures."

References to our "funds" or our "vehicles" refer to investment funds, vehicles and accounts advised, sponsored or managed by one or more subsidiaries of KKR, including collateralized loan obligations ("CLOs") and commercial real estate mortgage-backed securities ("CMBS") vehicles, unless the context requires otherwise. They do not include investment funds, vehicles or accounts of any hedge fund or other manager with which we have formed a strategic partnership where we have acquired an ownership interest.

Unless otherwise indicated, references in this report to our fully exchanged and diluted Class A common stock outstanding, or to our Class A common stock outstanding on a fully exchanged and diluted basis, reflect (i) actual shares of Class A common stock outstanding, (ii) shares of Class A common stock into which KKR Group Partnership Units held by KKR Holdings are exchangeable pursuant to the terms of the exchange agreement described in this report, (iii) shares of Class A common stock issuable in respect of exchangeable equity securities issued in connection with the acquisition of Avoca Capital ("Avoca"), all of which have been exchanged as of December 31, 2018, and (iv) Class A common stock issuable pursuant to any equity awards actually granted from the Amended and Restated KKR & Co. Inc. 2010 Equity Incentive Plan (the "2010 Equity Incentive Plan") or the KKR & Co. Inc. 2019 Equity Incentive Plan (the "2019 Equity Incentive Plan" and, together with the 2010 Equity Incentive Plan, our "Equity Incentive Plans"). Our fully exchanged and diluted Class A common stock outstanding does not include shares of Class A common stock available for issuance pursuant to the Equity Incentive Plans for which equity awards have not yet been granted.

The use of any defined term in this report to mean more than one entities, persons, securities or other items collectively is solely for convenience of reference and in no way implies that such entities, persons, securities or other items are one indistinguishable group. For example, notwithstanding the use of the defined terms "KKR," "we" and "our" in this report to refer to KKR & Co. Inc. and its subsidiaries, each subsidiary of KKR & Co. Inc. is a standalone legal entity that is separate and distinct from KKR & Co. Inc. and any of its other subsidiaries.

PART I

ITEM 1. BUSINESS

Overview

We are a leading global investment firm that manages multiple alternative asset classes including private equity, energy, infrastructure, real estate and credit, with strategic partners that manage hedge funds. We aim to generate attractive investment returns for our fund investors by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation with our portfolio companies. We invest our own capital alongside the capital we manage for fund investors and provide financing solutions and investment opportunities through our capital markets business.

Our business offers a broad range of investment management services to our fund investors and provides capital markets services to our firm, our portfolio companies and third parties. Throughout our history, we have consistently been a leader in the private equity industry, having completed more than 360 private equity investments in portfolio companies with a total transaction value in excess of $630 billion as of December 31, 2019. We have grown our firm by expanding our geographical presence and building businesses in areas such as leveraged credit, alternative credit, capital markets, infrastructure, energy, real estate, growth equity and core investments. Our balance sheet has provided a significant source of capital in the growth and expansion of our business, and has allowed us to further align our interests with those of our fund investors. Building on these efforts and leveraging our industry expertise and intellectual capital have allowed us to capitalize on a broader range of the opportunities we source. Additionally, we have increased our focus on meeting the needs of our existing fund investors and in developing relationships with new investors in our funds.

We seek to work proactively and collaboratively as one-firm across business lines, departments, and geographies, as appropriate, to achieve what we believe are the best results for our funds and the firm. Through our offices around the world, we have a pre-eminent global integrated platform for sourcing transactions, raising capital and carrying out capital markets activities. Our growth has been driven by value that we have created through our operationally focused investment approach, the expansion of our existing businesses, our entry into new lines of business, innovation in the products that we offer investors in our funds, an increased focus on providing tailored solutions to our clients and the integration of capital markets distribution activities.

As a global investment firm, we earn management, monitoring, transaction and incentive fees and carried interest for providing investment management, monitoring and other services to our funds, vehicles, CLOs, managed accounts and portfolio companies, and we generate transaction-specific income from capital markets transactions. We earn additional investment income by investing our own capital alongside that of our fund investors, from other assets on our balance sheet and from the carried interest we receive from our funds and certain of our other investment vehicles. A carried interest entitles the sponsor of a fund to a specified percentage of investment gains that are generated on third-party capital that is invested.

Our investment teams have deep industry knowledge and are supported by a substantial and diversified capital base; an integrated global investment platform; the expertise of operating professionals, senior advisors and other advisors; and a worldwide network of business relationships that provide a significant source of investment opportunities, specialized knowledge during due diligence and substantial resources for creating and realizing value for stakeholders. These teams invest capital, a substantial portion of which is of a long duration and not subject to redemption. As of December 31, 2019, approximately 77% of our FPAUM are not subject to redemption for at least 8 years from inception, providing us with significant flexibility to grow investments and select exit opportunities. We believe that these aspects of our business will help us continue to expand and grow our business and deliver strong investment performance in a variety of economic and financial conditions.

Our Firm

With offices around the world, we have established ourselves as a leading global investment firm. We have multilingual and multicultural investment teams with local market knowledge and significant business, investment and operational experience in the countries in which we invest. We believe that our global capabilities and "one-firm" philosophy have helped us to raise capital, capture a greater number of investment opportunities, and assist our portfolio companies in their increasing reliance on global markets and sourcing, while enabling us to diversify our operations.

Though our operations span multiple continents and asset classes, our investment professionals are supported by an integrated infrastructure and operate under a common set of principles and business practices that are monitored by a variety of committees. The firm operates with a single culture that rewards investment discipline, creativity, determination and patience and emphasizes the sharing of information, resources, expertise and best practices across offices and asset classes. When appropriate, we staff transactions across multiple offices and businesses in order to take advantage of the industry-specific expertise of our investment professionals, and we hold regular meetings in which investment professionals throughout our offices share their knowledge and experiences. We believe that the ability to draw on the local cultural fluency of our investment professionals while maintaining a centralized and integrated global infrastructure distinguishes us from other investment firms and has been a substantial contributing factor to our ability to raise funds, invest internationally and expand our businesses.

Since our inception, one of our fundamental philosophies has been to align the interests of the firm and our principals with the interests of our fund investors, portfolio companies and other stakeholders. We achieve this by putting our own capital behind our ideas. As of December 31, 2019, we and our employees and other personnel have approximately $18.6 billion invested in or committed to our own funds and portfolio companies, including $10.6 billion funded from our balance sheet, $5.2 billion of additional commitments from our balance sheet to investment funds, $2.0 billion funded from personal investments and $0.8 billion of additional commitments from personal investments.

Our Business

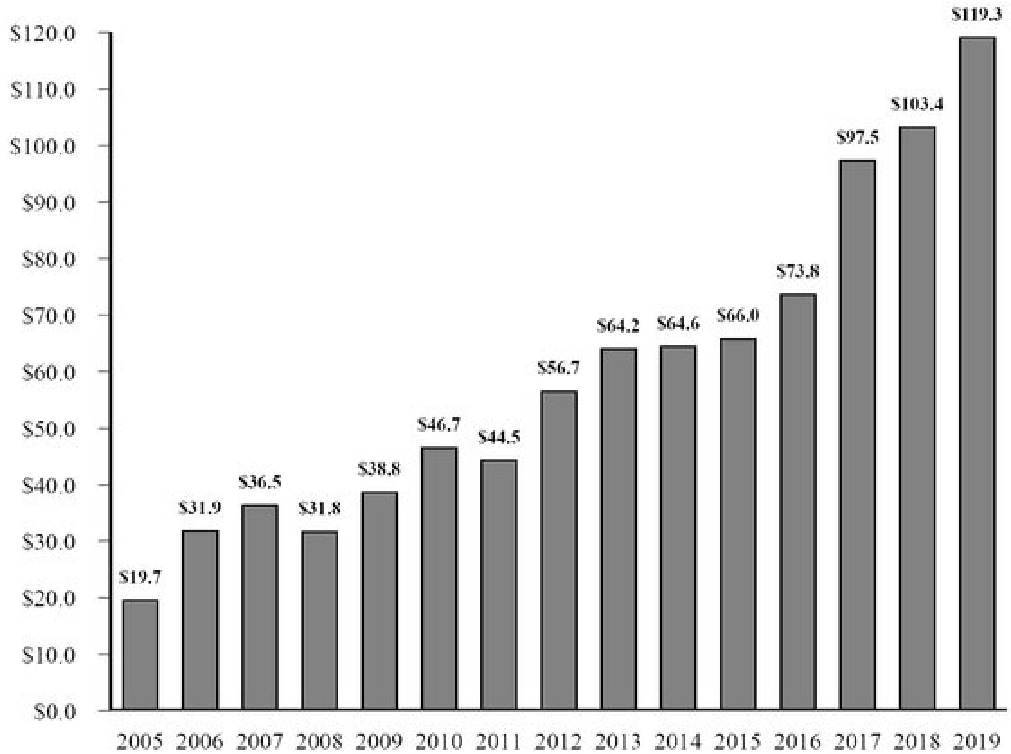
Our Business Lines

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

Private Markets

Through our Private Markets business line, we manage and sponsor a group of private equity funds that invest capital for long-term appreciation, either through controlling ownership of a company or strategic minority positions. In addition to our traditional private equity funds, we sponsor investment funds that invest in growth equity and core investments. We also manage and sponsor investment funds that invest capital in real assets, such as infrastructure, energy and real estate. Our Private Markets business line includes separately managed accounts that invest in multiple strategies, which may include our credit strategies as well as our private equity and real assets strategies. These funds and accounts are managed by Kohlberg Kravis Roberts & Co. L.P., an SEC-registered investment adviser. As of December 31, 2019, our Private Markets business line had $119.3 billion of AUM, consisting of $78.9 billion in private equity (including growth equity and core investments), $27.7 billion in real assets (including infrastructure, energy and real estate) and $12.7 billion in other related strategies.

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



(1) For the years 2006 through 2008, AUM are presented pro forma for the acquisition of the assets and liabilities of KKR & Co. (Guernsey) L.P. (formerly known as KKR Private Equity Investors, L.P.) ("KPE") on October 1, 2009 (the "KPE Transaction"), and therefore exclude the net asset value of KPE and its former commitments to our investment funds. In 2015, our definition of AUM was amended to include capital commitments for which we are eligible to receive fees or carried interest upon deployment of capital and our pro rata portion of the AUM managed by strategic partners in which we hold an ownership interest. AUM for all prior periods have been adjusted to include such changes.

The table below presents information as of December 31, 2019, relating to our current private equity, growth equity, core investment and real asset funds and other investment vehicles in our Private Markets business line for which we have the ability to earn carried interest. This data does not reflect acquisitions or disposals of investments, changes in investment values, or distributions occurring after December 31, 2019.

	Investment Period (1)		Amount ($ in millions)							
	Start Date	End Date	Commitment (2)	Uncalled Commitments	Percentage Committed by General Partner	Invested	Realized	Remaining Cost (3)	Remaining Fair Value	Gross Accrued Carried Interest
Private Equity and Growth Equity Funds										
Americas Fund XII	1/2017	1/2023	$ 13,500.0	$ 7,061.9	5.8%	$ 6,461.8	$ 89.0	$ 6,458.0	$ 7,476.4	$ 99.4
North America Fund XI	9/2012	1/2017	8,718.4	573.1	2.9%	9,579.6	10,334.2	5,632.8	9,782.4	779.1
2006 Fund (4)	9/2006	9/2012	17,642.2	247.4	2.1%	17,304.5	30,478.7	3,528.7	6,491.9	583.0
Millennium Fund (4)	12/2002	12/2008	6,000.0	—	2.5%	6,000.0	14,123.1	—	6.1	1.3
European Fund V	3/2019	7/2025	6,277.7	6,277.7	1.8%	—	—	—	—	—
European Fund IV	12/2014	3/2019	3,507.2	239.9	5.7%	3,372.9	1,968.6	2,522.5	4,175.9	320.4
European Fund III (4)	3/2008	3/2014	5,507.1	147.3	5.2%	5,359.8	10,447.8	419.5	416.8	3.3
European Fund II (4)	11/2005	10/2008	5,750.8	—	2.1%	5,750.8	8,507.4	—	34.3	(0.2)
Asian Fund III	4/2017	4/2023	9,000.0	5,011.8	5.6%	4,208.8	486.4	4,166.3	5,677.7	270.6
Asian Fund II	4/2013	4/2017	5,825.0	342.9	1.3%	6,495.2	3,907.4	4,413.1	6,499.1	430.7
Asian Fund (4)	7/2007	4/2013	3,983.3	—	2.5%	3,945.9	8,535.4	173.5	52.6	(22.4)
China Growth Fund (4)	11/2010	11/2016	1,010.0	—	1.0%	1,010.0	805.5	524.7	461.8	(13.6)
Next Generation Technology Growth Fund II	12/2019	12/2025	2,033.3	2,033.3	7.4%	—	—	—	—	—
Next Generation Technology Growth Fund	3/2016	12/2019	658.9	33.8	22.5%	630.6	45.9	613.5	1,060.1	46.4
Health Care Strategic Growth Fund	12/2016	12/2021	1,331.0	1,047.9	11.3%	360.4	82.4	289.3	560.7	31.5
Global Impact Fund	2/2019	2/2025	1,129.3	1,129.3	8.9%	—	—	—	—	—
Private Equity and Growth Equity Funds			91,874.2	24,146.3		70,480.3	89,811.8	28,741.9	42,695.8	2,529.5
Co-Investment Vehicles and Other	Various	Various	9,157.3	2,853.6	Various	6,556.8	4,802.5	4,434.8	6,062.0	477.3
Total Private Equity and Growth Equity Funds			101,031.5	26,999.9		77,037.1	94,614.3	33,176.7	48,757.8	3,006.8
Core Investment Vehicles	Various	Various	9,500.0	5,010.3	36.8%	4,489.7	—	4,489.7	6,196.8	101.0
Real Assets										
Energy Income and Growth Fund II	6/2018	6/2021	994.2	581.4	20.1%	416.3	3.4	413.1	427.7	—
Energy Income and Growth Fund	9/2013	6/2018	1,974.2	59.3	12.9%	1,963.4	769.1	1,300.5	1,205.2	—
Natural Resources Fund (4)	Various	Various	887.4	0.9	Various	886.5	123.2	194.2	95.3	—
Global Energy Opportunities	Various	Various	914.1	242.6	Various	501.1	122.9	343.2	279.8	—
Global Infrastructure Investors III	6/2018	6/2024	7,140.6	5,088.7	3.8%	2,081.4	29.5	2,049.1	2,081.9	—
Global Infrastructure Investors II	10/2014	6/2018	3,039.6	177.2	4.1%	3,093.7	593.4	2,744.5	3,562.5	97.3
Global Infrastructure Investors	9/2011	10/2014	1,040.2	25.4	4.8%	1,047.6	1,316.2	377.9	867.5	54.8
Asia Pacific Infrastructure Investors	(5)	(6)	1,439.6	1,439.6	13.9%	—	—	—	—	—
Real Estate Partners Americas II	5/2017	12/2020	1,921.2	964.5	7.8%	1,068.6	181.3	945.2	1,202.9	35.1
Real Estate Partners Americas	5/2013	5/2017	1,229.1	148.2	16.3%	1,010.7	1,268.6	266.3	249.0	17.3
Real Estate Partners Europe	9/2015	12/2019	706.7	274.6	9.3%	504.0	124.8	431.7	544.6	24.4
Real Estate Credit Opportunity Partners	2/2017	4/2019	1,130.0	122.2	4.4%	1,007.8	136.8	1,007.8	1,050.4	10.7
Co-Investment Vehicles and Other	Various	Various	5,023.8	3,209.6	Various	1,814.2	801.3	1,810.5	2,088.3	4.0
Real Assets			27,440.7	12,334.2		15,395.3	5,470.5	11,884.0	13,655.1	243.6
Other										
Unallocated Commitments (7)			2,333.9	2,333.9	Various	—	—	—	—	—
Private Markets Total			$ 140,306.1	$ 46,678.3		$ 96,922.1	$ 100,084.8	$ 49,550.4	$ 68,609.7	$ 3,351.4

(1) The start date represents the date on which the general partner of the applicable fund commenced investment of the fund's capital or the date of the first closing. The end date represents the earlier of (i) the date on which the general partner of the applicable fund was or will be required by the fund's governing agreement to cease making new investments on behalf of the fund, unless extended by a vote of the fund investors and (ii) the date on which the last new investment was made.

(2) The commitment represents the aggregate capital commitments to the fund, including capital commitments by third-party fund investors and the general partner. Foreign currency commitments have been converted into U.S. dollars based on (i) the foreign exchange rate at the date of purchase for each investment and (ii) the exchange rate that prevailed on December 31, 2019, in the case of uncalled commitments.

(3) The remaining cost represents the initial investment of the general partner and limited partners, reduced for returns of capital, with the limited partners' investment further reduced for any return of capital and realized gains from which the general partner did not receive a carried interest.

(4) The "Invested" and "Realized" columns do not include the amounts of any realized investments that restored the unused capital commitments of the fund investors, if any.

(5) Upon first investment of the fund.

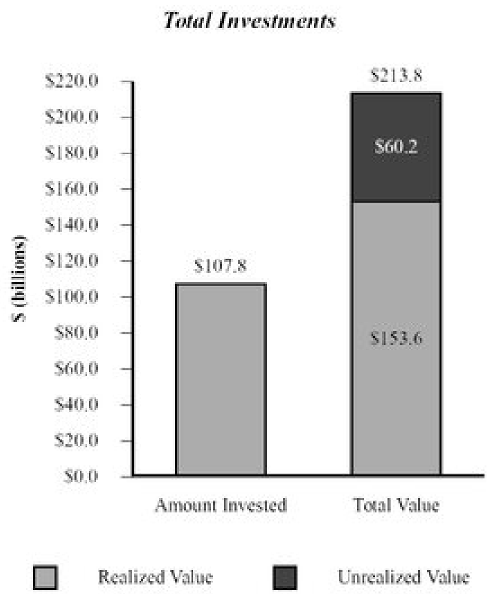
(6) Six years from first investment date.

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

Performance

We take a long-term approach to Private Markets investing and measure the success of our investments over a period of years rather than months. Given the duration of these investments, the firm focuses on realized multiples of invested capital and internal rates of return ("IRRs") when deploying capital in these transactions. We have nearly doubled the value of capital that we have invested in our Private Markets investment funds, turning $107.8 billion of capital into $213.8 billion of value from our inception in 1976 to December 31, 2019.

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



From our inception in 1976 through December 31, 2019, our investment funds with at least 24 months of investment activity generated a cumulative gross IRR of 25.6%, compared to the 11.8% and 9.1% gross IRR achieved by the S&P 500 Index and MSCI World Index, respectively, over the same period, despite the cyclical and sometimes challenging environments in which we have operated. The S&P 500 Index and MSCI World Index are unmanaged indices and such returns assume reinvestment of distributions and do not reflect any fees or expenses. Our past performance, however, may not be representative of performance in any period other than the period discussed above and is not a guarantee of future results. For example, as of March 31, 2009, the date of the lowest aggregate valuation of our private equity funds during the 2008 and 2009 market downturn, the investments in certain of our private equity funds at the time were marked down to 67% of original cost. For additional information regarding impact of market conditions on the value and performance of our investments, see "Risk Factors—Risks Related to Our Business—Difficult market and economic conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial prospects and condition" and "Risk Factors—Risks Related to the Assets We Manage—The historical returns attributable to our funds, including those presented in this report, should not be considered as indicative of the future results of our funds or our balance sheet investments, of our future results or the performance of our common stock."

The tables below present information as of December 31, 2019, relating to the historical performance of certain of our Private Markets investment vehicles since inception, which we believe illustrates the benefits of our investment approach. This data does not reflect additional capital raised since December 31, 2019, or acquisitions or disposals of investments, changes in investment values, or distributions occurring after that date. However, the information presented below is not intended to be representative of any past or future performance for any particular period other than the period presented below. Past performance is no guarantee of future results.

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Private Markets Investment Funds	Amount		Fair Value of Investments					
	Commitment	Invested	Realized (4)	Unrealized	Total Value	Gross IRR (5)	Net IRR (5)	Gross Multiple of Invested Capital (5)
			($ in millions)					
Total Investments								
Legacy Funds (1)								
1976 Fund	$ 31.4	$ 31.4	$ 537.2	$ —	$ 537.2	39.5 %	35.5 %	17.1
1980 Fund	356.8	356.8	1,827.8	—	1,827.8	29.0 %	25.8 %	5.1
1982 Fund	327.6	327.6	1,290.7	—	1,290.7	48.1 %	39.2 %	3.9
1984 Fund	1,000.0	1,000.0	5,963.5	—	5,963.5	34.5 %	28.9 %	6.0
1986 Fund	671.8	671.8	9,080.7	—	9,080.7	34.4 %	28.9 %	13.5
1987 Fund	6,129.6	6,129.6	14,949.2	—	14,949.2	12.1 %	8.9 %	2.4
1993 Fund	1,945.7	1,945.7	4,143.3	—	4,143.3	23.6 %	16.8 %	2.1
1996 Fund	6,011.6	6,011.6	12,476.9	—	12,476.9	18.0 %	13.3 %	2.1
Subtotal - Legacy Funds	16,474.5	16,474.5	50,269.3	—	50,269.3	26.1 %	19.9 %	3.1
Included Funds								
European Fund (1999) (2)	3,085.4	3,085.4	8,757.7	—	8,757.7	26.9 %	20.2 %	2.8
Millennium Fund (2002)	6,000.0	6,000.0	14,123.1	6.1	14,129.2	22.0 %	16.1 %	2.4
European Fund II (2005) (2)	5,750.8	5,750.8	8,507.4	34.3	8,541.7	6.1 %	4.5 %	1.5
2006 Fund (2006)	17,642.2	17,304.5	30,478.7	6,491.9	36,970.6	12.1 %	9.5 %	2.1
Asian Fund (2007)	3,983.3	3,945.9	8,535.4	52.6	8,588.0	18.8 %	13.5 %	2.2
European Fund III (2008) (2)	5,507.1	5,359.8	10,447.8	416.8	10,864.6	16.7 %	11.6 %	2.0
E2 Investors (Annex Fund) (2009) (2)	195.8	195.8	199.6	—	199.6	0.6 %	0.5 %	1.0
China Growth Fund (2010)	1,010.0	1,010.0	805.5	461.8	1,267.3	6.5 %	2.2 %	1.3
Natural Resources Fund (2010)	887.4	886.5	123.2	95.3	218.5	(26.4)%	(28.4)%	0.2
Global Infrastructure Investors (2011) (2)	1,040.2	1,047.6	1,316.2	867.5	2,183.7	17.8 %	15.8 %	2.1
North America Fund XI (2012)	8,718.4	9,579.6	10,334.2	9,782.4	20,116.6	23.9 %	19.1 %	2.1
Asian Fund II (2013)	5,825.0	6,495.2	3,907.4	6,499.1	10,406.5	16.9 %	12.5 %	1.6
Real Estate Partners Americas (2013)	1,229.1	1,010.7	1,268.6	249.0	1,517.6	18.5 %	13.6 %	1.5
Energy Income and Growth Fund (2013)	1,974.2	1,963.4	769.1	1,205.2	1,974.3	0.2 %	(2.4)%	1.0
Global Infrastructure Investors II (2014) (2)	3,039.6	3,093.7	593.4	3,562.5	4,155.9	13.3 %	11.0 %	1.3
European Fund IV (2015) (2)	3,507.2	3,372.9	1,968.6	4,175.9	6,144.5	28.8 %	22.4 %	1.8
Real Estate Partners Europe (2015) (2)	706.7	504.0	124.8	544.6	669.4	17.5 %	10.9 %	1.3
Next Generation Technology Growth Fund (2016)	658.9	630.6	45.9	1,060.1	1,106.0	37.0 %	29.8 %	1.8
Health Care Strategic Growth Fund (2016)	1,331.0	360.4	82.4	560.7	643.1	87.8 %	48.0 %	1.8
Americas Fund XII (2017)	13,500.0	6,461.8	89.0	7,476.4	7,565.4	14.0 %	8.1 %	1.2
Real Estate Credit Opportunity Partners (2017)	1,130.0	1,007.8	136.8	1,050.4	1,187.2	11.3 %	9.0 %	1.2
Core Investment Vehicles (2017)	9,500.0	4,489.7	—	6,196.8	6,196.8	22.9 %	21.4 %	1.4
Asian Fund III (2017)	9,000.0	4,208.8	486.4	5,677.7	6,164.1	48.2 %	34.1 %	1.5
Real Estate Partners Americas II (2017)	1,921.2	1,068.6	181.3	1,202.9	1,384.2	34.9 %	27.0 %	1.3
Global Infrastructure Investors III (2018) (2) (3)	7,140.6	2,081.4	29.5	2,081.9	2,111.4	—	—	—
European Fund V (2019) (2) (3)	6,277.7	—	—	—	—	—	—	—
Energy Income and Growth Fund II (2019) (3)	994.2	416.3	3.4	427.7	431.1	—	—	—
Next Generation Technology Growth Fund II (2019) (3)	2,033.3	—	—	—	—	—	—	—
Global Impact Fund (2019) (3)	1,129.3	—	—	—	—	—	—	—
Asia Pacific Infrastructure Investors (2019) (3)	1,439.6	—	—	—	—	—	—	—
Subtotal - Included Funds	126,158.2	91,331.2	103,315.4	60,179.6	163,495.0	16.0 %	12.0 %	1.8
All Funds	$ 142,632.7	$ 107,805.7	$ 153,584.7	$ 60,179.6	$ 213,764.3	25.6 %	18.8 %	2.0

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

(2) Commitment amounts have been converted into U.S. dollars based on (i) the foreign exchange rate at the date of purchase for each investment and (ii) the exchange rate prevailing on December 31, 2019, in the case of unfunded commitments. The following table presents information regarding investment funds with euro-denominated commitments.

Private Markets Investment Funds	Commitment (€ in millions)	
European Fund	€	196.5
European Fund II	€	2,597.5
European Fund III	€	2,882.8
E2 Investors (Annex Fund)	€	55.5
Global Infrastructure Investors	€	30.0
Global Infrastructure Investors II	€	243.8
European Fund IV	€	1,626.1
Real Estate Partners Europe	€	276.6
Global Infrastructure Investors III	€	987.0
European Fund V	€	2,144.2

(3) The gross IRR, net IRR and gross multiple of invested capital are calculated for our investment funds that made their first investment at least 24 months prior to December 31, 2019. None of the Global Infrastructure Investors III, European Fund V, Energy Income and Growth Fund II, Next Generation Technology Growth Fund II, Global Impact Fund or Asia Pacific Infrastructure Investors has invested for at least 24 months as of December 31, 2019. We therefore have not calculated gross IRRs, net IRRs and gross multiples of invested capital with respect to those funds.

(4) An investment is considered realized when it has been disposed of or has otherwise generated disposition proceeds or current income that has been distributed by the relevant fund. In periods prior to the three months ended September 30, 2015, realized proceeds excluded current income such as dividends and interest.

(5) IRRs measure the aggregate annual compounded returns generated by a fund's investments over a holding period. Net IRRs are calculated after giving effect to the allocation of realized and unrealized carried interest and the payment of any applicable management fees and organizational expenses. Gross IRRs are calculated before giving effect to the allocation of realized and unrealized carried interest and the payment of any applicable management fees and organizational expenses.

The gross multiples of invested capital measure the aggregate value generated by a fund's investments in absolute terms. Each multiple of invested capital is calculated by adding together the total realized and unrealized values of a fund's investments and dividing by the total amount of capital invested by the fund. Such amounts do not give effect to the allocation of realized and unrealized carried interest or the payment of any applicable management fees or organizational expenses.

KKR's Private Markets funds may utilize third-party financing facilities to provide liquidity to such funds. The above net and gross IRRs are calculated from the time capital contributions are due from fund investors to the time fund investors receive a related distribution from the fund, and the use of such financing facilities generally decreases the amount of time that would otherwise be used to calculate IRRs, which tends to increase IRRs when fair value grows over time and decrease IRRs when fair value decreases over time. KKR's Private Markets funds also generally provide in certain circumstances, which vary depending on the relevant fund documents, for a portion of capital returned to investors to be restored to unused commitments as recycled capital. For KKR's Private Markets funds that have a preferred return, we take into account recycled capital in the calculation of IRRs and multiples of invested capital because the calculation of the preferred return includes the effect of recycled capital. For KKR's Private Markets funds that do not have a preferred return, we do not take recycled capital into account in the calculation of IRRs and multiples of invested capital. The inclusion of recycled capital generally causes invested and realized amounts to be higher and IRRs and multiples of invested capital to be lower than had recycled capital not been included. The inclusion of recycled capital would reduce the composite net IRR of all Included Funds by 0.1% and the composite net IRR of all Legacy Funds by 0.5% and would reduce the composite multiple of invested capital of Included Funds by less than 0.2 and the composite multiple of invested capital of Legacy Funds by 0.4.

For more information, see "Risk Factors—Risks Related to the Assets We Manage—The historical returns attributable to our funds, including those presented in this report, should not be considered as indicative of the future results of our funds or our balance sheet investments, of our future results or the performance of our common stock."

Private Equity

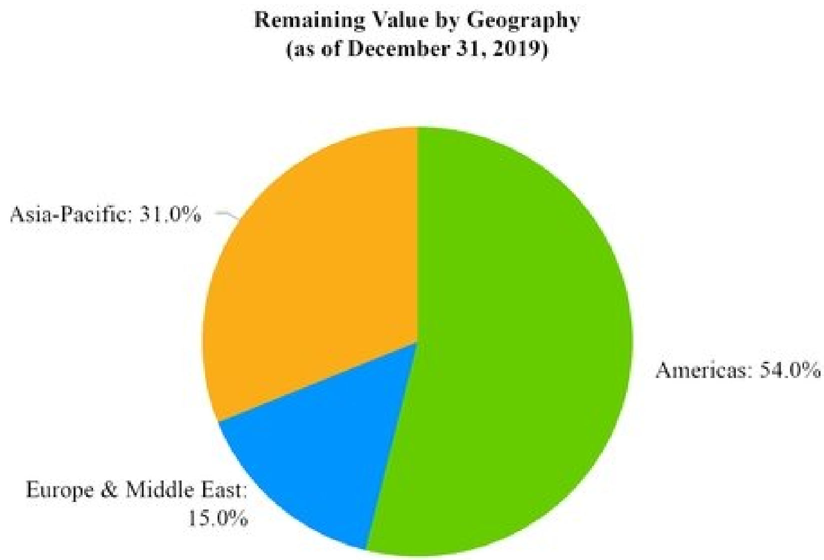
We are a world leader in private equity, having raised 26 private equity funds (including growth equity), as indicated in the table above, with approximately $111.6 billion of capital commitments through December 31, 2019. We invest in industry-leading franchises and attract world-class management teams.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

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

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

Portfolio

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



As of December 31, 2019, our traditional private equity portfolio consisted of 106 companies with approximately $165 billion of annual revenues. These companies are headquartered in 19 countries and operate in 20 general industries, which take advantage of our broad and deep industry and operating expertise. Many of these companies are leading franchises with global operations, strong management teams and attractive growth prospects, which we believe will provide benefits through a broad range of business conditions.

Investment Approach

Our approach to making private equity investments focuses on achieving multiples of invested capital and attractive risk-adjusted IRRs by selecting high-quality investments that may be made at attractive prices, applying rigorous standards of due diligence when making investment decisions, implementing strategic and operational changes that drive growth and value creation in acquired businesses, carefully monitoring investments, and making informed decisions when developing investment exit strategies.

We believe that we have achieved a leading position in the private equity industry by applying a disciplined investment approach and by building strong partnerships with highly motivated management teams who put their own capital at risk. When making private equity investments, we seek out strong business franchises, attractive growth prospects, leading market positions and the ability to generate attractive returns. In our private equity funds, we do not effect transactions that are "hostile," meaning a target company's board of directors makes an unfavorable recommendation with respect to the transaction or publicly opposes the consummation of the transaction.

Sourcing and Selecting Investments

We have access to significant opportunities for making private equity investments as a result of our sizable capital base, global platform, and relationships with leading executives from major companies, commercial and investment banks, and other investment and advisory institutions. Members of our global network contact us with new investment opportunities, including a substantial number of exclusive investment opportunities and opportunities that are made available to only a limited number of other firms. We also proactively pursue business development strategies that are designed to generate deals internally based on the depth of our industry knowledge and our reputation as a leading financial sponsor.

Due Diligence and the Investment Decision

When an investment team determines that an investment proposal is worth consideration, the proposal is formally presented to the applicable regional investment committee and the due diligence process commences, if appropriate. The objective of the due diligence process is to identify attractive investment opportunities based on the facts and circumstances surrounding an investment and to prepare a framework that may be used from the date of an acquisition to drive operational improvement and value creation. When conducting due diligence, investment teams evaluate a number of important business, financial, tax, accounting, environmental, social, governance, legal and regulatory issues in order to determine whether an investment is suitable. While the due diligence process differs depending on the type of investment we make, generally, in connection with the private equity due diligence process, investment professionals spend significant amounts of time meeting with a company's management and operating personnel, visiting plants and facilities, and where appropriate, speaking with other stakeholders interested in and impacted by the investment in order to understand the opportunities and risks associated with the proposed investment. Our investment professionals may also use the services of outside accountants, consultants, lawyers, investment banks and industry experts as appropriate to assist them in this process. Investment committees or portfolio managers, as applicable, monitor our due diligence practices and approve an investment before it is made.

Building Successful and Competitive Businesses

Portfolio management committees are responsible for working with our investment professionals from the date on which a private equity investment is made until the time it is exited in order to ensure that strategic and operational objectives are accomplished and that the performance of the investment is closely monitored. When investing in a private equity portfolio company, we partner with management teams to execute on our investment thesis, and we rigorously track performance through regular monitoring of detailed operational and financial metrics as well as appropriate environmental, social and governance issues. We have developed a global network of experienced managers and operating professionals who assist the private equity portfolio companies in making operational improvements and achieving growth. We augment these resources with operational guidance from operating professionals at KKR Capstone, senior advisors, other advisors and investment teams, and with "100-Day Plans" that focus the firm's efforts and drive our strategies. We seek to emphasize efficient capital management, top-line growth, R&D spending, geographical expansion, cost optimization and investment for the long-term.

Realizing Investments

We have developed substantial expertise for realizing private equity investments. From our inception through December 31, 2019, the firm has generated approximately $149.0 billion of cash proceeds from the sale of our private equity portfolio companies in initial public offerings and secondary offerings, dividends, and sales to strategic and financial buyers. When exiting private equity investments, our objective is to structure the exit in a manner that optimizes returns for fund investors and, in the case of publicly traded companies, minimizes the impact that the exit has on the trading price of the company's securities. We believe that our ability to successfully realize investments is attributable in part to the strength and discipline of our portfolio management committees and capital markets business, as well as the firm's longstanding relationships with corporate buyers and members of the investment banking and investing communities.

Private Equity Fund Structures

The private equity funds that we sponsor and manage have finite lives and investment periods. Each fund is organized as one or more partnerships, and each partnership is controlled by a general partner. Private equity fund investors are limited partners who agree to contribute a specified amount of capital to the fund from time to time for use in qualifying investments during the investment period, which generally lasts up to six years depending on how quickly capital is deployed. The investment period for certain funds may be terminated upon supermajority vote (based on capital commitment) of the fund's limited partners or by the fund's advisory committee. The term of our private equity funds generally last for 10 to 12 years and may last up to 15 years from the date of the fund's first or last investment, subject to a limited number of extensions with the consent of the limited partners or the applicable advisory committee. Given the length of the investment periods and terms of our private equity funds and the limited conditions under which such periods can be terminated and commitments may be withdrawn, the AUM of our private equity funds provide a long-term stable capital base.

Each private equity fund's general partner is generally entitled to a carried interest that allocates to it 20% of the net profits realized by the limited partners from the fund's investments. Our private equity funds since 2012 generally have a performance hurdle which requires that we return 7%, compounded annually, to limited partners in the fund prior to receiving our 20% share of net profits realized by limited partners. Such performance hurdles are subject to a catch-up allocation to the general partner after the hurdle has been reached. Our earlier private equity funds do not include a performance hurdle. The timing of receipt of carried interest in respect of investments of our private equity funds is dictated by the terms of the partnership agreements that govern such funds, and is distributed to the general partner of a private equity fund only after all of the following are met: (i) a realization event has occurred (e.g. sale of a portfolio company, dividend, etc.); (ii) the vehicle has achieved positive overall investment returns since its inception, in excess of performance hurdles where applicable, and is accruing carried interest; and (iii) with respect to investments with a fair value below cost, cost has been returned to fund investors in an amount sufficient to reduce remaining cost to the investments' fair value. For a fund that has a fair value above cost, overall, and is otherwise accruing carried interest, but has one or more investments where fair value is below cost, the shortfall between cost and fair value for such investments is referred to as a "netting hole." See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity—Sources of Liquidity" for a discussion of netting holes. Net realized profit or loss is not netted between or among funds. In addition, the agreements governing our private equity funds generally include a "clawback" provision that, if triggered, may give rise to a contingent obligation that may require the general partner to return or contribute amounts to the fund for distribution to fund investors at the end of the life of the fund. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Recognition of Carried Interest in the Statement of Operations" and "Risk Factors—The 'clawback' provision in our governing agreements may give rise to a contingent obligation that may require us to return or contribute amounts to our funds and fund investors."

We enter into management agreements with our private equity funds pursuant to which we receive management fees in exchange for providing the funds with management and other services. Gross management fees for our private equity funds generally range from 1% to 2% of committed capital during the fund's investment period and are generally 0.75% to 1.25% of invested capital after the expiration of the fund's investment period with subsequent reductions over time, which causes the fees to be reduced as investments are liquidated. In addition, in connection with the expiration of the investment period, a private equity fund may establish a reserve on its fund investors' capital commitments on which no fee is paid unless such capital is invested. These management fees are paid by private equity fund investors, who generally contribute capital to the fund in order to allow the fund to pay the fees to us. Our private equity funds generally require that management fees be returned to fund investors before a carried interest may be paid.

We also enter into monitoring agreements with our portfolio companies pursuant to which we receive periodic monitoring fees in exchange for providing them with management, consulting and other services, and we typically receive transaction fees for providing portfolio companies with financial, advisory and other services in connection with specific transactions. Monitoring agreements may provide for a termination payment following an initial public offering or change of control, if certain criteria are satisfied. In some cases, we may be entitled to other fees that are paid by an investment target upon closing a transaction or when a potential investment is not consummated. Since 2014, our private equity fund agreements typically require us to share 100% of any monitoring, transaction and other fees that are allocable to a fund (after reduction for expenses incurred allocable to a fund from unconsummated transactions) with fund investors.

In addition, the agreements governing our private equity funds enable investors in those funds to reduce their capital commitments available for further investments, on an investor-by-investor basis, in the event one or more "key persons" (for example, investment professionals who are named as "key executives" for certain geographically or product focused funds) cease to be actively involved in the management of the fund. While these provisions do not allow investors in our funds to withdraw capital that has been invested or cause a fund to terminate, the occurrence of a "key person" event could cause disruption in our business, reduce the amount of capital that we have available for future investments, and make it more challenging to raise additional capital in the future.

Because private equity fund investors typically are unwilling to invest their capital in a fund unless the fund's manager also invests its own capital in the fund's investments, our private equity fund documents generally require the general partners of the funds to make minimum capital commitments to the funds. The amounts of these commitments, which are negotiated by fund investors, generally range from 2% to 8% of a fund's total capital commitments at final closing, but may be greater for certain funds (i) where we are pursuing newer strategies, (ii) where third party investor demand is limited, and (iii) where a larger commitment is consistent with the asset allocation strategy our balance sheet is pursuing. When investments are made, the general partner contributes capital to the fund based on its fund commitment percentage and acquires a capital interest in the investment that is not subject to a carried interest or management fees.

Real Assets

Energy

Our energy platform aims to deliver current returns to fund investors through distributions generated by producing and selling oil and natural gas reserves and capital appreciation. The goal is to provide fund investors with exposure to commodity prices and optionality associated with future drilling and production. Our energy platform targets real asset investment opportunities across the upstream and midstream segments of the oil and gas industry. We have acquired and operated oil and natural gas properties in mature basins located primarily in the United States. In acquiring these properties, which are typically considered to be non-core by their sellers, we seek to generate value through optimizing production, reducing operating costs, and optimizing commercial and marketing arrangements. In addition, we have completed investments in oil and gas drilling development transactions with operating companies and have also acquired mineral and royalty interests. We work closely with external teams of technical and operational experts to assist in the selection, evaluation and operation of investments. We invest in these energy strategies primarily through KKR's energy funds. As of December 31, 2019, we have received $3.9 billion of capital commitments to our energy funds and $1.0 billion of capital commitments to this strategy through separately managed accounts.

Infrastructure

Our infrastructure platform seeks to achieve returns including current income through the acquisition and operational improvement of assets important to the functioning of the economy. We believe that the global infrastructure market provides an opportunity for the firm's private investment, operational improvement capabilities and stakeholder engagement. Through this platform we have made investments in power and utilities, midstream, alternative energy, transportation, asset leasing, water and wastewater, and telecommunications infrastructure. As of December 31, 2019, we had received $12.7 billion of capital commitments to our infrastructure funds, and $1.9 billion of capital commitments to this strategy through separately managed accounts and co-investment vehicles.

Real Estate

Our real estate equity platform targets real estate investment opportunities globally, across the United States, Western Europe and Asia-Pacific. Our equity investments include direct investments in real property, debt, special situations transactions and businesses with significant real estate holdings that can benefit from KKR's involvement and operational expertise. We seek to partner with real estate owners, lenders, operators, and developers to provide flexible capital to respond to transaction specific needs, including the outright purchase or financing of existing assets or companies and the funding of future development or acquisition opportunities. Through this strategy, we have made real estate equity investments in residential and commercial assets. We have also established an investment platform with a strategic partner to invest in commercial real estate in the United States. As of December 31, 2019, we have received $5.5 billion of capital commitments through our real estate equity investment funds.

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

Real Asset Investment Process

Our energy, infrastructure and real estate funds have a similar investment process as that described under "—Private Equity." Investment teams for a particular real asset strategy formally present potential investments to the applicable strategy oriented investment committee or the portfolio manager, as applicable, which monitors our due diligence practices and approves an investment before it is made. Most of our real asset strategies also have a portfolio management committee that works with our investment professionals from the date on which an investment is made until the time it is exited in order to ensure that strategic and operational objectives are accomplished and that the performance of the investment is closely monitored. In addition to leveraging the resources of the firm, our energy, infrastructure and real estate investment teams typically partner with technical experts and operators to manage our real asset investments.

Real Asset Fund Structures

Our energy, infrastructure and real estate funds generally have investment periods of up to 6 years and generally have a fund term of up to 13 years. Management fees for such funds generally range from 0.75% to 1.5% on committed capital, invested capital or net asset value during the investment period and on invested capital or net asset value for investments thereafter, subject to certain adjustments. These funds generally have performance hurdles of 8% to 10% subject to a catch-up allocation to the general partner after the hurdle has been reached. Thereafter the general partners of such funds generally share in 10% to 20% of net profits realized by limited partners.

Core Investments Strategy

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

Public Markets

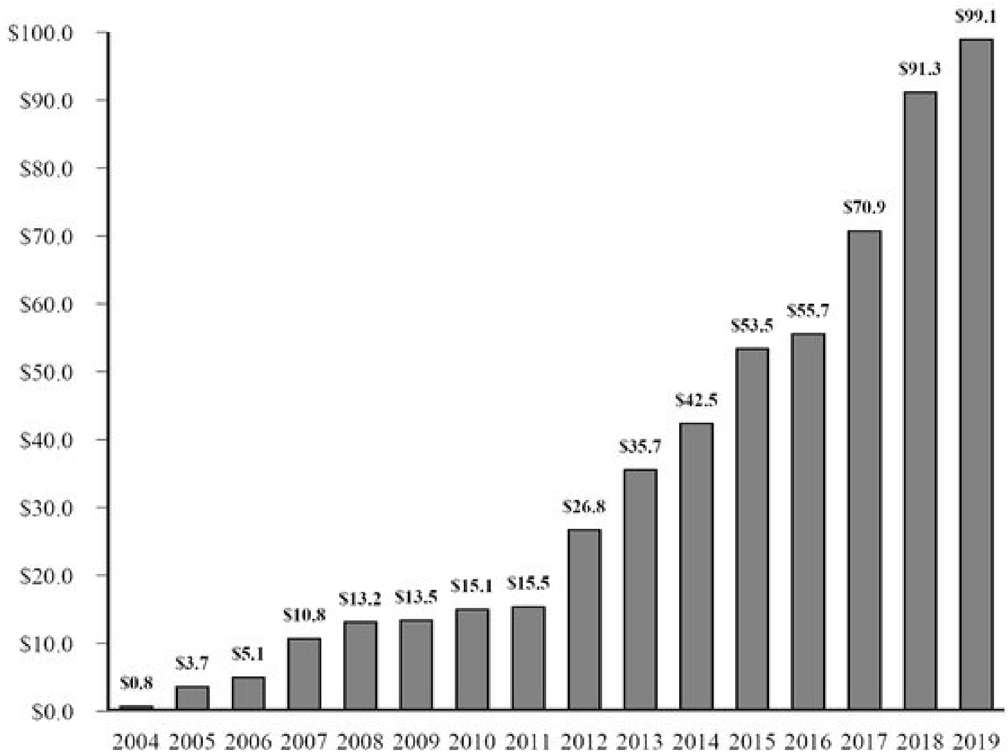
Through our Public Markets business line, we operate our combined credit and hedge funds platforms. Our credit business invests capital in (i) leveraged credit strategies, including leveraged loans, high-yield bonds, opportunistic credit and revolving credit strategies, and (ii) alternative credit strategies, including special situations and private credit strategies such as direct lending and private opportunistic credit (or mezzanine) investment strategies. The funds, CLOs, separately managed accounts, investment companies registered under the Investment Company Act of 1940 (the "Investment Company Act"), including business development companies ("BDCs"), and alternative investment funds ("AIFs") in our leveraged credit and alternative credit strategies are managed by KKR Credit Advisors (US) LLC, which is an SEC-registered investment adviser, KKR Credit Advisors (Ireland) Unlimited Company, which is regulated by the Central Bank of Ireland ("CBI"), and FS/KKR Advisor, LLC ("FS/KKR Advisor"), which is a strategic BDC partnership with Franklin Square Holdings, L.P. ("FS Investments"). Our Public Markets business line also includes our hedge funds platform, which consists of strategic partnerships with third-party hedge fund managers in which KKR owns a minority stake (which we refer to as "hedge fund partnerships"). Our hedge fund partnerships offer a variety of investment strategies, including hedge fund-of-funds, equity hedge funds and credit hedge funds.

We intend to continue to grow the Public Markets business line by leveraging our global investment platform, experienced investment professionals and the ability to adapt our investment strategies to different market conditions to capitalize on investment opportunities that may arise at various levels of the capital structure and across market cycles.

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

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

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



(1) For years 2006 through 2008, AUM are presented pro forma for the KPE Transaction and, therefore, exclude the net asset value of KPE and its former commitments to our investment funds. AUM of acquired businesses and pro rata AUM of hedge fund partnerships in which KKR has made an investment are included in the years on and after the completion of the respective acquisitions or transactions, as applicable.

(2) In 2015 our definition of AUM was amended to include (i) KKR's pro rata portion of AUM managed by third-party hedge fund managers in which KKR holds a minority stake and (ii) capital commitments for which we are eligible to receive fees or carried interest upon deployment of capital. AUM for all prior periods has been adjusted to include such changes.

Credit

Performance

We generally review our performance in our credit business by investment strategy.

Our leveraged credit strategies principally invest through separately managed accounts, BDCs, CLOs and investment funds. In certain cases, these strategies have meaningful track records and may be compared to widely-known indices. The following table presents information regarding larger leveraged credit strategies managed by KKR from inception to December 31, 2019. However, the information presented below is not intended to be representative of any past or future performance for any particular period other than the period presented below. Past performance is no guarantee of any future result.

Leveraged Credit Strategies: Inception-to-Date Annualized Gross Performance vs. Benchmark by Strategy

($ in millions)	Inception Date	Gross Returns	Net Returns	Benchmark (1)	Benchmark Gross Returns
Bank Loans Plus High Yield	Jul 2008	7.70%	7.09%	65% S&P/LSTA Loan Index, 35% BoAML HY Master II Index (2)	6.13%
Opportunistic Credit (3)	May 2008	11.85%	9.93%	50% S&P/LSTA Loan Index, 50% BoAML HY Master II Index (3)	6.42%
Bank Loans	Apr 2011	5.24%	4.64%	S&P/LSTA Loan Index (4)	4.30%
High-Yield	Apr 2011	7.12%	6.54%	BoAML HY Master II Index (5)	6.40%
Bank Loans Conservative	Apr 2011	4.66%	4.07%	S&P/LSTA BB-B Loan Index (6)	4.34%
European Leveraged Loans (7)	Sep 2009	4.92%	4.40%	CS Inst West European Leveraged Loan Index (8)	4.41%
High-Yield Conservative	Apr 2011	6.51%	5.94%	BoAML HY BB-B Constrained (9)	6.42%
European Credit Opportunities (7)	Sept 2007	5.54%	4.60%	S&P European Leveraged Loans (All Loans) (10)	4.23%
Revolving Credit (11)	May 2015	N/A	N/A	N/A	N/A

(1) The benchmarks referred to herein include the S&P/LSTA Leveraged Loan Index (the "S&P/LSTA Loan Index"), S&P/LSTA U.S. B/BB Ratings Loan Index (the "S&P/LSTA BB-B Loan Index"), the Bank of America Merrill Lynch High Yield Master II Index (the "BoAML HY Master II Index"), the BofA Merrill Lynch BB-B US High Yield Index (the "BoAML HY BB-B Constrained"), the Credit Suisse Institutional Western European Leveraged Loan Index (the "CS Inst West European Leveraged Loan Index"), and S&P European Leveraged Loans (All Loans). The S&P/LSTA Loan Index is a daily tradable index for the U.S. loan market that seeks to mirror the market-weighted performance of the largest institutional loans that meet certain criteria. The S&P/ LSTA BB-B Loan Index is comprised of loans in the S&P/LSTA Loan Index, whose rating is BB+, BB, BB-, B+, B or B-. The BoAML HY Master II Index is an index for high-yield corporate bonds. It is designed to measure the broad high-yield market, including lower-rated securities. The BoAML HY BB-B Constrained is a subset of the BoAML HY Master II Index including all securities rated BB1 through B3, inclusive. The CS Inst West European Leveraged Loan Index contains only institutional loan facilities priced above 90, excluding TL and TLa facilities and loans rated CC, C or are in default. The S&P European Leveraged Loan Index reflects the market-weighted performance of institutional leveraged loan portfolios investing in European credits. While the returns of our leveraged credit strategies reflect the reinvestment of income and dividends, none of the indices presented in the chart above reflect such reinvestment, which has the effect of increasing the reported relative performance of these strategies as compared to the indices. Furthermore, these indices are not subject to management fees, incentive allocations, or expenses.

(2) Performance is based on a blended composite of Bank Loans Plus High Yield strategy accounts. The benchmark used for purposes of comparison for the Bank Loans Plus High Yield strategy is based on 65% S&P/LSTA Loan Index and 35% BoAML HY Master II Index.

(3) The Opportunistic Credit strategy invests in high-yield securities and corporate loans with no preset allocation. The benchmark used for purposes of comparison for the Opportunistic Credit strategy presented herein is based on 50% S&P/LSTA Loan Index and 50% BoAML HY Master II Index. Funds within this strategy may utilize third-party financing facilities to enhance investment returns. In cases where financing facilities are used, the amounts drawn on the facility are deducted from the assets of the fund in the calculation of net asset value, which tends to increase returns when net asset value grows over time and decrease returns when net asset value decreases over time.

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

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

(6) Performance is based on a composite of portfolios that primarily invest in leveraged loans rated B-/Baa3 or higher. The benchmark used for purposes of comparison for the Bank Loans Conservative strategy is based on the S&P/LSTA BB-B Loan Index.

(7) The returns presented are calculated based on local currency.

(8) Performance is based on a composite of portfolios that primarily invest in higher quality leveraged loans. The benchmark used for purposes of comparison for the European Leveraged Loans strategy is based on the CS Inst West European Leveraged Loan Index.

(9) Performance is based on a composite of portfolios that primarily invest in high-yield securities rated B or higher. The benchmark used for purposes of comparison for the High-Yield Conservative strategy is based on the BoAML HY BB-B Constrained Index.

(10) Performance is based on a composite of portfolios that primarily invest in European institutional leveraged loans. The benchmark used for purposes of comparison for the European Credit Opportunities strategy is based on the S&P European Leveraged Loans (All Loans) Index.

(11) This strategy has not called any capital as of December 31, 2019. As a result, the gross and net return performance measures are not meaningful and are not included above.

Our alternative credit strategies primarily invest in more illiquid instruments through private investment funds, BDCs and separately managed accounts. The following table presents information regarding our Public Markets alternative credit commingled funds where investors are subject to capital commitments from inception to December 31, 2019. Some of these funds have been investing for less than 24 months, and thus their performance is less meaningful and not included below. In addition, the information presented below is not intended to be representative of any past or future performance for any particular period other than the period presented below. Past performance is no guarantee of any future result.

Alternative Credit Strategies: Fund Performance

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

(1) Recycled capital is excluded from the amounts invested and realized.

(2) These credit funds utilize third-party financing facilities to provide liquidity to such funds, and in such event IRRs are calculated from the time capital contributions are due from fund investors to the time fund investors receive a related distribution from the fund. The use of such financing facilities generally decreases the amount of invested capital that would otherwise be used to calculate IRRs, which tends to increase IRRs when fair value grows over time and decrease IRRs when fair value decreases over time. IRRs measure the aggregate annual compounded returns generated by a fund's investments over a holding period and are calculated taking into account recycled capital. Net IRRs presented are calculated after giving effect to the allocation of realized and unrealized carried interest and the payment of any applicable management fees. Gross IRRs are calculated before giving effect to the allocation of carried interest and the payment of any applicable management fees.

(3) The multiples of invested capital measure the aggregate value generated by a fund's investments in absolute terms. Each multiple of invested capital is calculated by adding together the total realized and unrealized values of a fund's investments and dividing by the total amount of capital invested by the investors. The use of financing facilities generally decreases the amount of invested capital that would otherwise be used to calculate multiples of invested capital, which tends to increase multiples when fair value grows over time and decrease multiples when fair value decreases over time. Such amounts do not give effect to the allocation of any realized and unrealized returns on a fund's investments to the fund's general partner pursuant to a carried interest or the payment of any applicable management fees and are calculated without taking into account recycled capital.

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

For additional information regarding impact of market conditions on the value and performance of our investments, see "Risk Factors—Risks Related to Our Business—Difficult market and economic conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial prospects and condition" and "Risk Factors—Risks Related to the Assets We Manage—The historical returns attributable to our funds, including those presented in this report, should not be considered as indicative of the future results of our funds or our balance sheet investments, of our future results or the performance of our common stock."

Investment Approach

Our approach to making investments focuses on creating investment portfolios that seek to generate attractive risk-adjusted returns by selecting investments that may be made at attractive prices, subjecting investments to regular monitoring and oversight, and, for more liquid investments, making buy and sell decisions based on price targets and relative value parameters. The firm employs both "top-down" and "bottom-up" analyses when making investments. Our top-down analysis involves, as appropriate, a macro analysis of relative asset valuations, long-term industry trends, business cycles, regulatory trends, interest rate expectations, credit fundamentals and technical factors to target specific industry sectors and asset classes in which to invest. From a bottom-up perspective, our investment decision is predicated on an investment thesis that is developed using our proprietary resources and knowledge and due diligence.

Sourcing and Selecting Investments

We source investment opportunities through a variety of channels, including internal deal generation strategies and the firm's global network of contacts at major companies, corporate executives, commercial and investment banks, financial intermediaries, other private equity sponsors and other investment and advisory institutions. We are also provided with opportunities to invest, in certain strategies where appropriate, in the securities of KKR's private equity portfolio companies, though there are limitations across the platform on the availability and maximum size of such KKR-affiliated investments.

Due Diligence and the Investment Decision

Once a potential investment has been identified, our investment professionals screen the opportunity and make a preliminary determination concerning whether we should proceed with further diligence. When evaluating the suitability of an investment for our funds, we typically employ a relative value framework and subject the investment to due diligence. This review considers many factors including, as appropriate, expected returns, capital structure, credit ratings, historical and projected financial data, the issuer's competitive position, the quality and track record of the issuer's management team, margin stability, and industry and company trends. Investment professionals use the services of outside advisors and industry experts as appropriate to assist them in the due diligence process and, when relevant and permitted, leverage the knowledge and experience of our Private Markets investment professionals. Strategy-specific investment committees monitor our due diligence practices.

Monitoring Investments

We monitor our portfolios of investments using, as applicable, daily, quarterly and annual analyses. Daily analyses include morning market meetings, industry and company pricing runs, industry and company reports and discussions with the firm's Private Markets investment professionals on an as-needed basis. Quarterly analyses include the preparation of quarterly operating results, reconciliations of actual results to projections and updates to financial models (baseline and stress cases). Annual analyses involve conducting internal audits, and testing compliance with monitoring and documentation requirements.

Credit Strategies

Our credit business pursues investments in leveraged credit strategies, such as leveraged loans, high-yield bonds, opportunistic credit and revolving credit strategies, and alternative credit strategies, such as special situations, direct lending and private opportunistic credit (or mezzanine) strategies. We pursue these investments across a range of vehicles, including investment funds and separately managed accounts, for which we receive a fee and in certain cases an incentive fee or carried interest.

We also manage structured credit vehicles in the form of CLOs that hold leveraged loans, high-yield bonds or a combination of both. CLOs are typically structured as special purpose investment vehicles that acquire, monitor and, to varying degrees, manage a pool of credit assets. CLOs generally serve as long-term financing for leveraged credit investments and as a way to reduce refinancing risk, reduce maturity risk and secure a fixed cost of funds over an underlying market interest rate. We typically receive a fee for managing CLOs.

We also serve as the registered investment adviser or sub-adviser to registered investment companies. The management fees we are paid for managing registered investment companies are generally subject to contractual rights that require their board of directors to provide prior notice in order to terminate our investment management services. Following the FS Investments Transaction in April 2018, FS/KKR Advisor serves as the investment adviser to the BDCs in our BDC platform.

Leveraged Credit. Our leveraged credit strategies are principally directed at investing in leveraged loans, high-yield bonds or a combination of both. Our opportunistic credit strategy seeks to deploy capital across investment themes that take advantage of credit market dislocations, spanning asset types and liquidity profiles. Our revolving credit strategy invests in senior secured revolving credit facilities.

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

- *Special Situations.* We seek to make opportunistic investments largely in stressed or distressed companies through our special situations investment strategy. These investments include distressed investments (including post- restructuring equity), control-oriented opportunities, rescue financing (debt or equity investments made to address covenant, maturity or liquidity issues), debtor-in-possession or exit financing, and other event-driven investments in debt or equity.

- *Private Credit.* Our private credit strategies seek to leverage the knowledge and relationships developed in the leveraged credit business. These strategies include direct lending and private opportunistic credit strategies. Through our direct lending strategy, we seek to make investments in proprietarily sourced primarily senior debt financings for middle-market companies. Through our private opportunistic credit strategy, we seek to make investments in directly sourced third-party mezzanine and mezzanine-like transactions and also seek asset-based credit and structured credit opportunities across financial and hard assets. These investments often consist of mezzanine debt, which generates a current yield, coupled with marginal equity exposure with additional upside potential.

Hedge Funds

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

Public Markets AUM and Vehicle Structures

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

The table below presents information as of December 31, 2019, based on the investment funds, vehicles or accounts offered by our Public Markets business line. Our funds, vehicles and accounts have been sorted based upon their primary investment strategies. However, the AUM and FPAUM presented for each line in the table includes certain investments from non-primary investment strategies, which are permitted by their investment mandates, for purposes of presenting the fees and other terms for such funds, vehicles and accounts.

($ in millions)	AUM	FPAUM	Typical Management Fee Rate	Incentive Fee / Carried Interest	Preferred Return	Duration of Capital
Leveraged Credit:						
Leveraged Credit SMAs/Funds	$ 22,802	$ 21,199	0.10%-1.10%	Various (1)	Various (1)	Subject to redemptions
CLOs	15,311	15,311	0.40%-0.50%	Various (1)	Various (1)	10-14 Years (2)
Total Leveraged Credit	38,113	36,510				
Alternative Credit: (3)						
Special Situations	6,847	4,646	0.90%-1.75% (4)	10.00-20.00%	7.00-12.00%	8-15 Years (2)
Private Credit	11,578	5,729	0.50%-1.50%	10.00-20.00%	5.00-8.00%	8-15 Years (2)
Total Alternative Credit	18,425	10,375				
Hedge Funds (5)	26,082	20,947	0.50%-2.00%	Various (1)	Various (1)	Subject to redemptions
BDCs (6)	16,460	16,460	0.60%	8.00%	7.00%	Indefinite
Total	$ 99,080	$ 84,292				

(1) Certain funds and CLOs are subject to a performance fee in which the manager or general partner of the funds share up to 20% of the net profits earned by investors in excess of performance hurdles (generally tied to a benchmark or index) and subject to a provision requiring the funds and vehicles to regain prior losses before any performance fee is earned.

(2) Duration of capital is measured from inception. Inception dates for CLOs were between 2013 and 2019 and for separately managed accounts and funds investing in alternative credit strategies from 2009 through 2019.

(3) Our alternative credit funds generally have investment periods of three to five years and our newer alternative credit funds generally earn fees on invested capital during the investment period.

(4) Lower fees on uninvested capital in certain vehicles.

(5) Hedge Funds represent KKR's pro rata portion of AUM and FPAUM of our hedge fund partnerships.

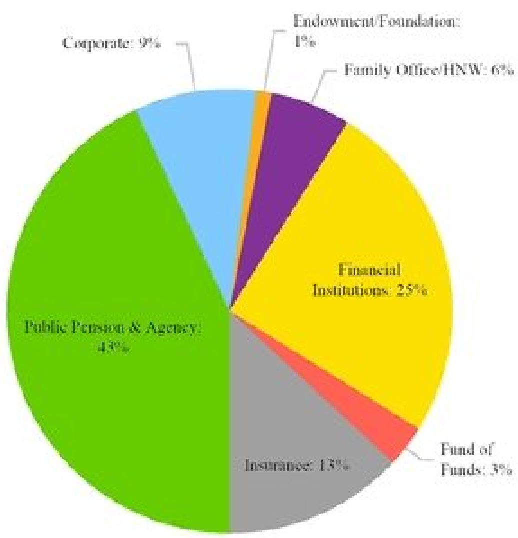
(6) Consists of our BDC platform advised by FS/KKR Advisor. We report all of the AUM of the BDCs in our AUM and FPAUM.

Fundraising and Composition of Fund Investors

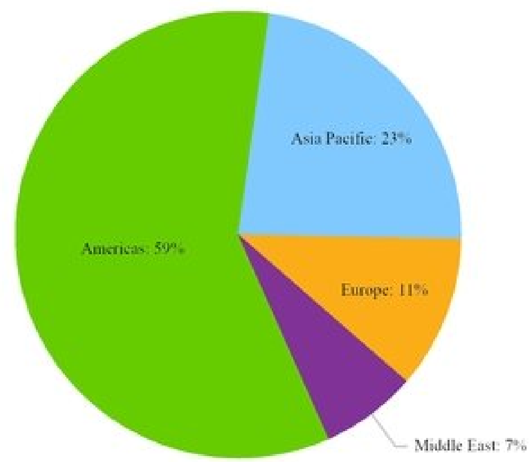
We have a Client & Partner Group that is responsible for raising capital for us globally across all products, expanding our client relationships across asset classes and across types of fund investors, developing products to meet our clients' needs, and servicing existing fund investors and products.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

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

Fund Investor Base by Type (1)



Fund Investor Base by Geography (1)



(1) Based on the AUM of our Private Markets investment funds, Private Markets co-investment vehicles, and Public Markets separately managed accounts and Public Markets investment funds. These charts exclude general partner commitments, assets managed through CLOs, and assets managed by other asset managers with which KKR has formed strategic partnerships where KKR does not hold more than a 50% ownership interest. Allocations are assigned to a type or geographic region according to subscriptions received from a limited partner.

Capital Markets

Our Capital Markets business line is comprised of our global capital markets business, which is integrated with KKR's other business lines, and serves our firm, our portfolio companies and third-party clients by developing and implementing both traditional and non-traditional capital solutions for investments or companies seeking financing. These services include arranging debt and equity financing, placing and underwriting securities offerings, and providing other types of capital markets services that may result in the firm receiving fees, including underwriting, placement, transaction and syndication fees, commissions, underwriting discounts, interest payments and other compensation, which may be payable in cash or securities, in respect of the activities described above.

Our capital markets business underwrites credit facilities and arranges loan syndications and participations. When we are sole arrangers of a credit facility, we may advance amounts to the borrower on behalf of other lenders, subject to repayment. When we underwrite an offering of securities on a firm commitment basis, we commit to buy and sell an issue of securities and generate revenue by purchasing the securities at a discount or for a fee. When we act in an agency capacity or best efforts basis, we generate revenue for arranging financing or placing securities with capital markets investors. We may also provide issuers with capital markets advice on security selection, access to markets, marketing considerations, securities pricing, and other aspects of capital markets transactions in exchange for a fee. Our capital markets business also provides syndication services in respect of co-investments in transactions participated in by KKR funds or third-party clients, which may entitle the firm to receive syndication fees, management fees and/or a carried interest.

The capital markets business has a global footprint, with local presence and licenses to carry out certain broker-dealer activities in various countries in North America, Europe, Asia-Pacific and the Middle East. Our flagship capital markets subsidiary is KKR Capital Markets LLC, an SEC-registered broker-dealer and a member of the Financial Industry Regulation Authority ("FINRA").

Principal Activities

Through our Principal Activities business line, we manage the firm's own assets on our balance sheet and deploy capital to support and grow our business lines. Typically, the funds in our Private Markets and Public Markets business lines contractually require us, as general partner of the funds, to make sizable capital commitments from time to time. We believe making general partner commitments assists us in raising new funds from limited partners by demonstrating our conviction in a given fund's strategy. We also use our balance sheet to acquire investments in order to help establish a track record for fundraising purposes in new strategies. We may also use our own capital to seed investments for new funds, to bridge capital selectively for our funds' investments or finance strategic acquisitions and partnerships, although the financial results of an acquired business or hedge fund partnership may be reported in our other business lines.

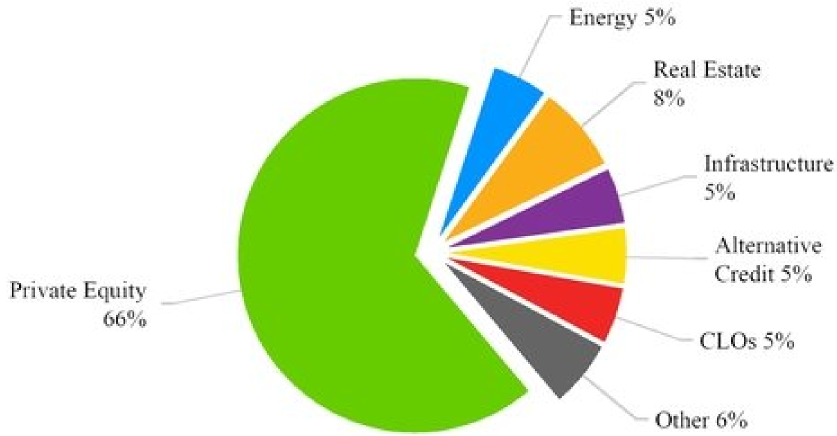
Our Principal Activities business line also provides the required capital to fund the various commitments of our Capital Markets business line when underwriting or syndicating securities, or when providing term loan commitments for transactions involving our portfolio companies and for third parties. Our Principal Activities business line also holds assets that may be utilized to satisfy regulatory requirements for our Capital Markets business line and risk retention requirements for our CLOs.

We also make opportunistic investments through our Principal Activities business line, which include co-investments alongside our Private Markets and Public Markets funds as well as Principal Activities investments that do not involve our Private Markets or Public Markets funds.

We endeavor to use our balance sheet strategically and opportunistically to generate an attractive risk-adjusted return on equity in a manner that is consistent with our fiduciary duties, in compliance with applicable laws, and consistent with our one-firm approach.

The chart below presents the holdings of our Principal Activities business line by asset class as of December 31, 2019.

Holdings by Asset Class (1)



(1) General partner commitments in our funds are included in the various asset classes shown above. Assets and revenues of other asset managers with which KKR has formed strategic partnerships where KKR does not hold more than 50% ownership interest are not included in our Principal Activities business line but are reported in the financial results of our other business lines. Private Equity includes KKR private equity funds, co-investments alongside such KKR-sponsored private equity funds, certain core equity investments, and other opportunistic investments. Equity investments in other asset classes, such as real estate, special situations and energy appear in these other asset classes. Other Credit consists of certain leveraged credit and specialty finance strategies.

Competition

We compete with other investment managers for both fund investors and investment opportunities. The firm's competitors consist primarily of sponsors of public and private investment funds, real estate development companies, BDCs, investment banks, commercial finance companies and operating companies acting as strategic buyers. We believe that competition for fund investors is based primarily on investment performance, investor liquidity and willingness to invest, investor perception of investment managers' drive, focus and alignment of interest, business reputation, duration of relationships, quality of services, pricing, fund terms including fees, and the relative attractiveness of the types of investments that have been or are to be made. We believe that competition for investment opportunities is based primarily on the pricing, terms and structure of a proposed investment and certainty of execution. In addition to these traditional competitors within the global investment management industry, we also face competition from local and regional firms, financial institutions and sovereign wealth funds in the various countries in which we invest. In certain emerging markets, local firms may have more established relationships with the companies in which we are attempting to invest. These competitors often fall into one of the aforementioned categories but in some cases may represent new types of fund investors, including high net worth individuals, family offices and state-sponsored entities.

There are numerous funds focused on private equity, real assets, growth equity, credit and hedge fund strategies that compete for investor capital. Fund managers have also increasingly adopted investment strategies outside of their traditional focus. For example, funds focused on credit and equity strategies have become active in taking control positions in companies, while private equity funds have acquired minority equity or debt positions in publicly listed companies. This convergence could heighten competition for investments. Furthermore, as institutional fund investors increasingly consolidate their relationships for multiple investment products with a few investment firms, competition for capital from such institutional fund investors may become more acute. However, such consolidation may also lead institutional fund investors to prefer more established investment firms, which could help us compete against newer entrants or investment firms that are smaller in size or offer more limited types of investment strategies.

Some of the entities that we compete with as an investment firm may have greater financial, technical, marketing and other resources and more personnel than us and, in the case of some asset classes, longer operating histories, more established relationships or greater experience. Several of our competitors also have raised, or may raise, significant amounts of capital and have investment objectives that are similar to the investment objectives of our funds, which may create additional competition for investment opportunities. Some of these competitors may also have lower costs of capital and access to funding sources that are not available to us, which may create competitive advantages for them. In addition, some of these competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider range of investments and to bid more aggressively than us for investments. Strategic buyers may also be able to achieve synergistic cost savings or revenue enhancements with respect to a targeted portfolio company, which may provide them with a competitive advantage in bidding for such investments.

Our capital markets business competes primarily with investment banks and independent broker-dealers in North America, Europe, Asia-Pacific and the Middle East. We principally focus our capital markets activities on the firm, our portfolio companies and fund investors, but we also seek to service other third parties. While we generally target customers with whom we have existing relationships, those customers may have similar relationships with the firm's competitors, many of whom will have access to competing securities transactions, greater financial, technical or marketing resources or more established reputations than us.

Competition is also intense for the attraction and retention of qualified employees and consultants. Our ability to continue to compete effectively in our businesses will depend upon our ability to attract new employees and consultants and retain and motivate our existing employees and consultants.

Employees, Consultants and Advisors

As of December 31, 2019, we employed 1,384 people worldwide:

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

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

Investment Professionals

Our 480 investment professionals come from diverse backgrounds in private equity, real assets, credit and other asset classes and include executives with operations, strategic consulting, risk management, liability management and finance experience. As a group, these professionals provide us with a strong global team for identifying attractive investment opportunities, creating value and generating superior returns.

Other Professionals

Our 624 other professionals come from diverse backgrounds in capital markets, economics, capital raising, client services, public affairs, finance, tax, legal, compliance, human resources, and information technology. As a group, these professionals provide us with a strong team for overseeing investments and performing capital markets activities, servicing our existing fund investors and creating relationships with new fund investors globally. Additionally, a majority of these other professionals are responsible for supporting the global infrastructure of KKR.

KKR Capstone

We have developed an institutionalized process for creating value in investments. As part of our effort, we utilize a team of 69 operating professionals at KKR Capstone, who work exclusively with our investment professionals and portfolio company management teams or our designees. With professionals in North America, Europe and the Asia-Pacific, KKR Capstone provides additional expertise for assessing investment opportunities and assisting managers of portfolio companies in defining strategic priorities and implementing operational changes. During the initial phases of an investment, KKR Capstone's work seeks to implement our thesis for value creation. These operating professionals may assist portfolio companies in addressing top-line growth, cost optimization and efficient capital allocation and in developing operating and financial metrics. Over time, this work shifts to identifying challenges and taking advantage of business opportunities that arise during the life of an investment. On January 1, 2020, KKR acquired KKR Capstone.

Senior Advisors and Other Advisors

To complement the expertise of our investment professionals, we have a team of senior advisors and other advisors. While not KKR employees, they provide us with additional operational and strategic insights. The responsibilities of senior advisors and other advisors include serving on the boards of our portfolio companies, helping us source and evaluate individual investment opportunities and assisting portfolio companies with operational matters. These individuals include current and former chief executive officers, chief financial officers and chairpersons of major corporations and others holding leading positions of public agencies worldwide.

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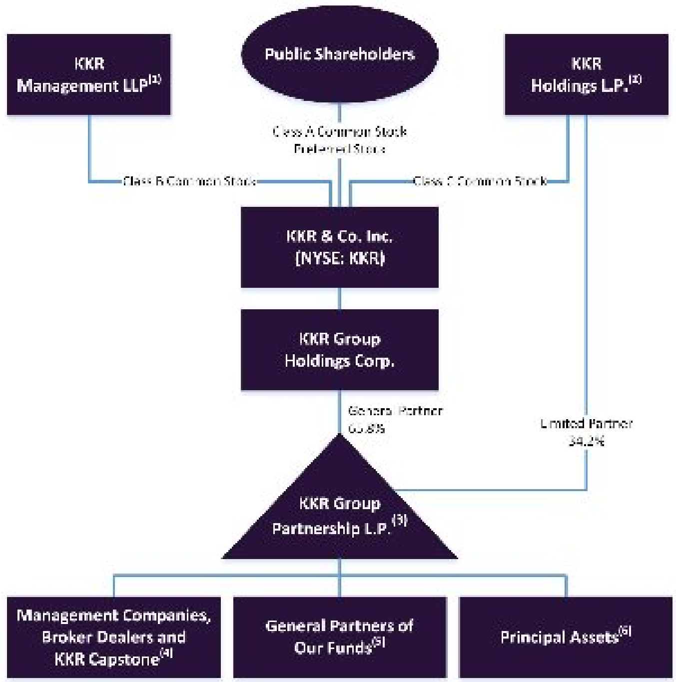
Organizational Structure

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



(1)KKR Management LLP is the sole holder of Class B common stock of KKR & Co. Inc. KKR Management LLP is owned by senior KKR employees.

(2)KKR Holdings is the holding vehicle through which certain of our current and former employees and other persons indirectly own their interest in KKR. KKR Group Partnership Units that are held by KKR Holdings are exchangeable for shares of Class A common stock on a one-for-one basis, subject to customary conversion rate adjustments for stock splits, stock dividends and reclassifications and compliance with applicable vesting and transfer restrictions. As limited partner interests, these KKR Group Partnership Units are non-voting and do not entitle KKR Holdings to participate in the management of our business and affairs. As of January 1, 2020, KKR Holdings had approximately a 34.2% interest in our business indirectly through its limited partner interests in KKR Group Partnership. KKR Holdings also holds Class C common stock that entitles it to cast a number of votes equal to the number of KKR Group Partnership Units that it holds, with respect to the limited matters upon which our Class A common stockholders are entitled to vote.

(3)On January 1, 2020, KKR completed the Reorganization, in which KKR Management Holdings L.P. and KKR International Holdings L.P., which were formerly intermediate holding companies for KKR's business, were combined with another intermediate holding company, KKR Fund Holdings L.P., which changed its name to KKR Group Partnership L.P. and became the sole intermediate holding company for KKR's business.

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

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

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

Regulation

Our operations are subject to regulation and supervision in a number of jurisdictions. The level of regulation and supervision to which we are subject varies from jurisdiction to jurisdiction and is based on the type of business activity involved. We, in conjunction with our outside advisors and counsel, seek to manage our business and operations in compliance with such regulation and supervision. The regulatory and legal requirements that apply to our activities are subject to change from time to time and may become more restrictive, which may make compliance with applicable requirements more difficult or expensive or otherwise restrict our ability to conduct our business activities in the manner in which they are now conducted. Changes in applicable regulatory and legal requirements, including changes in their enforcement, could materially and adversely affect our business and our financial condition and results of operations. As a matter of public policy, the regulatory bodies that regulate our business activities are generally responsible for safeguarding the integrity of the securities and financial markets and protecting fund investors who participate in those markets rather than protecting the interests of our stockholders.

United States

Regulation as an Investment Adviser

We conduct our advisory business through our investment adviser subsidiaries, including Kohlberg Kravis Roberts & Co. L.P. and its wholly-owned subsidiary KKR Credit Advisors (US) LLC, each of which is registered as an investment adviser with the SEC under the Investment Advisers Act of 1940 (the "Investment Advisers Act"). The investment advisers are subject to the anti-fraud provisions of the Investment Advisers Act and to fiduciary duties derived from these provisions, which apply to our relationships with our advisory clients globally, including funds that we manage. These provisions and duties impose restrictions and obligations on us with respect to our dealings with our fund investors and our investments, including for example restrictions on agency cross and principal transactions. Our registered investment advisers are subject to periodic SEC examinations and other requirements under the Investment Advisers Act and related regulations primarily intended to benefit advisory clients. These additional requirements relate, among other things, to maintaining an effective and comprehensive compliance program, record-keeping and reporting requirements and disclosure requirements. The Investment Advisers Act generally grants the SEC broad administrative powers, including the power to limit or restrict an investment adviser from conducting advisory activities in the event it fails to comply with federal securities laws. Additional sanctions that may be imposed for failure to comply with applicable requirements include the prohibition of individuals from associating with an investment adviser, the revocation of registrations and other censures and fines.

KKR Credit Advisors (US) LLC is also subject to regulation under the Investment Company Act as an investment adviser to a registered investment company. The KKR Income Opportunities Fund is a closed-end management investment company registered under the Investment Company Act. The closed-end management investment company and KKR Credit Advisors (US) LLC are subject to the Investment Company Act and the rules thereunder, which among other things regulate the relationship between a registered investment company and its investment adviser and prohibit or restrict principal transactions and joint transactions.

Regulation as a Broker-Dealer

KKR Capital Markets LLC, one of our subsidiaries, is registered as a broker-dealer with the SEC under the Exchange Act and in all 50 U.S. States and U.S. territories, and is a member of the FINRA. As a registered broker-dealer, KKR Capital Markets LLC is subject to periodic SEC and FINRA examinations and reviews. A broker-dealer is subject to legal requirements covering all aspects of its securities business, including sales and trading practices, public and private securities offerings, use and safekeeping of customers' funds and securities, capital structure, record-keeping and retention and the conduct and qualifications of directors, officers, employees and other associated persons. These requirements include the SEC's "uniform net capital rule," which specifies the minimum level of net capital that a broker-dealer must maintain, requires a significant part of the broker-dealer's assets to be kept in relatively liquid form, imposes certain requirements that may have the effect of prohibiting a broker-dealer from distributing or withdrawing its capital and subjects any distributions or withdrawals of capital by a broker-dealer to notice requirements. These and other requirements also include rules that limit a broker-dealer's ratio of subordinated debt to equity in its regulatory capital composition, constrain a broker-dealer's ability to expand its business under certain circumstances and impose additional requirements when the broker-dealer participates in securities offerings of affiliated entities. Violations of these requirements may result in censures, fines, the issuance of cease-and-desist orders, revocation of licenses or registrations, the suspension or expulsion from the securities industry of the broker-dealer or its officers or employees or other similar consequences by regulatory bodies.

Ireland

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

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

United Kingdom

We have several subsidiaries which are authorized and regulated by the United Kingdom Financial Conduct Authority (the "FCA") under the Financial Services and Markets Act 2000 ("FSMA"). FSMA and related rules govern most aspects of investment business, including investment management, sales, research and trading practices, provision of investment advice, corporate finance, use and safekeeping of client funds and securities, regulatory capital, record-keeping, margin practices and procedures, approval standards for individuals, anti-money laundering, periodic reporting and settlement procedures. The FCA is responsible for administering these requirements and our compliance with the FSMA and related rules. Violations of these requirements may result in censures, fines, imposition of additional requirements, injunctions, restitution orders, revocation or modification of permissions or registrations, the suspension or expulsion from certain "controlled functions" within the financial services industry of officers or employees performing such functions or other similar consequences.

KKR Capital Markets Limited has permission to engage in a number of regulated activities regulated under FSMA, including dealing as principal or agent and arranging deals in relation to certain types of specified investments and arranging the safeguarding and administration of assets. KKR Capital Markets Limited also currently benefits from a passport under the single market directives to offer services cross border into all countries in the European Economic Area and Gibraltar. Although this benefit is expected to cease upon the scheduled expiration of the Brexit transitional period on December 31, 2020, KKR Capital Markets (Ireland) Limited will continue to benefit from passporting rights. Kohlberg Kravis Roberts & Co. Partners LLP has permission to engage in a number of regulated activities including advising on and arranging deals relating to corporate finance business in relation to certain types of specified investments. KKR Credit Advisors (EMEA) LLP has permission to engage in a number of regulated activities including managing, advising on and arranging deals in relation to certain types of specified investments.

Other Jurisdictions

Certain other subsidiaries or funds that we advise are registered with, have been licensed by or have obtained authorizations to operate in their respective jurisdictions outside of the United States. These registrations, licenses or authorizations relate to providing investment advice, broker-dealer activities, marketing of securities and other regulated activities. Failure to comply with the laws and regulations governing these subsidiaries and funds that have been registered, licensed or authorized could expose us to liability and/or damage our reputation.

In Canada, KKR Capital Markets LLC is also registered as an international dealer under the Securities Act (Ontario). This registration permits us to trade in non-Canadian equity and debt securities with certain types of investors located in Ontario, Canada.

In Japan, KKR Capital Markets Japan Ltd. is registered as a Type I and Type II Financial Instruments Business Operator (broker-dealer) under the Financial Instruments and Exchange Act of Japan, and a money lender under the Money Lending Business Act of Japan.

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

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

In Australia, KKR Australia Pty Limited and KKR Australia Investment Management Pty Limited are Australian financial services licensed and are authorized to provide advice on and deal in financial products for wholesale clients, and are regulated by the Australian Securities and Investments Commission.

In Hong Kong, KKR Capital Markets Asia Limited is licensed by the Securities and Futures Commission in Hong Kong to carry on dealing in securities and advising on securities regulated activities.

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

In Mauritius, KKR Holdings Mauritius, Ltd. and KKR Account Adviser (Mauritius), Ltd. are unrestricted investment advisers authorized to manage portfolios of securities and give advice on securities transactions, and are regulated by the Financial Services Commission, Mauritius.

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

From time to time, one or more of our investment funds or their related investment vehicles may be regulated as a mutual fund by the Cayman Islands Monetary Authority, regulated as an investment limited partnership by CBI, listed on the Irish Stock Exchange, notified with the Financial Services Agency of Japan for sale pursuant to certain private placement exemptions and/or for investment pursuant to certain exemption, registered with the Financial Supervisory Service of the Republic of Korea, licensed by or granted in principal approval from SEBI, subject to the regulatory supervision of the Commission de Surveillance du Secteur Financier of Luxembourg, notified with the Netherlands Authority for Financial Markets for sale pursuant to certain private placement exemptions, or registered under the Investment Company Act.

There are a number of legislative and regulatory initiatives in the United States and in Europe that could significantly affect our business. See "Risk Factors—Risks Related to Our Business—Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could materially and adversely affect our business."

Website and Availability of SEC Filings

Our website address is *www.kkr.com*. Information on our website is not incorporated by reference herein and is not a part of this report. We make available free of charge on our website or provide a link on our website to our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after those reports are electronically filed with, or furnished to, the SEC. To access these filings, go to the "Stockholder (KKR & Co. Inc.)" section of our "Investor Center" page on our website, then click on "SEC Filings." In addition, these reports and the other documents we file with the SEC are available at a website maintained by the SEC at *www.sec.gov*.

From time to time, we may use our website as a channel of distribution of material information. Financial and other material information regarding our company is routinely posted on and accessible at *www.kkr.com*. In addition, you may automatically receive e-mail alerts and other information about our company by enrolling your e-mail address by visiting the "Email Alerts" section under the "Stockholder (KKR & Co. Inc.)" section of the "Investor Center" page at *www.kkr.com*.

ITEM 1A. RISK FACTORS

Investing in our securities involves risk. Persons investing in our securities should carefully consider the risks described below and the other information contained in this report and other filings that we make from time to time with the SEC, including our consolidated financial statements and accompanying notes. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. Our business, financial condition or results of operations could also be materially and adversely affected by additional factors that apply to all companies generally, as well as other risks that are not currently known to us or that we currently view to be immaterial. In any such case, the trading price of our securities could decline and you may lose all or part of your original investment. While we attempt to mitigate known risks to the extent we believe to be practicable and reasonable, we can provide no assurance, and we make no representation, that our mitigation efforts will be successful.

Risks Related to Our Business

Difficult market and economic conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial prospects and condition.

Our business and the businesses of the companies in which we invest are materially affected by financial markets and economic conditions or events throughout the world, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation), trade barriers, commodity prices, currency exchange rates and controls and national and international political circumstances (including wars, terrorist acts or security operations). For example, the turmoil in the global financial markets during 2008 and 2009 provoked significant volatility of securities prices, contraction in the availability of credit and the failure of a number of companies, including leading financial institutions, and had a material adverse effect on our businesses and the businesses of the companies in which we invest. Similarly, the imposition of tariffs in 2019 have weighed on the global economy, and although an initial trade deal was reached in January 2020 between the two countries, ongoing trade disputes could create uncertainty and volatility in the market that can adversely affect our business. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Environment" for a discussion of recent developments in market and business conditions that may affect our business.

Such financial markets and economic conditions are outside our control and may affect the level and volatility of securities prices and liquidity and as a result, the value of our investments and our financial results. In addition, we may not be able to or may choose not to manage our exposure to these conditions and/or events. If not otherwise offset, declines in the equity, commodity and debt in the markets would likely cause us to write down our investments and the investments of our funds. For example, during the global financial crisis in 2008 and 2009, valuations of our private equity funds declined across all geographies, with investments in private equity funds marked down to as low as 67% of original cost and multiples of invested capital reaching as low as 0.5x, 0.6x, 0.7x and 0.8x for the European Fund II, European Fund III, 2006 Fund and Asian Fund, respectively, as of March 31, 2009. Our profitability may also be materially and adversely affected by our fixed costs and the possibility that we would be unable to scale back other costs within a time frame sufficient to match any decreases in net income relating to a downturn in market and economic conditions.

Unfavorable market and economic conditions may reduce opportunities for our funds to make, exit and realize value from their investments. Challenging market and economic conditions, including those caused by changes in tax laws and other regulatory restrictions, may make it difficult for us to find suitable investments for our funds or secure financing for investments on attractive terms. Such conditions may also result in reduced opportunities for our funds to exit and realize value from their existing investments and lower-than-expected returns on existing investments. Although the equity markets are not the only means by which we exit investments, in challenging equity markets, our funds may experience greater difficulty in realizing value from investments. In addition, when financing is not available or becomes too costly, it is difficult for potential buyers to raise sufficient capital to purchase our funds' investments. Consequently, we may earn lower-than-expected returns on investments, which could cause us to realize diminished or no carried interest.

We generally raise capital for a successor fund following the substantial and successful deployment of capital from the existing fund. In the event of poor performance by existing funds, our ability to raise new funds is impaired. Our fundraising may also be negatively impacted by any change in or rebalancing of fund investors' asset allocation policies. During periods of unfavorable fundraising conditions, fund investors may negotiate for lower fees, different fee sharing arrangements for transaction or other fees, and other concessions. The outcome of such negotiations could result in our agreement to terms that are materially less favorable to us than for prior funds we have managed. Our current funds, including all our recent private equity funds, have performance hurdles, which require us to generate a specified return on investment prior to our right to receive carried interest. This requirement will likely be in all our future funds, and the hurdle rate could increase for our future funds. In addition, successor funds raised by us when such unfavorable circumstances described above exist would also likely result in smaller funds than our comparable predecessor funds. Fund investors may also seek to redeploy capital away from certain of our credit or other non-private equity investment vehicles, which permit redemptions on relatively short notice, in order to meet liquidity needs or invest in other asset classes or with other managers. Any of these developments could materially and adversely affect our future revenues, net income, cash flow, financial condition or ability to retain our employees. See "—Our inability to raise additional or successor funds (or raise successor funds of a comparable size as our predecessor funds) could have a material adverse impact on our business" and "—Our investors in future funds may negotiate to pay us lower management fees, reimburse us for fewer expenses or change the economic terms of our future funds, including with respect to transaction fees, management fees or monitoring fees, to be less favorable to us than those of our existing funds, which could materially and adversely affect our revenues or profitability."

During periods of difficult market or economic conditions or slowdowns (which may occur across one or more industries, sectors or geographies), companies or assets in which we have invested may experience decreased revenues, financial losses, credit rating downgrades, difficulty in obtaining access to financing and increased funding costs. These companies may also have difficulty in expanding their businesses and operations or be unable to meet their debt service obligations or pay other expenses as they become due, including amounts payable to us. Negative financial results in our funds' portfolio companies may result in lower investment returns for our investment funds, which could materially and adversely affect our operating results and cash flow. To the extent the operating performance of such portfolio companies (as well as valuation multiples) deteriorate or do not improve, our funds may sell those assets at values that are less than we projected or even at a loss, thereby significantly affecting those funds' performance and consequently our operating results and cash flow and resulting in lower or no carried interest being paid to us. Adverse conditions may also increase the risk of default with respect to private equity, credit and other investments that we manage or the abandonment or foreclosure of our real asset investments. Even if economic and market conditions do improve broadly, adverse conditions in particular sectors may also cause our performance to suffer. Finally, low interest rates related to monetary stimulus, economic stagnation or deflation may negatively impact expected returns on all types of investments as the demand for relatively higher return assets increases and the supply decreases.

In addition, our capital markets business generates fees through a variety of activities in connection with the issuance and placement of equity and debt securities and credit facilities, with the size of fees generally correlated to overall transaction sizes. As a result, adverse conditions in financial markets as described above, as well as lower level of transaction activities involving our funds' investments, which can be unpredictable and outside our control, may negatively impact both the frequency and size of fees generated by our capital markets business.

Changes in the debt financing markets may negatively impact the ability of our investment funds, their portfolio companies and strategies pursued with our balance sheet assets to obtain attractive financing for their investments or to refinance existing debt and may increase the cost of such financing or refinancing if it is obtained, which could lead to lower-yielding investments and potentially decrease our net income.

In the event that our funds are unable to obtain committed debt financing for potential acquisitions or can only obtain debt at an increased interest rate or on unfavorable terms, our funds may have difficulty completing otherwise profitable acquisitions or may generate profits that are lower than would otherwise be the case, either of which could lead to a decrease in the investment income earned by us. Any failure by lenders to provide previously committed financing can also expose us to potential claims by sellers of businesses that we may have contracted to purchase. Similarly, certain of the strategies pursued with our balance sheet assets rely on the use of leverage, including the issuance of CLOs, and other secured and unsecured borrowings. Our ability to generate returns on these assets would be reduced to the extent that changes in market conditions, including an increase by the U.S. Federal Reserve of its benchmark interest rate, cause the cost of our financing to increase relative to the income that can be derived from the assets acquired and financed. Similarly, our portfolio companies regularly utilize the corporate debt markets in order to obtain financing for their operations. To the extent that credit markets render such financing difficult to obtain or more expensive, this may negatively impact the operating performance of those portfolio companies and, therefore, the investment returns on our funds. In addition, to the extent that conditions in the credit markets impair the ability of our portfolio companies to refinance or extend maturities on their outstanding debt, either on favorable terms or at all, the operating performance of those portfolio companies may be negatively impacted, which could impair the value of our investment in those portfolio companies and lead to a decrease in the investment income earned by us. In some cases, the inability of our portfolio companies to refinance or extend maturities may result in the inability of those companies to repay debt at maturity or pay interests when due, and may cause the companies to sell assets, undergo a recapitalization or seek bankruptcy protection, any of which would also likely impair the value of our investment and lead to a decrease in investment income earned by us.

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

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

We have significant liquidity requirements, and adverse market and economic conditions may adversely affect our sources of liquidity, which could adversely affect our business operations in the future.

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

- continue to grow our business lines, including seeding new strategies, funding our capital commitments made to existing and future funds, co-investments and any net capital requirements of our capital markets companies and otherwise supporting investment vehicles that we sponsor;
- warehouse investments in portfolio companies or other investments for the benefit of one or more of our funds, accounts or CLOs pending the contribution of committed capital by the investors in such vehicles, and advancing capital to them for operational or other needs;
- service debt obligations including the payment of obligations at maturity, on interest payment dates or upon redemption, as well as any contingent liabilities that may give rise to future cash payments;
- fund cash operating expenses and contingencies, including for litigation matters;

- payment of additional corporate income taxes following the Conversion;
- pay amounts that may become due under our tax receivable agreement with KKR Holdings;
- pay cash dividends in accordance with our dividend policy for our Class A common stock or the terms of our preferred stock;
- underwrite commitments, advance loan proceeds and fund syndication commitments within our capital markets business;
- acquire other assets for our Principal Activities business line, including our office space, other businesses, investments and assets, some of which may be required to satisfy regulatory requirements for our capital markets business or risk retention requirements for CLOs (to the extent it continues to apply); and
- repurchase our Class A common stock pursuant to the share repurchase program or other securities issued by us.

These liquidity requirements are significant and, in some cases, involve capital that will remain invested for extended periods of time. As of December 31, 2019, we have approximately $5.2 billion of remaining unfunded capital commitments to our investment funds. Our commitments to our funds will require significant cash outlays over time, and there can be no assurance that we will be able to generate sufficient cash flows from realizations of investments to fund them. We have also used our balance sheet to provide credit support to our general partner's obligations to our funds, to provide certain guarantees in commercial real estate financing transactions and to support certain transactions by our funds.

In addition, as of December 31, 2019, we had $27.0 billion of indebtedness outstanding under our credit facilities and debt securities on a GAAP basis and $4.0 billion of indebtedness outstanding under our credit facilities and debt securities on a non-GAAP basis, and $2.3 billion of cash and cash equivalents on a GAAP basis and $2.8 billion of cash and short-term investments on a non-GAAP basis. The non-GAAP based measures exclude the assets and liabilities of our investment funds, CLOs and CMBS, and other consolidated entities that are not subsidiaries of KKR & Co. Inc., but include debt obligations of KKR Financial Holdings LLC ("KFN"), which as of December 31, 2019, consisted of $948.5 million, which do not provide for recourse to KKR beyond the assets of KFN. Our $1.0 billion corporate revolving credit facility is scheduled to mature in 2023. Depending on market conditions, we may not be able to refinance or renew all or part of these senior notes or our corporate revolving credit facility, or find alternate sources of financing (including issuing equity), on commercially reasonable terms or at all. Furthermore, the incurrence of additional debt by us or our subsidiaries in the future could result in downgrades of our existing corporate credit ratings, which could limit the availability of future financing and increase our costs of borrowing.

In addition, the underwriting commitments for our capital markets business may require significant cash obligations, and these commitments may also put pressure on our liquidity. The holding company for our capital markets business has entered into a credit agreement that provides for revolving borrowings of up to $500 million, which can only be used in connection with our capital markets business, including placing and underwriting securities offerings, and a 364-day revolving credit agreement that provides for revolving borrowings of up to $750 million, which can only be used to facilitate the settlement of debt transaction syndicated by our capital markets business. To the extent we commit to buy and sell an issue of securities in firm commitment underwritings or otherwise, we may be required to borrow under these revolving credit facilities to fund such obligations, which, depending on the size and timing of the obligations, may limit our ability to enter into other underwriting arrangements or similar activities, service existing debt obligations or otherwise grow our business. Further, these facilities are scheduled to mature in 2021 and 2020, respectively, and depending on the market conditions, we may not be able to refinance or renew them on commercially reasonable terms or at all. Regulatory net capital requirements may also limit the ability of our broker-dealer subsidiaries to participate in underwriting or other transactions or to allocate our capital more efficiently across our businesses.

In the event that our liquidity requirements were to exceed available liquid assets for the reasons specified above or for any other reasons, we could be forced to sell assets or seek to raise debt or equity capital on unfavorable terms. For further discussion of our liquidity needs, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity."

The "clawback" provisions in our governing agreements may give rise to a contingent obligation that may require us to return or contribute amounts to our funds and fund investors.

The partnership documents governing our carry-paying funds, including funds relating to private equity, growth equity, infrastructure, energy, real estate, special situations, private credit opportunities, direct lending, revolving credit and core investments, generally include a "clawback" provision that, if triggered, may give rise to a contingent obligation requiring the general partner to return amounts to the fund for distribution to the fund investors at the end of the life of the fund. Under a clawback obligation, upon the liquidation of a fund, the general partner is required to return, typically on an after-tax basis, previously distributed carry to the extent that, due to the diminished performance of later investments, the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, including the effects of any performance thresholds. We would continue to be subject to the clawback obligation even if carry has been distributed to current or former employees or other personnel through our carry pool, and we would be required to seek other sources of liquidity to fund such an obligation if such carry is not returned to us by them. As of December 31, 2019, $36.9 million of carried interest was subject to this clawback obligation, assuming that all applicable carry-paying funds were liquidated at their December 31, 2019 fair values. Had the investments in such carry-paying funds been liquidated at zero value, the clawback obligation would have been approximately $2.5 billion.

Carry distributions may give rise to clawback obligations that may be allocated to us and our principals who participate in the carry pool. In addition, guarantees of or similar arrangements relating to clawback obligations in favor of third-party investors in an individual investment partnership by entities we own may limit distributions of carried interest more generally.

Strategic investor partnerships have longer investment periods and invest in multiple strategies, which may increase the possibility of a "netting hole," which will result in less carried interest for us, as well as clawback liabilities.

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

Our earnings and cash flow are highly variable due to the nature of our business and we do not intend to provide earnings guidance, each of which may cause the value of interests in our business to be volatile.

Our earnings are highly variable from quarter to quarter due to the volatility of investment returns of most of our funds, other investment vehicles and our balance sheet assets and the transaction and other fees earned from our businesses. We recognize earnings on investments in our funds based on our allocable share of realized and unrealized gains (or losses) reported by such funds and for certain of our recent funds, when a performance hurdle is achieved. During times of market volatility the fair value of our funds and our balance sheet assets are more variable, and as publicly traded equity securities currently represent a significant proportion of the assets of many of our funds and balance sheet assets, volatility in the equity markets may have a significant impact on our reported results. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Fair Value Measurements" for a discussion of the impact of equity markets on the value of private equity investments. A decline in realized or unrealized gains, a failure to achieve a performance hurdle or an increase in realized or unrealized losses, would adversely affect our net income.

Fee income, which we recognize when contractually earned, can vary due to fluctuations in AUM, the number of investment transactions made by our funds, the number of portfolio companies we manage, the fee provisions contained in our funds and other investment products and transactions by our capital markets business. In any particular quarter, fee income may vary significantly due to the variances in size and frequency of monitoring fees (including termination payments), transaction fees or fees received by our capital markets business. Our total management, monitoring and transaction fees (net of fee credits) for the years ended December 31, 2019, 2018 and 2017 were $1,504.6 million, $1,569.1 million and $1,309.0 million, respectively, on a GAAP basis, and $1,861.5 million, $1,853.9 million and $1,502.0 million, respectively, on a non-GAAP basis. We may create new funds or investment products or vary the terms of our funds or investment products (for example our funds now include performance hurdles), which may alter the composition or mix of our income from time to time. In particular, in our private equity and other funds raised since 2014, we credit all monitoring and transaction fees generated by the fund's investments against fund management fees, which resulted in a decrease of our monitoring and transaction fee income.

We may also experience fluctuations in our results from quarter to quarter, including our revenue and net income, due to a number of other factors, including changes in the values of our funds' investments, changes in the amount of distributions or interest earned in respect of investments, changes in our operating expenses, the degree to which we encounter competition and general market and economic conditions. In addition, our earnings and cash flows are dependent in part on the performance of KFN, a specialty finance company that we acquired in 2014, and are subject to the risks to KFN's businesses as described elsewhere in the report. Although KFN is a subsidiary of KKR, KFN has its own indebtedness outstanding. The terms of its indebtedness impose limitations on KFN's current and future operations and may restrict its ability to make distributions to KKR. For the years ended December 31, 2019, 2018 and 2017, our net income attributable to KKR & Co. Inc. Class A Common Stockholders was $1,971.7 million, $1,097.7 million and $984.9 million, respectively, and our after-tax distributable earnings was $1,405.3 million, $1,597.2 million and $1,355.6 million, respectively. Such fluctuations may lead to variability in the value of interests in our business and cause our results for a particular period not to be indicative of our performance in future periods. It may be difficult for us to achieve steady growth in net income and cash flow on a quarterly basis, which could in turn lead to large adverse movements in the value of interests in our business.

The timing and receipt of carried interest from our investment funds are unpredictable and will contribute to the volatility of our cash flows. For example, with respect to our private equity funds, carried interest is distributed to the general partner of a private equity fund with a clawback provision only after all of the following are met: (i) a realization event has occurred (e.g., sale of a portfolio company, dividend, etc.); (ii) the fund has achieved positive overall investment returns since its inception, in excess of performance hurdles where applicable, and is accruing carried interest; and (iii) with respect to investments with a fair value below cost (which we refer to as a netting hole), cost has been returned to fund investors in an amount sufficient to reduce remaining cost to the investments' fair value. Carried interest payments from investments depend on our funds' performance and opportunities for realizing gains, which may be limited. It takes a substantial period of time to identify attractive investment opportunities, to raise all the funds needed to make an investment and then to realize the cash value (or other proceeds) of an investment through a sale, public offering or other exit. To the extent an investment is not profitable, no carried interest will be received from our funds with respect to that investment and, to the extent such investment remains unprofitable, we will only be entitled to a management fee on that investment. Furthermore, certain vehicles and separately managed accounts may not provide for the payment of any carried interest at all. Even if an investment proves to be profitable, it may be several years before any profits can be realized in cash. We cannot predict when, or if, any realization of investments will occur. In addition, if finance providers, such as commercial and investment banks, make it difficult for potential purchasers to secure financing to purchase companies in our investment funds' portfolio, it may decrease potential realization events and the potential to earn carried interest. A downturn in the equity markets would also make it more difficult to exit investments by selling equity securities. If we were to have a realization event in a particular quarter, the event may have a significant impact on our cash flows during the quarter that may not be replicated in subsequent quarters. A decline in realized or unrealized gains, or an increase in realized or unrealized losses, would adversely affect our investment income, which could further increase the volatility of our quarterly results.

The timing and receipt of carried interest also vary with the life cycle of certain of our funds. Our carry-paying funds that have completed their investment periods and are able to realize mature investments, sometimes referred to as being in a "harvesting period," are more likely to make larger distributions than our carry-paying funds that are in their fund raising or investment periods that precede the harvesting period. During times when a significant portion of our AUM is attributable to carry-paying funds that are not in their harvesting periods, we may receive substantially lower carried interest distributions.

In addition, we have formed strategic partnerships with third-party hedge fund managers in which KKR owns a minority stake (which we refer to as "hedge fund partnerships"). These third-party hedge fund managers offer a variety of investment strategies, including hedge fund-of-funds, equity hedge funds and credit hedge funds. As a result, we are indirectly exposed to the volatility and fluctuations in financial results of these hedge fund managers. For example, certain funds managed by the hedge fund managers have "high-water mark" provisions whereby if the funds have experienced losses in prior periods, the fund managers will not be able to earn incentive fees with respect to a fund investor's account until the net asset value of the fund investor's account exceeds the highest period end value on which incentive fees were previously paid. The incentive fees the hedge fund managers earn are therefore dependent on the net asset value of these funds, which could add to volatility in our quarterly results and cash flow.

A decline in the pace or size of investment by our funds would result in our receiving less revenue from fees.

The transaction and management or monitoring fees that we earn are driven in part by the pace at which our funds make investments and the size of those investments. Any decline in that pace or the size of investments would reduce our revenue from transaction and management or monitoring fees. Likewise, during an attractive selling environment, our funds may capitalize on increased opportunities to exit investments. Any increase in the pace at which our funds exit investments, if not offset by new commitments and investments, would reduce future management fees. Additionally, in certain of our funds that derive management fees only on the basis of invested capital, the pace at which we make investments, the length of time we hold such investment and the timing of disposition will directly impact our revenues. Many factors could cause such a decline in the pace of investment or the transaction and management or monitoring fees we receive, including:

- the inability of our investment professionals to identify attractive investment opportunities;
- competition for such opportunities among other potential acquirers;
- unfavorable market and economic conditions;
- decreased availability of capital or financing on attractive terms;
- our failure to consummate identified investment opportunities because of business, regulatory or legal complexities and adverse developments in the U.S. or global economy or financial markets;
- terms we may agree with or provide to our fund investors or investors in separately managed accounts with respect to fees such as increasing the percentage of transaction or other fees we may share with our fund investors; and
- new regulations, guidance or other actions provided or taken by regulatory authorities.

Our inability to raise additional or successor funds (or raise successor funds of a comparable size as our predecessor funds) could have a material adverse impact on our business.

Our current private equity funds and certain other funds and investment vehicles have a finite life and a finite amount of commitments from fund investors. Once a fund nears the end of its investment period, our success depends on our ability to raise additional or successor funds in order to keep making investments and, over the long term, earning management fees (although our funds and investment vehicles continue to earn management fees after the expiration of their investment periods, they are generally at a reduced rate). Even if we are successful in raising successor funds, to the extent we are unable to raise successor funds of a comparable size to our predecessor funds or the extent that we are delayed in raising such successor funds, our revenues may decrease as the investment period of our predecessor funds expire and associated fees decrease. For example, European Fund IV was smaller than its predecessor fund and North America Fund XI was smaller than its predecessor fund. The performance of our funds also impacts our ability to raise capital, and deterioration in the performance of our funds would result in challenges to future fundraising. The evolving preferences of our fund investors may necessitate that alternatives to the traditional investment fund structure, such as separately managed accounts, smaller funds and co-investment vehicles, become a larger part of our business going forward. This could increase our cost of raising capital at the scale we have historically achieved. Furthermore, in order to raise capital for new strategies and products without drawing capital away from our existing products, we will need to seek new sources of capital such as individual investors.

Our ability to raise new funds could also be hampered if the general appeal of private equity and alternative investments were to decline. An investment in a limited partner interest in a private equity fund is less liquid than an exchange traded instrument and the returns on such investment may be more volatile than an investment in securities for which there is a more active and transparent market. Private equity and alternative investments could fall into disfavor as a result of concerns about liquidity and short-term performance. Institutional investors in private equity funds that have suffered from decreasing returns, liquidity pressure, increased volatility or difficulty maintaining target asset allocations may materially decrease or temporarily suspend making new investments in private equity funds. Such concerns could be exhibited, in particular, by public pension funds, which have historically been among the largest investors in alternative assets. Many public pension funds are significantly underfunded and their funding problems have been, and may in the future be, exacerbated by economic downturn. Concerns with liquidity could cause such public pension funds to reevaluate the appropriateness of alternative investments, and other institutional investors may reduce their overall portfolio allocations to alternative investments. This could result in a smaller overall pool of available capital in our industry. There is no assurance that the amount of commitments investors are making to alternative investment funds will continue at recent levels or that our ability to raise capital from investors will not be hampered.

In addition, the asset allocation rules or regulations or investment policies to which such third-party investors are subject could inhibit or restrict the ability of third-party investors to make investments in our investment funds. Coupled with a lack of distributions from their existing investment portfolios, many of these investors may have been left with disproportionately outsized remaining commitments to, and invested capital in, a number of investment funds, which may significantly limit their ability to make new commitments to third-party managed investment funds such as those advised by us.

Fund investors may also seek to redeploy capital away from certain of our credit or other non-private equity investment vehicles, which permit redemptions on relatively short notice in order to meet liquidity needs or invest in other asset classes. We believe that our ability to avoid excessive redemption levels primarily depends on our funds' continued satisfactory performance, although redemptions may also be driven by other factors important to our fund investors, including their need for liquidity and compliance with investment mandates, even if our performance is superior. Investors' liquidity needs tend to be more pronounced during periods of market volatility. Any such redemptions would decrease our AUM and revenues.

In addition, the Dodd Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), under what has become known as the "Volcker Rule," broadly prohibits depository institution holding companies (including foreign banks with U.S. branches, agencies or commercial lending companies and certain insurance companies), insured depository institutions and their subsidiaries and controlled affiliates, or "banking entities," from investing in "covered funds," including third-party private equity funds like ours. As a result, banking entities, subject to certain limited exemptions, had to conform their existing covered fund investments and relationships to the Volcker Rule, and are limited in their ability to undertake new contractual commitments to private equity funds like ours. In addition to federal law, changes in state and local law may limit investment activities of state pension plans and insurance companies.

The number of funds raising capital varies from year to year, and in years where relatively few funds are raising capital, the growth of our AUM, FPAUM and associated fees may be significantly lower. There is no assurance that fundraises for new strategies or successor funds will experience similar success as our existing or predecessor funds in the future.

Our investors in future funds may negotiate to pay us lower management fees, reimburse us for fewer expenses or change the economic terms of our future funds, including with respect to transaction fees, management fees or monitoring fees, to be less favorable to us than those of our existing funds, which could materially and adversely affect our revenues or profitability.

In connection with raising new funds or securing additional investments in existing funds, we negotiate terms for such funds and investments with our fund limited partners. The outcome of such negotiations could result in our agreement to terms that are materially less favorable to us than the terms of prior funds we have advised or funds advised by our competitors. Such terms could restrict our ability to raise investment funds with investment objectives or strategies that compete with existing funds, reduce fee revenues we earn, reduce the percentage of profits on third-party capital in which we share, increase the performance hurdle required to be generated on investment prior to our right to receive carried interest, add expenses and obligations for us in managing the fund or increase our potential liabilities. Furthermore, as institutional investors increasingly consolidate their relationships with investment firms and competition becomes more acute, we may receive more requests to modify the terms in our new funds. Certain of our newer funds also include more favorable terms for fund investors that commit to early closes for our funds. Additionally, in certain funds, we have agreed to charge management fees based on invested capital or net asset value as opposed to charging management fees based on committed capital. In certain cases, we have provided "fee holidays" to certain investors during which we do not charge management fees for a fixed period of time (such as the first six months). Agreement to terms that are materially less favorable to us could result in a material decrease in our profitability.

Certain institutional investors have also publicly criticized certain fund fee and expense structures, including monitoring fees and transaction fees. We have received and expect to continue to receive requests from a variety of fund investors and groups representing such investors to decrease fees and to modify our carried interest and incentive fee structures, which could result in a reduction or delay in the timing of receipt of the fees and carried interest and incentive fees we earn. The SEC has focused on certain fund fees and expenses, including whether such fees and expenses were appropriately disclosed to fund limited partners, and such focus may lead to increased publicity that could cause fund investors to further resist our receipt of certain fees and expense reimbursements. In our flagship private equity funds, we have increased the percentage of transaction and monitoring fees that are credited against fund management fees to 100% of the amount of the transaction and monitoring fees attributable to that fund.

In addition, certain institutional investors, including sovereign wealth funds and public pension funds, have demonstrated an increased preference for alternatives to the traditional investment fund structure, such as separately managed accounts, specialized funds and co-investment vehicles. We also have entered into strategic investor partnerships with specific investors whereby we manage that investor's capital across a variety of our products on separately negotiated terms. There can be no assurance that such alternatives will be as profitable to us as the traditional investment fund structure, and the impact such a trend could have on our results of operations, if widely implemented, is unclear. Moreover, certain institutional investors are demonstrating a preference to in-source their own investment professionals and to make direct investments in alternative assets without the assistance of investment advisers like us. Such institutional investors may become our competitors and could cease to be our clients.

Any agreement to or changes in terms less favorable to us could materially and adversely affect our revenues and profitability.

The investment management business is intensely competitive, which could have a material adverse impact on our business.

We compete as an investment manager for both fund investors and investment opportunities. The investment management business is highly fragmented, with our competitors consisting primarily of sponsors of public and private investment funds, real estate development companies, BDCs, investment banks, commercial finance companies and operating companies acting as strategic buyers of businesses. We believe that competition for fund investors is based primarily on:

- investment performance;
- investor liquidity and willingness to invest;
- investor perception of investment managers' drive, focus and alignment of interest;
- business reputation;
- the duration of relationships with fund investors;
- the quality of services provided to fund investors;
- pricing;
- fund terms (including fees);
- the relative attractiveness of the types of investments that have been or will be made; and
- consideration for environmental, social and governance issues.

We believe that competition for investment opportunities is based primarily on the pricing, terms and structure of a proposed investment and certainty of execution.

A number of factors serve to increase our competitive risks:

- a number of our competitors in some of our businesses may have greater financial, technical, marketing and other resources and more personnel than we do, and, in the case of some asset classes or geographic regions, longer operating histories, more established relationships, greater expertise or better reputation;
- fund investors may materially decrease their allocations in new funds due to their experiences following an economic downturn, the limited availability of capital, regulatory requirements or a desire to consolidate their relationships with investment firms;
- some of our competitors may have agreed to terms on their investment funds or products that are more favorable to fund investors than our funds or products, such as lower management fees, greater fee sharing or higher performance hurdles for carried interest, and therefore we may be forced to match or otherwise revise our terms to be less favorable to us than they have been in the past;
- some of our funds may not perform as well as competitors' funds or other available investment products;
- our competitors have raised or may raise significant amounts of capital, and many of them have similar investment objectives and strategies to our funds, which may create additional competition for investment opportunities and may reduce the size and duration of pricing inefficiencies that many alternative investment strategies seek to exploit;
- some of these competitors may also have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us with respect to investment opportunities;
- some of our competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments;

- some of our competitors may be subject to less regulation or less regulatory scrutiny and accordingly may have more flexibility to undertake and execute certain businesses or investments than we do and/or bear less expense to comply with such regulations than we do;
- there are relatively few barriers to entry impeding the formation of new funds, including a relatively low cost of entering these businesses, and the successful efforts of new entrants into our various lines of business, including major commercial and investment banks and other financial institutions, have resulted in increased competition;
- some fund investors may prefer to invest with an investment manager that is not publicly traded, is smaller or manages fewer investment products; and
- other industry participants will from time to time seek to recruit our investment professionals and other employees away from us.

We may lose investment opportunities in the future if we do not match investment prices, structures and terms offered by competitors. Our competitors that are corporate buyers may be able to achieve synergistic cost savings in respect of an investment, which may provide them with a competitive advantage in bidding for an investment. Alternatively, we may experience decreased investment returns and increased risks of loss if we match investment prices, structures and terms offered by competitors. Moreover, as a result, if we are forced to compete with other investment firms on the basis of price, we may not be able to maintain our current fund fee, carried interest or other terms. There is a risk that fees and carried interest in the alternative investment management industry will decline, without regard to the historical performance of a manager. Fee or carried interest income reductions on existing or future funds, without corresponding decreases in our cost structure, could materially and adversely affect our revenues and profitability.

In addition, if interest rates were to rise or if market conditions for competing investment products become or are more favorable and such products begin to offer rates of return superior to those achieved by our funds, the attractiveness of our funds relative to investments in other investment products could decrease. This competitive pressure could materially and adversely affect our ability to make successful investments and limit our ability to raise future funds, either of which would adversely impact our business, results of operations and cash flow.

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

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

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

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

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

The U.S. Congress, the Organization for Economic Co-operation and Development (the "OECD") and other government agencies in jurisdictions in which we and our affiliates invest or do business have maintained a focus on issues related to the taxation of multinational companies, such as KKR. The OECD, which represents a coalition of member countries, is contemplating changes to numerous long-standing tax principles through its base erosion and profit shifting ("BEPS") project, which is focused on a number of issues, including profit shifting among affiliated entities in different jurisdictions, interest deductibility and eligibility for the benefits of double tax treaties. Several of the proposed measures, including measures covering treaty abuse (including an anti-abuse "principal purpose" test that would deny treaty benefits to the extent that obtaining such benefit was one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in such benefit), the deductibility of interest expense, local nexus requirements, transfer pricing and hybrid mismatch arrangements are potentially relevant to some of our structures and could have an adverse tax impact on our funds, investors and/or our portfolio companies. Some member countries have been moving forward on the BEPS agenda but, because timing of implementation and the specific measures adopted will vary among participating states, significant uncertainty remains regarding the impact of BEPS proposals. If implemented, these and other proposals could result in a loss of tax treaty benefits and increased taxes on income from our investments. In addition, the OECD is working on a "BEPS 2.0" initiative, which is aimed at (1) shifting taxing rights to the jurisdiction of the consumer and (2) ensuring all companies pay a global minimum tax. New rules could be recommended by the end of 2020 and if implemented could have a significant impact on KKR, its portfolio companies and its investment structures. The timing and scope of any provisions currently are subject to significant uncertainty.

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

We depend on the efforts, skills, reputations and business contacts of our employees, including our founders, Henry Kravis and George Roberts, and other key personnel, the information and deal flow they and others generate during the normal course of their activities and the synergies among the diverse fields of expertise and knowledge held by our professionals. Accordingly, our success depends on the continued service of these individuals, who are not obligated to remain employed with us. The loss of the services of any of them could have a material adverse effect on our revenues, net income and cash flows and could harm our ability to maintain or grow AUM in existing funds or raise additional funds in the future.

Our employees and other key personnel possess substantial experience and expertise and have strong business relationships with investors in our funds and other members of the business community. As a result, the loss of these personnel could jeopardize our relationships with investors in our funds and members of the business community and result in the reduction of AUM or fewer investment opportunities. For example, if any of our key personnel were to join or form a competing firm, our business, results of operations and financial condition could suffer.

Furthermore, the agreements governing our committed capital funds generally provide that in the event certain "key persons" (for example, investment professionals who are named as "key executives" for certain geographically or product focused funds) cease to actively manage a fund or be substantially involved in KKR activities, investors in the fund will be entitled to reduce, in whole or in part, their capital commitments available for further investments on an investor-by-investor basis. In the case of certain of our fully paid-up funds, investors may be permitted to terminate their investment in the event a "key persons" provision is triggered, which could possibly lead to a liquidation of those funds. In addition, the occurrence of such a "key person" event could cause us to agree to less favorable ongoing terms with respect to the affected fund. Although we periodically engage in discussions with the limited partners of our funds regarding a waiver of such provisions with respect to executives involved in geographically or product focused funds whose departures have occurred or are anticipated, such waiver is not guaranteed, and our limited partners' refusal to provide a waiver may have a material adverse effect on our revenue, net income and cash flow.

If we cannot retain and motivate our employees and other key personnel and recruit, retain and motivate new employees and other key personnel, our business, results of operations and financial condition could be materially and adversely affected.

Our most important asset is our people, and our continued success is highly dependent upon the efforts of our employees and other key personnel, and to a substantial degree on our ability to retain and motivate our employees and other key personnel and to strategically recruit, retain and motivate new talented employees, including qualified investment professionals. However, we may not be successful in these efforts as the market for talented and qualified candidates is extremely competitive. Our ability to recruit, retain and motivate our employees is dependent on our ability to offer highly attractive incentive opportunities. Under the 2017 Tax Act, investments must be held for more than three years, rather than the prior requirement of more than one year, for carried interest to be treated for U.S. federal income tax purposes as capital gain. The longer holding period requirement may result in some of our carried interest being treated as ordinary income, which would materially increase the amount of taxes that our employees and other key personnel would be required to pay, thereby adversely affecting our ability to offer attractive incentive opportunities. In addition, following the 2017 Tax Act, the tax treatment of carried interest may continue to be an area of focus for policymakers and government officials, which could result in a further regulatory action by federal or state governments. For example, certain states, including New York and California, have proposed legislation to levy additional state tax on carried interest, which may also negatively affect our ability to attract and retain employees and key personnel. Similarly, changes in the United Kingdom with respect to the taxation of carried interest, including the treatment of certain carried interest returns as income, which became effective from April 6, 2016, may impact our ability to recruit, retain and motivate employees and key personnel in the United Kingdom. In addition, there have been proposed laws and regulations that sought to regulate the compensation of certain of our employees. See "—Extensive regulation of our business affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could materially and adversely affect our business." The loss of even a small number of our investment professionals could jeopardize the performance of our funds and other investment products, which would have a material adverse effect on our results of operations. Efforts to retain or attract employees, including our investment professionals, may result in significant additional expenses, which could materially and adversely affect our profitability.

Many of our employees hold interests in our business through KKR Holdings. These individuals historically received financial benefits from our business in the form of distributions and amounts funded by KKR Holdings and through their direct and indirect participation in the value of KKR Group Partnership Units held by KKR Holdings. While all of our employees receive base salaries from us, annual cash bonuses for certain employees were historically borne by KKR Holdings from its cash reserves based upon distributions on a portion of KKR Group Partnership Units held by KKR Holdings. However, substantially all units in KKR Holdings have been allocated to certain employees, and upon their vesting, distributions on vested units would belong to such unitholders and not be available to fund annual cash bonuses. In addition, under its dividend policy, KKR intends to make equal quarterly dividends to holders of its Class A common stock in a fixed amount per share per quarter. In 2019, no annual cash bonuses were borne by KKR Holdings. Although KKR Holdings may fund a portion of the cash bonus payments from its cash reserves, if any, in future periods, we likely will continue to utilize our own funds for most, if not all, of the cash bonus payments. In that event, either our profit margins or our employee retention or both may be adversely impacted. There can be no assurance that the carry pool will have sufficient cash available to continue to make such cash payments in the future and fluctuations from the distributions generated from the carry pool, if not offset by funds from other sources, including other performance-based income, could render our compensation less attractive. In any of these circumstances, a higher percentage of our revenue would be paid out in the form of cash compensation, which could have a material adverse impact on our profit margins. Currently 40% or 43%, as applicable, of the carried interest earned from our investment funds is allocated to our carry pool. We are not permitted under our certificate of incorporation to increase the percentage of carried interest allocable to the carry pool without the consent of a majority of our independent directors.

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

In July 2015, the SEC proposed rules, as mandated by the Dodd-Frank Act, requiring companies to develop and enforce recovery policies that in the event of an accounting restatement, "claw back" from current and former executive officers incentive-based compensation they would not have received based on the restatement. In April and May 2016, the SEC also issued for public comment revised proposed rules designed to prohibit certain incentive-based compensation arrangements deemed to encourage inappropriate risk taking by covered financial institutions by providing "excessive" compensation, fees or benefits or that could lead to material losses. Although the SEC has not adopted the proposed rules to date, the clawback proposal was included in the SEC's 2019 fall short-term rule making agenda. Depending on the outcome of the rule making process, the application of these rules to us could require us to substantially revise our compensation strategy, increase our compensation and other costs, and materially and adversely affect our ability to recruit and retain qualified employees. In addition, less carried interest from the carry pool may be allocated to certain of our employees, which may result in less cash payments to such employees. To the extent our equity incentive or carry pool programs are not effective, we may be limited in our ability to attract, retain and motivate talented employees and other key personnel and we may need to increase the level of cash compensation that we pay.

In addition, there is no guarantee that the confidentiality and restrictive covenant agreements to which our employees and other key personnel are subject, together with our other arrangements with them, will prevent them from leaving us, joining our competitors or otherwise competing with us. Depending on which entity is a party to these agreements and/or the laws applicable to them, we may not be able to, or may choose not to, enforce them or become subject to lawsuits or other claims, and certain of these agreements might be waived, modified or amended at any time without our consent. Even when enforceable, these agreements expire after a certain period of time, at which point each of our employees and other key personnel are free to compete against us and solicit our fund investors and employees. See "Certain Relationships and Related Transactions, and Director Independence—Confidentiality and Restrictive Covenant Agreements."

We strive to maintain a work environment that reinforces our culture of collaboration, motivation and alignment of interests with fund investors. If we do not continue to develop and implement the right processes and tools to manage our changing enterprise and maintain our culture, our ability to compete successfully and achieve our business objectives could be impaired, which could materially and adversely affect our business, results of operations and financial condition.

Operational risks and data security breaches may disrupt our businesses, result in losses or limit our growth.

We rely heavily on our financial, accounting and other data processing systems and on the systems of third parties who provide services to us. If any of these systems do not operate properly or are disabled, we could suffer financial loss, a disruption of our businesses, liability to our funds, regulatory intervention or reputational damage. In addition, we operate in businesses that are highly dependent on information systems and technology. For example, we face operational risk from errors made in the execution, confirmation or settlement of transactions. We also face operational risk from transactions not being properly recorded, evaluated or accounted for in our funds. In particular, our Public Markets business line is highly dependent on our ability to process and evaluate, on a daily basis, transactions across markets and geographies in a time-sensitive, efficient and accurate manner. Our and our third-party service providers' information systems and technology may not continue to be able to accommodate our growth, may not be suitable for new products and strategies and may be subject to security risks, and the cost of maintaining such systems and technology may increase from our current level. Such a failure to accommodate growth, or an increase in costs related to such information systems and technology, could have a material adverse effect on our business. We are also dependent on an increasingly concentrated group of third-party vendors that we do not control for hosting solutions and technologies. A disaster or a disruption in technology or infrastructure that supports our businesses, including a disruption involving electronic communications or other services used by us, our vendors or third parties with whom we conduct business, or directly affecting our principal offices, could have a material adverse impact on our ability to continue to operate our business without interruption. Our business continuation or disaster recovery programs may not be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse us for our losses, if at all. Furthermore, most of our administrative personnel and our information system and technology infrastructure are located in our New York City office. Any disruption in the operation of, or inability to access, our New York City office could have a significant impact on our business, and such risk of disruption or inaccessibility could be heightened during our planned move of our New York City office in 2020.

Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. We face various security threats on a regular basis, including ongoing cyber-security threats to and attacks on our information technology infrastructure that are intended to gain access to our proprietary information, destroy data or disable, degrade or sabotage our systems. Although we take protective measures and endeavor to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to unauthorized access, theft, misuse, computer viruses or other malicious code, and other events that could have a security impact. We may be exposed to a more significant risk if these acts are taken by state actors. We and our employees have been and expect to continue to be the target of fraudulent calls and emails, and the subject of impersonations and fraudulent requests for money, and other forms of activities. The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means. In addition, cyber-security has become a top priority for regulators around the world. Many jurisdictions in which we operate have laws and regulations relating to data privacy, cyber-security and protection of personal information, including the General Data Protection Regulation in the European Union that became effective in May 2018 and the California Consumer Privacy Act that became effective in January 2020. Some jurisdictions have also enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data. Breaches in security could potentially jeopardize our, our employees' or our fund investors' or counterparties' confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our, our employees', our fund investors', our counterparties' or third parties' operations, which could result in significant losses, increased costs, disruption of our business, liability to our fund investors and other counterparties, regulatory intervention or reputational damage. Furthermore, if we experience a cyber-security incident and fail to comply with the relevant laws and regulations, it could result in regulatory investigations and penalties, which could lead to negative publicity and may cause our fund investors and clients to lose confidence in the effectiveness of our security measures. Finally, we rely on third-party service providers for certain aspects of our business, including for certain information systems, legal services, technology, administration, tax and compliance matters. These third-party service providers could also experience any of the above cyber-security threats, fraudulent activities or security breaches, and as a result, unauthorized individuals could improperly gain access to our confidential data. Any interruption or deterioration in the performance of these third parties or cyber-security incidents involving these third parties could impair the quality of our and our funds' operations and could impact our reputation and materially and adversely affect our businesses and limit our ability to grow.

Our portfolio companies also rely on data processing systems and the secure processing, storage and transmission of information, including payment and health information. A disruption or compromise of these systems could have a material adverse effect on the value of these businesses. Our funds may invest in strategic assets having a national or regional profile or in infrastructure, the nature of which could expose them to a greater risk of being subject to a terrorist attack or security breach than other assets or businesses. Such an event may have material adverse consequences on our investment or assets of the same type or may require portfolio companies to increase preventative security measures or expand insurance coverage.

Our organizational documents do not limit our ability to enter into new lines of businesses, and we may expand into new investment strategies, geographic markets and businesses, each of which may result in additional risks and uncertainties in our businesses.

We intend, to the extent that market conditions warrant, to seek to grow our businesses by increasing AUM in existing businesses, pursuing new investment strategies (including investment opportunities in new asset classes), developing new types of investment structures and products (such as separately managed accounts and structured products), and expanding into new geographic markets and businesses. We have in the past opened offices in Asia and the Middle East, and also developed a capital markets business in the United States, Europe, the Middle East and Asia-Pacific, which we intend to grow and diversify. We have also launched a number of new investment initiatives in areas such as real estate, energy, infrastructure, growth equity and core investments. Introducing new types of investment structures and products could increase the complexities involved in managing such investments, including to ensure compliance with regulatory requirements and terms of the investment. See "—We may not be successful in executing upon or managing the complexities of new investment strategies, markets and businesses, which could adversely affect our business, results of operations and financial condition."

Our organic growth strategy focuses on providing resources to foster the development of new product offerings and business strategies by our investment professionals and launching successor and related products, such that our new strategies achieve a level of scale and profitability. Given our diverse platform, these initiatives could create conflicts of interests with existing products, increase our costs and expose us to new market risks, and legal and regulatory requirements. The success of our organic growth strategy will also depend on, among other things, our ability to correctly identify and create products that appeal to the limited partners of our funds and vehicles. While we have made significant expenditures to develop these new strategies and products, there is no assurance that they will achieve a satisfactory level of scale and profitability. To raise new funds and pursue new strategies, we have and expect to continue to use our balance sheet to warehouse seed investments, which may decrease the liquidity available for other parts of our business. If a new strategy or fund does not develop as anticipated and such investments are not ultimately transferred to a fund, we may be forced to realize losses on these retained investments.

We have and may continue to pursue growth through acquisitions of other investment management companies, acquisitions of critical business partners, strategic partnerships or other strategic initiatives, which may include entering into new lines of business. In addition, we expect opportunities will arise to acquire other alternative or traditional investment managers. For example, we have expanded our European credit business with our acquisition of Avoca in 2014. We have also made minority investments in hedge fund managers, and we have entered into joint ventures with third parties to participate in new real estate investment strategies. On April 2018, we completed our transaction to form FS/KKR Advisor, a strategic BDC partnership with FS Investments, to provide investment advisory services to BDCs previously advised by us and FS Investments. To the extent we make strategic investments or acquisitions, undertake other strategic initiatives or enter into a new line of business, we will face numerous risks and uncertainties, including risks associated with:

- our ability to successfully negotiate and enter into beneficial arrangements with our counterparties;
- the required investment of capital and other resources;
- the incurrence of substantial transaction-related costs including non-recurring transaction-related costs;
- delays or failure to complete an acquisition or other transaction in a timely manner or at all due to a failure to obtain shareholder or regulatory approvals or satisfy any other closing conditions, which may subject us to damages or require us to pay significant costs;
- lawsuits challenging an acquisition or unfavorable judgments in such lawsuits, which may prevent the closing of the transaction, cause delays, or require us to incur substantial costs including in costs associated with the indemnification of directors;
- the possibility that we have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk or liability or have not appropriately planned for such activities;
- the possibility of diversion of management's time and attention from our core business;
- the possibility of disruption of our ongoing business;
- the failure to realize the anticipated benefits from an acquired business or strategic partnership in a timely manner, if at all;
- combining, integrating or developing operational and management systems and controls including an acquired business's internal controls and procedures;
- integration of the businesses including the employees of an acquired business;
- potential increase in concentration of the investors in our funds;
- disagreements with joint venture partners or other stakeholders in our hedge fund partnerships and our strategic partnerships;
- the additional business risks of the acquired business and the broadening of our geographic footprint, including the risks associated with conducting operations in foreign jurisdictions such as taxation;
- properly managing conflicts of interests;
- our ability to obtain requisite regulatory approvals and licenses without undue cost or delay and without being required to comply with material restrictions or material conditions that would be detrimental to us or to the combined organization; and
- regulatory scrutiny or litigation exposure due to the activities of the acquired business, hedge fund partners or joint venture partners.

Entry into new strategies or certain lines of business may subject us to new laws and regulations with which we are not familiar, or from which we are currently exempt, and may lead to increased litigation and regulatory risk and costs. If a new business generates insufficient revenues or if we are unable to efficiently manage our expanded operations, our results of operations will be adversely affected. Our strategic initiatives include joint ventures or the acquisition of minority interests in third parties, in which case we will be subject to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputational damage relating to, systems, controls and personnel that are not under our control.

We may not be successful in executing upon or managing the complexities of new investment strategies, markets and businesses, which could adversely affect our business, results of operations and financial condition.

Our growth strategy is based, in part, on the expansion of our platform through selective investment in, and development or acquisition of, businesses, products and investment strategies complementary to our business. The expansion into new products and geographies has demanded greater management attention and dedication of resources to manage the increasing complexity of operations and regulatory compliance. For example, we developed and completed several structured transactions in which KKR provides subordinated or equity financing and third party investors provide senior financing to an investment vehicle that invests in our funds. In addition to the increased operational complexity and cost that arise from the structure and bespoke terms of these transactions, because of the subordinated nature of KKR's interests, we are at risk of losing all of our capital committed to these transactions ahead of any third party if the vehicle's investments do not perform as expected.

This growth strategy involves a number of risks, including the risk that: the expected synergies from a newly developed product or strategic alliance will not be realized; the expected results will not be achieved; new strategies are not appropriately planned for or integrated into the firm; the new strategies may conflict, detract from or compete against our existing businesses; the investment process, controls and procedures that we have developed around our existing platform will prove insufficient or inadequate; or our information systems and technology, including related security systems, may prove to be inadequate.

We have also entered into strategic investor partnerships and established separately managed accounts, which lack the scale of our traditional funds and are more costly to administer. The prevalence of these accounts may also present conflicts and introduce complexity in the deployment of capital. The offering of investment products to retail investors, including any funds registered under the Investment Company Act, BDCs and KREF, may result in increased compliance and litigation costs. We may also incur significant charges in connection with such investments, which ultimately may result in significant losses and costs. Such losses could adversely impact our business, results of operations and financial condition, as well as harm our professional reputation.

If we are unable to syndicate the securities or indebtedness or realize returns on investments financed with our balance sheet assets, our liquidity, business, results of operations and financial condition could be materially and adversely affected.

Our balance sheet assets provide us with a significant source of capital to grow and expand our business, increase our participation in our transactions and underwrite commitments in our capital markets business. We have used our balance sheet assets to underwrite loans, securities or other financial instruments, which we generally expect to syndicate to third parties. We also entered into an arrangement with a third party that reduces our risk associated with holding unsold securities when underwriting certain debt transactions, which enables our capital markets business to underwrite a larger amount. To the extent that we are unable to syndicate our commitments to third parties or our risk reduction arrangement does not fully perform as anticipated, we may be required to sell such investments at a significant loss or hold them indefinitely. If we are required to retain investments on our balance sheet for an extended period of time, our results would be directly impacted by the performance of such investments and it would also impair our capital markets business' ability to complete additional transactions, either of which could materially and adversely affect our business, results of operations and financial condition.

We generally have a larger balance sheet than many of our competitors, and consequently, the performance of these balance sheet assets has a greater impact on our results of operations. In particular, during a period when our balance sheet assets are concentrated in a limited number of investments, results from a small number of investments can have a significant impact on our balance sheet performance. Our success in deploying our balance sheet assets and generating returns on this capital will depend, among other things, on the availability of suitable opportunities after giving priority in investment opportunities to our advised investment funds, the level of competition from other companies that may have greater financial resources and our ability to value potential development or acquisition opportunities accurately and negotiate acceptable terms for those opportunities. To the extent we are unsuccessful in deploying our balance sheet assets, our business and financial results may suffer. In addition, our balance sheet assets have been a significant source of capital for new strategies and products. To the extent that such strategies or products are not successful or our balance sheet assets cease to provide adequate liquidity, we would realize losses on our balance sheet investments or become limited in our ability to seed new businesses or support our existing business as effectively as contemplated. For example, we developed and completed several structured transactions in which our balance sheet provides subordinated or equity financing and third party investors provide senior financing to an investment vehicle that invests in our funds. In addition to the increased operational complexity and cost that arise from the structure and bespoke terms of these transactions, because of the subordinated nature of KKR's interests, we are at risk of losing all of our interests in these transactions ahead of any third party if the investments do not perform as expected. As of December 31, 2019, total balance sheet investments made by KKR in these structured transactions were approximately $620 million. See "—We may not be successful in executing upon or managing the complexities of new investment strategies, markets and businesses, which could adversely affect our business, results of operations and financial condition."

Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could materially and adversely affect our business.

Our business is subject to extensive regulation, including periodic examinations, inquiries and investigations by governmental and self-regulatory organizations in the jurisdictions in which we operate around the world. Many of these regulators, including U.S. federal and state and foreign government agencies and self-regulatory organizations, are empowered to impose fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and-desist orders or the suspension or expulsion of applicable licenses and memberships. Any of the foregoing may damage our relationships with existing fund investors, impair our ability to raise capital for successor funds, impair our ability to carry out certain investment strategies, or contravene provisions concerning compliance with law in agreements to which we are a party. Even if a sanction is not imposed or the sanction imposed against us or our personnel by a regulator were small in monetary amount, the adverse publicity relating to the regulatory activity or imposition of these sanctions could harm our reputation and cause us to lose existing fund investors or fail to gain new fund investors.

In recent years, the private equity industry has come under increased regulatory and news media scrutiny with governmental officials and regulators, including the SEC, focusing on the private equity industry's fees, allocation of expenses to funds, valuation practices, allocation of fund investment opportunities, particularly co-investment opportunities, and disclosures to fund investors. The SEC's recent focus areas included, among others, the acceleration of monitoring fees, the allocation of broken-deal expenses, the disclosure, use and compensation of operating partners or consultants, outside business activities of firm principals and employees, group purchasing arrangements, disclosure of affiliated service providers, general conflicts of interest disclosures, electronic messaging, cyber-security, data privacy and protection, foreign bribery and corruption, and policies covering insider trading, business continuity and transition planning. The SEC is continuing its pursuit of these or other focus areas. The SEC's 2020 examination priorities specifically identified private fund managers as a priority and, in particular, highlighted its focus on managers that have a greater impact on retail investors, controls with respect to the misuse of material non-public information, and conflicts of interest including missing or inadequate disclosure of fees and expenses and the use of affiliated service providers for clients. Any actions by the SEC or other regulators against us or other investment managers can cause changes in business practices that could materially and adversely affect our business, results of operations and financial condition.

Any changes or potential changes in the regulatory framework applicable to our business, including the changes and potential changes described below, as well as adverse news media attention, may: impose additional expenses or capital requirements on us; limit our fundraising for our investment products; result in limitations in the manner in which our business is conducted; have an adverse impact upon our results of operations, financial condition, reputation or prospects; impair employee retention or recruitment; and require substantial attention by senior management. It is impossible to determine the extent of the impact of any new laws, regulations, initiatives or regulatory guidance that may be proposed or may become law on our business or the markets in which we operate. If enacted, any new law, regulation, initiatives or regulatory guidance could negatively impact our funds and us in a number of ways, including: increasing our costs and the cost for our funds of investing, borrowing, hedging or operating; increasing the funds' or our regulatory operating costs; imposing additional burdens on the funds' or our staff; and potentially requiring the disclosure of sensitive information. In addition, we may be materially and adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. New laws, regulations, initiatives or regulatory guidance could make compliance more difficult or more expensive, affect the manner in which we conduct business and divert significant management and operational resources and attention from our business. Moreover, an increase in regulatory investigations and new or enhanced reporting requirements of the trading and other investment activities of alternative investment management funds and firms, including our funds and us, is possible. Such investigations and reporting requirements could impose additional expenses on us, require the attention of senior management, increase the complexity of managing our business, or result in fines or other sanctions if we or any of our funds are deemed to have violated any law or regulations.

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

Financial Stability Oversight Council (the "FSOC"). Established under the Dodd-Frank Act, the FSOC is an inter-agency body charged with, among other things, designating systemically important nonbank financial companies for heightened prudential supervision and making recommendations regarding the imposition of enhanced regulatory standards regarding capital, leverage, conflicts and other requirements for financial firms deemed to pose a systemic threat to U.S. financial stability. On December 4, 2019, the FSOC finalized interpretive guidance on non-bank financial company designations that prioritizes an "activities-based" approach to identify, assess, and address potential risks to U.S. financial stability and reserves entity-specific designations for instances when a potential risk cannot be adequately addressed through an activities-based approach. Pursuant to guidance, which became effective on January 29, 2020, the FSOC applies a two-step activities-based approach to identify and address risks to financial stability from certain activities, products or practices. If the FSOC identifies a product, activity, or practice that could pose a risk to financial stability, it will, during the first step, evaluate the extent to which certain characteristics could "amplify" risks to financial stability. These characteristics include asset valuation risk or credit risk; leverage arising from debt, derivatives, off-balance sheet obligations, and other arrangements; liquidity risk or maturity mismatch; counterparty risk; transparency of financial markets; and operational risks. If the FSOC identifies a potential risk to financial stability, it will progress to step two, during which it would work with relevant financial regulators to seek the implementation of actions to address the identified potential risk and coordinate among member agencies to ensure the risk is addressed. There currently is little precedent or guidance specifically addressing the FSOC's approach or methodology to evaluating and identifying activities that could pose a risk to financial stability. It is possible that the FSOC could identify one or more of our product lines, activities, or practices as a potential risk to U.S. financial stability and, along with other regulators, could take the actions described above to address such risk, which may result in additional compliance costs. If the FSOC finds that the regulators' efforts have not adequately addressed the potential risk or if the potential threat arises "outside the jurisdiction or authority" of financial regulatory agencies and the potential risk could be addressed by an FSOC designation, the FSOC may designate a nonbank financial company systemically important. If the FSOC were to designate us as a systemically important nonbank financial company, we would become subject to supervision by the U.S. Federal Reserve and a heightened degree of regulation, including more stringent standards relating to capital, leverage, liquidity, risk management, resolution planning, credit exposure reporting and concentration limits, restrictions on acquisitions, and annual stress testing by the U.S. Federal Reserve. There can be no assurance that nonbank financial firms such as us will not become subject to the aforementioned restrictions or other requirements for financial firms deemed to be systemically important to the financial stability of the U.S. economy.

On December 18, 2014, the FSOC issued a notice seeking public comment on potential systemic risks from asset management products and activities, focusing in particular on (1) liquidity and redemption risks, (2) use of leverage, (3) operational functions and (4) resolution-related issues. On November 16, 2016, the FSOC reiterated its focus on these risk areas, as well as securities lending, in a public statement on its review of asset management products and activities. According to the notice and statement, the FSOC has not made any final determination regarding the existence or nature of any potential risks to financial stability posed by the asset management industry.

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

- Operating pooled funds that trade swaps, or providing investment advice to clients that trade swaps is a basis for registration with the CFTC, absent an applicable exemption. Operating our funds in a manner consistent with one or more exemptions from registration with the CFTC may limit the activities of certain of our funds, and monitoring and analysis of these exemptions requires management and operational resources and attention. Registration with the CFTC, if required, could impact our operations and add additional costs associated with ongoing compliance.

- The CFTC's swap rules also impose regulatory requirements on the trading of swaps, including requirements that most swaps be executed on an exchange or "swap execution facility" and cleared through a central clearing house. Although these requirements presently apply only to certain classes of interest rate swaps and credit default swaps, the CFTC may mandate central execution and clearing with respect to additional classes of swaps in the future.

- CFTC regulations employ quantitative tests and thresholds to determine whether entities are "swap dealers" or "major swap participants" that must register in the appropriate category and comply with capital, margin, record keeping, reporting and business conduct rules. Our funds could become subject to the requirement to register as major swap participants due to changes to the funds' investment strategy or valuations, or revisions to the thresholds for registration.

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

- The SEC, CFTC and banking regulators have adopted rules regarding margin and capital requirements for most uncleared or "over-the-counter" swaps. These rules generally require swap dealers and major swap participants to collect and post a minimum amount of margin when trading with other covered entities and financial end-users. These requirements could increase the cost of trading in the derivative markets, which could in turn make it more expensive and difficult, and in certain cases impractical, for us or our funds to enter into swaps and other derivatives in the normal course of our business and reduce the effectiveness of the funds' and our investment strategies. These rules could also adversely impact liquidity in derivatives markets, which could expose our funds and us to greater risks and reduce hedging opportunities in connection with their trading activities.

- In September 2016, the U.S. Federal Reserve issued for public comment a proposed rule that, if adopted as proposed, would impose significant capital and other prudential requirements on the physical commodities activities of certain banking organizations. The implementation of these or other new regulations could increase the cost of trading in the commodities and derivative markets, which could in turn make it more expensive and difficult for us or our funds to enter into swaps and other derivatives in the normal course of our business. Moreover, these increased regulatory responsibilities and increased costs could reduce trading levels in the commodities and derivative markets by a number of market participants, which could in turn adversely impact liquidity in the markets and expose our funds to greater risks in connection with their trading activities.

Other Regulations under the Dodd-Frank Act. The Dodd-Frank Act amended the Exchange Act to compensate and protect whistleblowers who voluntarily provide original information to the SEC and establishes a fund to be used to pay whistleblowers who will be entitled to receive a payment equal to between 10% and 30% of certain monetary sanctions imposed in a successful government action resulting from the information provided by the whistleblower. The CFTC has adopted a similar whistleblower program. In addition, in October 2011, the SEC adopted a rule requiring certain advisers to private funds to periodically file reports on Form PF, as required under the Dodd-Frank Act. Large private fund advisers including advisers with at least $1.5 billion in assets under management attributable to hedge funds and advisers with at least $2 billion in assets under management attributable to private equity funds are subject to more detailed and in certain cases more frequent reporting requirements. The information is to be used by the FSOC in monitoring risks to the U.S. financial system. These regulations increase our compliance costs and could result in adverse regulatory actions against us.

Although it is possible that Congress or the current administration could modify and relax regulatory requirements and restrictions that were adopted in response to the financial crisis, the timing and scope of such modifications remain uncertain and may not materialize.

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

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

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

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

In the European Union, credit institutions and certain investment firms are subject to the provisions of the Capital Requirements Directive IV ("CRD IV") and the Capital Requirements Regulation. These pieces of legislation implement the capital and liquidity standards promulgated by the Basel Committee on Banking Supervision (commonly referred to as "Basel III"), and impose various governance and remuneration obligations. CRD IV has enhanced our financial reporting obligations and subjected us to new reporting requirements, which increases costs and the risk of non-compliance. Compliance with Basel III may result in significant costs to banking organizations, which, in turn, could result in higher borrowing costs for us and our portfolio companies, and may reduce access to certain types of credit.

Three of our subsidiaries (established in the UK and Ireland) are subject to the remuneration-related requirements of CRD IV, as well as similar requirements under the AIFMD. Additionally, the European Banking Authority has published final guidelines on sound remuneration policies under CRD IV which set out the requirements for remuneration policies, group application and proportionality, along with criteria for the allocation of remuneration as fixed and variable and details on the disclosures required under the Capital Requirements Regulation. These measures required changes in our compensation structures for key personnel, thereby potentially affecting these subsidiaries' ability to recruit and retain these personnel.

Other EU bank regulatory initiatives that could result in higher borrowing costs for us and our portfolio companies or reduce access to certain types of credit include the European Banking Authority's guidelines on limits to exposures to shadow banking entities which carry out banking activities outside a regulated framework under EU law (including funds employing leverage on a substantial basis, within the meaning of AIFMD and its implementing rules, and credit funds), which entered into force on January 1, 2017, and guidelines on leveraged lending, proposed in November 2016 and modeled on U.S. leveraged lending guidelines.

The regulation on OTC Derivatives, Central Counterparties and Trade Repositories (also known as the European Market Infrastructure Regulation, or "EMIR") applies to derivatives transactions in which one of the parties is established in the European Union, and may in some circumstances apply to transactions between two non-EU counterparties where these contracts have a direct, substantial and foreseeable effect within the European Union. Recent amendments to EMIR expanded the scope of the regulation to classify all AIFs, including UK, EU and non-EEA AIFs, managed by an AIFM as financial counterparties subject to the regulation. EMIR requires reporting of derivative trades, central clearing of standardized over-the-counter derivative contracts, and monitoring and mitigating of operational risks associated with derivative trades. Implementing EMIR increases the cost of trading in the commodities and derivative markets, which could in turn make it more expensive and difficult for us or our funds to enter into swaps and other derivatives in the normal course of our business. Moreover, these increased regulatory responsibilities and increased costs could reduce trading levels in the commodities and derivative markets by a number of market participants, which could in turn adversely impact liquidity in the markets and expose our funds to greater risks in connection with their trading activities.

A number of other EU financial regulatory initiatives have the potential to materially and adversely affect our business. For example, the new Securitisation Regulation that became effective in 2019 established requirements for, among other things, due diligence, risk retention and disclosure regarding certain of our European investments, subsidiaries and CLOs. Also, future acquisitions by KKR or our funds could lead to application of the European Union's Financial Conglomerates Directive, which establishes a prudential regime for financial conglomerates to address perceived risks associated with large cross-sector businesses, and could increase the costs of investing in insurance companies, investment firms and banks located in the European Union. Other EU financial regulatory initiatives such as the Short Selling Regulation, which limits naked short selling of sovereign bonds and stocks, the Bank Recovery and Resolution Directive, which established a recovery and resolution framework for EU credit institutions and investment firms, and a new regulation on reporting and transparency of securities financing transactions, which requires all such transactions to be reported to trade repositories, places additional reporting requirements on investment managers and introduces prior risk disclosures and written consent before assets are rehypothecated, may all impact the complexity and cost of conducting our business in the European Union. Finally, the European Union has adopted, and may in the future adopt, additional risk retention and due diligence requirements in respect of various types of EU-regulated investors that, among other things, restrict investors from taking positions in securitization, increase the capital costs of originator, sponsor or original lender of a securitization, and require retaining a larger net economic interest in the securitization, which may adversely affect the profitability of us, our funds or our CLOs and the leveraged loan market generally. The implementation of these new requirements could increase our and our funds' or CLOs' costs and the complexity of managing our business and could result in fines if we or any of our funds or CLOs were deemed to have violated any of the new regulations.

The General Data Protection Regulation, which became effective in May 2018, imposes stringent data protection requirements and provides for significant penalties for noncompliance. Any inability, or perceived inability, to adequately address privacy and data protection concerns, or comply with applicable laws, regulations, policies, industry standards, contractual obligations, or other legal obligations, even if unfounded, could result in additional cost and liability and could damage our reputation and materially and adversely affect our business.

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

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

In 2016, the SEC proposed a rule that would require registered investment advisers to adopt and implement written business continuity plans and transition plans based upon the particular risks associated with the individual adviser's operations and address several specified factors. While it remains to be seen what the final rule, if adopted, will require, compliance with such a rule may impose additional costs on us.

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

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

Certain of the funds we manage that engage in originating, lending and/or servicing loans, may consider investments that would subject us to state and federal regulation, borrower disclosure requirements, limits on fees and interest rates on some loans, state lender licensing requirements and other regulatory requirements in the conduct of their business. If our funds make these investments, they may also be subject to consumer disclosures and substantive requirements on consumer loan terms and other federal regulatory requirements applicable to consumer lending that are administered by the Consumer Financial Protection Bureau. These state and federal regulatory programs are designed to protect borrowers.

State and federal regulators and other governmental entities have authority to bring administrative enforcement actions or litigation to enforce compliance with applicable lending or consumer protection laws, with remedies that can include fines and monetary penalties, restitution of borrowers, injunctions to conform to law, or limitation or revocation of licenses and other remedies and penalties. In addition, lenders and servicers may be subject to litigation brought by or on behalf of borrowers for violations of laws or unfair or deceptive practices. If we enter into transactions that subject us to these risks, failure to conform to applicable regulatory and legal requirements could be costly and have a detrimental impact on certain of our funds and ultimately on us.

Portfolio Company Legal and Regulatory Environment. We are subject to certain laws, such as certain environmental laws, takeover laws, anti-bribery, trade sanctions, trade control, anti-money laundering and anti-corruption laws, escheat or abandoned property laws, antitrust laws and data privacy and data protection laws that may impose requirements on us and our portfolio companies as an affiliated group. As a result, we could become jointly and severally liable for all or part of fines imposed on our portfolio companies or be fined directly for violations committed by portfolio companies, and such fines imposed directly on us could be greater than those imposed on the portfolio company. Moreover, portfolio companies may seek to hold us responsible if any fine imposed on them is increased because of their membership in a larger group of affiliated companies. For example, on April 2, 2014, the European Commission announced that it had fined 11 producers of underground and submarine high voltage power cables a total of 302 million euro for participation in a ten-year market and customer sharing cartel. Fines were also imposed on parent companies of the producers involved, including Goldman Sachs, the former parent company of one of the cartel members. Similarly, on February 16, 2018, the U.S. Department of Justice named a private equity sponsor as a co-defendant in a False Claims Act case against one of its portfolio companies, alleging that the private equity sponsor had an active involvement in managing the company and in developing its strategy to use illegal kickback payments to increase reimbursements. In addition, compliance with certain laws or contracts could also require us to commit significant resources and capital towards information gathering and monitoring thereby increasing our operating costs. For example, because we may indirectly hold voting securities in public utilities subject to regulation by the Federal Energy Regulatory Commission ("FERC"), including entities that may hold FERC authorization to charge market-based rates for sales of wholesale power and energy, we may be subject to certain FERC regulations, including regulations requiring us and our portfolio companies to collect, report and keep updated substantial information concerning our ownership of such voting interests and voting interests in other related energy companies, corporate officers, and our direct and indirect investment in such utilities and related companies. Such rules may subject our portfolio companies and us to costly and burdensome data collection and reporting requirements.

In the United States, certain statutes may subject us or our funds to the liabilities of our portfolio companies. The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also referred to as the "Superfund," requires cleanup of sites from which there has been a release or threatened release of hazardous substances, and authorizes the U.S. Environmental Protection Agency to take any necessary response action at Superfund sites, including ordering potentially responsible parties liable for the release to pay for such actions. Potentially responsible parties are broadly defined under CERCLA and could include us.

In addition, we or certain of our investment funds could potentially be held liable under U.S. Employee Retirement Income Security Act of 1974 ("ERISA") for the pension obligations of one or more of our portfolio companies if we or the investment fund were determined to be a "trade or business" under ERISA and deemed part of the same "controlled group" as the portfolio company under such rules, and the pension obligations of any particular portfolio company could be material. On March 28, 2016, a Federal District Court judge in Massachusetts ruled that two private equity funds affiliated with Sun Capital were jointly and severally responsible for unfunded pension liabilities of a Sun Capital portfolio company. While neither fund held more than an 80% ownership interest of the portfolio company, the percentage required under existing regulations to find liability, the court found the funds had formed a partnership-in-fact conducting a trade or business and that as a result each fund was jointly and severally liable for the portfolio company's unfunded pension liabilities. While a federal appellate court only upheld certain aspects of the District Court holding, if the rationale of the District Court decision were to be applied by other courts, we or certain of our investment funds could be held liable under ERISA for certain pension obligations of portfolio companies. In addition, if the rationale of this decision were expanded to apply also for U.S. federal income tax purposes, then certain of our investors could be subject to increased U.S. income tax liability or filing obligations in certain contexts. Similar laws that could be applied with similar results also exist outside of the United States.

Similarly, our portfolio companies may be subject to contractual obligations which may impose obligations or restrictions on their affiliates. The interpretation of such contractual provisions will depend on local laws. Given that we do not control all of our portfolio companies and that our portfolio companies generally operate independently of each other, there is a risk that we could contravene one or more of such laws, regulations and contractual arrangements due to limited access and opportunities to monitor compliance. In addition, compliance with these laws or contracts could require us to commit significant resources and capital towards information gathering and monitoring thereby increasing our operating costs.

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

Complex regulations may limit our ability to raise capital, increase the costs of our capital raising activities and may subject us to penalties.

We regularly rely on exemptions in the United States from various requirements of the Securities Act, the Exchange Act, the Investment Company Act, the Commodity Exchange Act and ERISA in conducting our investment management activities. These exemptions are sometimes highly complex and may in certain circumstances depend on compliance by third parties whom we do not control. If for any reason these exemptions were to become unavailable to us, we could become subject to additional restrictive and costly registration requirements, regulatory action or third-party claims and our business could be materially and adversely affected. For example, in raising new funds, we typically rely on private placement exemptions from registration under the Securities Act, including Rule 506 of Regulation D. However, Rule 506 becomes unavailable to issuers (including our funds) if the issuer or any of its "covered persons" (certain officers and directors and also certain third parties including, among others, promoters, placement agents and beneficial owners of 20% of outstanding voting securities of the issuer) has been the subject of a "disqualifying event," which includes a variety of criminal, regulatory and civil matters (so-called "bad actor" disqualification). If our funds or any of the covered persons associated with our funds are subject to a disqualifying event, one or more of our funds could lose the ability to raise capital in a Rule 506 private offering for a significant period of time, which could significantly impair our ability to raise new funds, and, therefore, could materially and adversely affect our business, results of operations and financial condition. In addition, if certain of our employees or any potential significant investor has been the subject of a disqualifying event, we could be required to reassign or terminate such an employee or we could be required to refuse the investment of such an investor, which could impair our relationships with investors, harm our reputation or make it more difficult to raise new funds. See "—Risks Related to Our Organizational Structure—If we were deemed to be an 'investment company' subject to regulation under the Investment Company Act, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business."

We are and will become further subject to additional regulatory and compliance burdens as we expand our product offerings and investment platform to include retail investors. For example, funds in our Public Markets business line are registered under the Investment Company Act as investment companies. These funds and KKR Credit Advisors (US) LLC, which currently serves as their investment adviser, are subject to the Investment Company Act and the rules thereunder, which, among other things, regulate the relationship between a registered investment company and its investment adviser and prohibit or severely restrict principal transactions and joint transactions. In 2018, we completed our transaction to form FS/KKR Advisor, a strategic BDC partnership with FS Investments, to provide investment advisory services to BDCs previously advised by us and FS Investments. BDCs are subject to certain restrictions and prohibitions under the Investment Company Act. If any of the BDCs advised by FS/KKR Advisor fails to meet the requirements for a BDC, it may be regulated as a closed-end investment company under the Investment Company Act and become subject to substantially more regulatory restrictions, which could limit its operating flexibility and in turn result in decreased profitability for FS/KKR Advisor. As our business expands we may be required to make additional registrations under the Investment Company Act or similar laws, including in jurisdictions outside the United States. As an example, in 2019, we raised an Australian listed investment trust, which is listed on the Australian Securities Exchange and subject to the regulation of the Australian Securities and Investments Commission. Compliance with these and other U.S. and non-U.S. rules will increase our compliance costs and create potential for additional liabilities and penalties, which would divert management's attention from our business and investments.

Rule 206(4)-5 under the Investment Advisers Act regulates "pay to play" practices by investment advisers involving campaign contributions and other payments to elected officials or candidates for political office who are able to exert influence on government clients. Among other restrictions, the rule prohibits investment advisers from providing advisory services for compensation to a government client for two years, subject to very limited exceptions, after the investment adviser, its senior executives or its personnel involved in soliciting investments from government entities make contributions to certain candidates and officials in position to influence the hiring of an investment adviser by such government client. Advisers are required to implement compliance policies designed, among other matters, to track contributions by certain of the adviser's employees and engagements of third parties that solicit government entities and to keep certain records in order to enable the SEC to determine compliance with the rule. There has also been similar rule-making on a state-level regarding "pay to play" practices by investment advisers, including in California and New York. FINRA has released its own set of "pay to play" regulations that effectively prohibit the receipt of compensation from state or local government agencies for solicitation and distribution activities within two years of a prohibited contribution by a broker-dealer or one of its covered associates. Any failure on our part to comply with these rules could cause us to lose compensation for our advisory services or expose us to significant penalties and reputational damage.

Federal, state and foreign anti-corruption and trade sanctions laws applicable to us and our portfolio companies create the potential for significant liabilities and penalties and reputational harm.

We are subject to a number of laws and regulations governing payments and contributions to political persons or other third parties, including restrictions imposed by the Foreign Corrupt Practices Act ("FCPA"), as well as trade sanctions and trade control laws administered by the Office of Foreign Assets Control ("OFAC"), the U.S. Department of Commerce and the U.S. Department of State. The FCPA is intended to prohibit bribery of foreign governments and their officials and political parties, and requires public companies in the United States to keep books and records that accurately and fairly reflect those companies' transactions. OFAC, the U.S. Department of Commerce and the U.S. Department of State administer and enforce various trade control laws and regulations, including economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign states, organizations and individuals. These laws and regulations implicate a number of aspects of our business, including servicing existing fund investors, finding new fund investors, and sourcing new investments, as well as activities by the portfolio companies in our investment portfolio or other controlled investments. Some of these regulations provide that penalties can be imposed on us for the conduct of a portfolio company, even if we have not ourselves violated any regulation.

The Iran Threat Reduction and Syrian Human Rights Act of 2012 ("ITRA") expanded the scope of U.S. sanctions against Iran and requires public reporting companies to disclose in their annual or quarterly reports certain dealings or transactions the company or its affiliates "knowingly" engaged in during the previous reporting period involving Iran or other individuals and entities targeted by certain OFAC sanctions. In some cases, ITRA requires companies to disclose these types of dealings or transactions even if they are permissible under U.S. law or are conducted outside of the United States by a foreign affiliate. If any such activities are disclosed in a periodic report, we are required to separately file, concurrently with such report, a notice of such disclosure. The SEC is required to post this notice on its website and send the report to the U.S. President and certain U.S. Congressional committees. The U.S. President thereafter is required to initiate an investigation and, within 180 days of initiating such an investigation, to determine whether sanctions should be imposed. Disclosure of such activity, even if such activity is not subject to sanctions under applicable law, and any sanctions actually imposed on us or our affiliates as a result of these activities, could harm our reputation and have a negative impact on our business.

Similar laws in non-U.S. jurisdictions, such as EU sanctions or the U.K. Bribery Act, as well as other applicable anti-bribery, anti-corruption, anti-money laundering, or sanction or other export control laws in the United States and abroad, may also impose stricter or more onerous requirements than the FCPA, OFAC, the U.S. Department of Commerce and the U.S. Department of State, and implementing them may disrupt our business or cause us to incur significantly more costs to comply with those laws. Different laws may also contain conflicting provisions, making compliance with all laws more difficult. If we fail to comply with these laws and regulations, we could be exposed to claims for damages, civil or criminal financial penalties, reputational harm, incarceration of our employees, restrictions on our operations and other liabilities, which could materially and adversely affect our business, results of operations and financial condition. In addition, we may be subject to successor liability for FCPA violations or other acts of bribery, or violations of applicable sanctions or other export control laws committed by companies in which we or our funds invest or which we or our funds acquire.

We face significant liabilities and damage to our professional reputation as a result of litigation allegations and negative publicity.

The activities of our businesses, including the investment decisions we make and the activities of our employees in connection with our portfolio companies, may subject us and them to the risk of litigation by third parties, including fund investors dissatisfied with the performance or management of our funds, holders of our or our portfolio companies' debt or equity, and a variety of other potential litigants. See Item 8. Financial Statements and Supplementary Data—Note 16 "Commitments and Contingencies—Litigation." For example, we, our funds and certain of our employees are each exposed to the risks of litigation relating to investment activities of our funds and actions taken by the officers and directors (some of whom may be KKR employees) of portfolio companies, such as lawsuits by other shareholders of our public portfolio companies or holders of debt instruments of companies in which our funds have significant investments. We are also exposed to risks of litigation, investigation or negative publicity in the event of any transactions that are alleged not to have been properly considered and approved under applicable law.

Although investors in our funds do not have legal remedies against us, the general partners of our funds, our funds, our employees or our affiliates solely based on their dissatisfaction with the investment performance of those funds, such investor may have remedies against us, the general partners of our funds, our funds, our employees or our affiliates to the extent any losses result from fraud, negligence, willful misconduct or other similar misconduct. While the general partners and investment advisers to our investment funds, including their directors, officers, employees and affiliates, are generally indemnified to the fullest extent permitted by law with respect to their conduct in connection with the management of the business and affairs of our investment funds, such indemnity generally does not extend to actions determined to have involved fraud, gross negligence, willful misconduct or other similar misconduct. If any civil or criminal lawsuits were brought against us and resulted in a finding of substantial legal liability or culpability, the lawsuit could materially and adversely affect our business, results of operations and financial condition or cause significant reputational harm to us, which could seriously impact our business.

Furthermore, the current rise of populist political movements has generated and may continue to generate a growing negative public sentiment toward globalization, free trade, capitalism and financial institutions, which could lead to heightened scrutiny and criticisms of our business and our investments. In addition, public discourse and Congressional inquiries in the 2020 U.S. presidential election have elevated the level of focus put on us, our industry and companies in which our funds are invested. See "—Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could materially and adversely affect our business—Portfolio Company Legal and Regulatory Environment." The risk of reputational harm is elevated by the prevalence of Internet and social media usage and the increased public focus on behaviors and externalities of business activities, including those affecting stakeholder interests and environmental, social and governance considerations. We depend to a large extent on our business relationships and our reputation for integrity and high-caliber professional services to attract and retain fund investors and qualified professionals and to pursue investment opportunities for our funds. As a result, allegations of improper conduct by private litigants or regulators, whether the ultimate outcome is favorable or unfavorable to us, as well as negative publicity and press speculation about us, our investment activities or the private equity industry in general, whether or not valid, may harm our reputation, which may be more damaging to our business than to other types of businesses.

With a workforce composed of many highly-paid professionals, we face the risk of litigation relating to claims for compensation or other damages, which may, individually or in the aggregate, be significant in amount. The cost of settling any such claims could negatively impact our business, results of operations and financial condition.

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

We have formed and may continue to form investment vehicles seeking investment from retail investors, which may subject us to additional risk of litigation and regulatory scrutiny. See "—Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could materially and adversely affect our business." We have and expect to continue to distribute products through new channels, including through unaffiliated firms, and we may not be able to effectively monitor or control the manner of their distribution, which could result in litigation against us, including with respect to, among other things, claims that products distributed through such channels are distributed to customers for whom they are unsuitable or distributed in any other inappropriate manner. The distribution of products through new channels whether directly or through market intermediaries, including in the retail channel, could expose us to additional regulatory risk in the form of allegations of improper conduct and/or actions by state and federal regulators against us with respect to, among other things, product suitability, conflicts of interest and the adequacy of disclosure to customers to whom our products are distributed through those channels.

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

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

Misconduct of our employees, consultants or sub-contractors or by our portfolio companies could harm us by impairing our ability to attract and retain clients and subjecting us to significant legal liability and reputational harm.

There is a risk that our employees, consultants or sub-contractors could engage in misconduct that adversely affects our business. We are subject to a number of obligations and standards arising from our business and our authority over the assets we manage. The violation of these obligations and standards by any of our employees, consultants or sub-contractors would adversely affect our clients and us. We may also be adversely affected if there is misconduct by senior management of portfolio companies in which we invest, even though we may be unable to control or mitigate such misconduct. Such misconduct may also negatively affect the valuation of the investments in such portfolio companies. Our current and former employees, consultants or sub-contractors and those of our portfolio companies may also become subject to allegations of sexual harassment, racial and gender discrimination or other similar misconduct, which, regardless of the ultimate outcome, may result in adverse publicity that could significantly harm our and such portfolio company's brand and reputation. Furthermore, our business often requires that we deal with confidential matters of great significance to companies in which we may invest. If our employees, consultants or sub-contractors were improperly to use or disclose confidential information, we could suffer serious harm to our reputation, financial position and current and future business relationships, as well as face potentially significant litigation or investigation. It is not always possible to detect or deter such misconduct, and the precautions we take may not be effective in all cases. If any of our employees, consultants or sub-contractors or the employees of portfolio companies were to engage in misconduct or were to be accused of such misconduct, our business and our reputation could be materially and adversely affected.

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

KKR Capital Markets LLC and our other broker-dealer subsidiaries may act as an underwriter, syndicator or placement agent in securities offerings and, through affiliated entities, loan syndications. We may incur losses and be subject to reputational harm to the extent that, for any reason, we are unable to sell securities or indebtedness we purchased or placed as an underwriter, syndicator or placement agent at the anticipated price levels or at all. As an underwriter, syndicator or placement agent, we also may be subject to potential liability for material misstatements or omissions in prospectuses and other offering documents relating to offerings our broker-dealer subsidiaries underwrite, syndicate or place. In certain situations, our broker-dealer subsidiaries may have liabilities arising from transactions in which our investment fund may participate as a purchaser or a seller of securities, which could constitute a conflict of interest or subject us to damages or reputational harm. See "—Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could materially and adversely affect our business—Other Regulations of the Financial Markets."

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

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

Furthermore, in the event of the insolvency of a prime broker and/or custodian, our funds may not be able to recover equivalent assets in full as they will rank among the prime broker's and custodian's unsecured creditors in relation to assets that the prime broker or custodian borrows, lends or otherwise uses. In addition, our and our funds' cash held with a prime broker or custodian may not be segregated from the prime broker's or custodian's own cash, and our funds therefore may rank as unsecured creditors in relation to that cash. The inability to recover assets from the prime broker or custodian could have a material adverse impact on the performance of our funds and our business, results of operations and financial condition. Counterparties have generally reacted to recent market volatility by tightening their underwriting standards and increasing their margin requirements for all categories of financing, which has the result of decreasing the overall amount of leverage available and increasing the costs of borrowing. Many of our funds have credit lines, and if a lender under one or more of these credit lines were to become insolvent, we may have difficulty replacing the credit line and one or more of our funds may face liquidity problems.

Default risk may arise from events or circumstances that are difficult to detect, foresee or evaluate. In addition, concerns about, or a default by, one large market participant could lead to significant liquidity problems for other market participants, which may in turn expose us to significant losses. We may not accurately anticipate the impact of market stress or counterparty financial condition, and as a result, we may not have taken sufficient action to reduce these risks effectively, which, if left unmitigated, could have a material adverse effect on our business, results of operations and financial condition.

Risks Related to the Assets We Manage

As an investment manager, we sponsor and manage funds that make investments worldwide on behalf of third-party investors and, in connection with those activities, are required to deploy our own capital in those investments. The investments of these funds are subject to many risks and uncertainties which, to the extent they are material, are discussed below. In addition, we have investments on our balance sheet, which we manage for our own behalf. These risks, as they apply to our balance sheet investments, may have a greater impact on our results of operations and financial conditions as we directly bear the full risk of our balance sheet investments. As a result, the gains and losses on such assets are reflected in our net income and the risks set forth below relating to the assets that we manage will directly affect our operating performance.

The historical returns attributable to our funds, including those presented in this report, should not be considered as indicative of the future results of our funds or our balance sheet investments, of our future results or the performance of our common stock.

We have presented in this report certain information relating to our investment returns, such as net and gross IRRs, multiples of invested capital and realized and unrealized investment values for funds that we have sponsored and managed. The historical and potential future returns of the funds that we manage are not directly linked to returns on KKR Group Partnership Units.

Moreover, historical returns of our funds may not be indicative of the future results that you should expect from our funds or our balance sheet investments. In particular, the future results may differ significantly from their historical results for the following reasons, among others:

- the rates of returns of our funds reflect unrealized gains as of the applicable valuation date that may never be realized, which may adversely affect the ultimate value realized from those funds' investments;
- the historical returns that we present in this report derive largely from the performance of our earlier private equity funds, whereas future fund returns will depend increasingly on the performance of our newer funds, which may have little or no investment track record, and in particular, you will not benefit from any value that was created in our funds prior to the KPE Transaction to the extent such value has been realized and we may be required to repay excess amounts previously received in respect of carried interest in our funds if, upon liquidation of the fund, we have received carried interest distributions in excess of the amount to which we were entitled;
- the future performance of our funds will be affected by macroeconomic factors, including negative factors arising from disruptions in the global financial markets or tensions in global trade, which may not have been prevalent in the periods relevant to the historical return data included in this report;
- in some historical periods, the rates of return of some of our funds have been positively influenced by a number of investments that experienced a substantial decrease in the average holding period of such investments and rapid and substantial increases in value following the dates on which those investments were made; those trends and rates of return may not be repeated in the future as the actual or expected length of holding periods related to investments is likely longer than such historical periods;

- our newly established funds may generate lower returns during the period that they take to deploy their capital;
- our funds' returns have benefited from investment opportunities and general market conditions in certain historical periods that may not repeat themselves, and there can be no assurance that our current or future funds will be able to avail themselves of comparable investment opportunities or market conditions; and
- we may create new funds and investment products in the future that reflect a different asset mix in terms of allocations among funds, investment strategies, geographic and industry exposure, vintage year and economic terms.

In addition, our historical rates of return reflect our historical cost structure, which has varied and may vary further in the future. Certain of our newer funds, for example, have lower fee structures and also have performance hurdles. Future returns will also be affected by the risks described elsewhere in this report, including risks of the industry sectors and businesses in which a particular fund invests and changes in laws. See "—Risks Related to Our Business—Difficult market and economic conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial prospects and condition."

Valuation methodologies for certain assets in our funds and on our balance sheet can be subjective and the fair value of assets established pursuant to such methodologies may never be realized, which could result in significant losses for our funds and us.

There are no readily ascertainable market prices for a substantial majority of illiquid investments of our investment funds, our finance vehicles or other assets on our balance sheet. When determining fair values of investments, we use the last reported market price as of the statement of financial condition date for investments that have readily observable market prices. When an investment does not have a readily available market price, the fair value of the investment represents the value, as determined by us in good faith, at which the investment could be sold in an orderly disposition over a reasonable period of time between willing parties other than in a forced or liquidation sale. There is no single standard for determining fair value in good faith and in many cases fair value is best expressed as a range of fair values from which a single estimate may be derived. When making fair value determinations for our private equity investments, we typically use a market multiples approach that considers a specified financial measure (such as EBITDA) and/or a discounted cash flow analysis. Real asset investments in infrastructure, energy and real estate are valued using one or more of the discounted cash flow analysis, market comparables analysis and direct income capitalization, which in each case incorporates significant assumptions and judgments, and in certain cases, utilizes the services of independent valuation firms. Credit investments are valued using values obtained from dealers or market makers, and where these values are not available, credit investments are valued by us based on ranges of valuations determined by an independent valuation firm.

Each of these methodologies requires estimates of key inputs and significant assumptions and judgments. We also consider a range of additional factors that we deem relevant, including the applicability of a control premium or illiquidity discount, the presence of significant unconsolidated assets and liabilities, any favorable or unfavorable tax attributes, the method of likely exit, financial projections, estimates of assumed growth rates, terminal values, discount rates including risk free rates, capital structure, risk premiums, commodity prices and other factors, and determining these factors may involve a significant degree of our management's judgment and the judgment of management of our portfolio companies.

Because valuations, and in particular valuations of investments for which market quotations are not readily available, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, determinations of fair value may differ materially from the values that would have resulted if a ready market had existed. Even if market quotations are available for our investments, such quotations may not reflect the value that we would actually be able to realize because of various factors, including possible illiquidity associated with a large ownership position, subsequent illiquidity in the market for a company's securities, future market price volatility or the potential for a future loss in market value based on poor industry conditions or the market's view of overall company and management performance. Our stockholders' equity could be adversely affected if the values of investments that we record is materially higher than the values that are ultimately realized upon the disposal of the investments and changes in values attributed to investments from quarter to quarter may result in volatility in our AUM and such changes could materially affect the results of operations that we report from period to period. There can be no assurance that the investment values that we record from time to time will ultimately be realized and that we will be able to realize the investment values that are presented in this report.

Because there is significant uncertainty in the valuation of, or in the stability of the value of, illiquid investments, the fair values of investments reflected in an investment fund's or finance vehicle's net asset value ("NAV") do not necessarily reflect the prices that would actually be obtained by us on behalf of the fund or finance vehicle when such investments are realized.

For example, there may be liabilities such as unknown or uncertain tax exposures with respect to investments, especially those outside the United States, which may not be fully reflected in valuations. Realizations at values significantly lower than the values at which investments have been reflected in prior fund NAVs would result in losses for the applicable fund and the loss of potential carried interest and other fees. Also, if realizations of our investments produce values materially different than the carrying values reflected in prior fund NAVs, fund investors may lose confidence in us, which could in turn result in difficulty in raising capital for future funds.

In addition, because we value our entire portfolio only on a quarterly basis, subsequent events that may have a material impact on those valuations may not be reflected until the next quarterly valuation date.

Our investments are impacted by various economic conditions and events outside of our control that are difficult to quantify or predict, which may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our results of operations and financial condition.

Our investments are impacted by various economic conditions and events outside of our control that are difficult to quantify or predict, which may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our results of operations and financial condition. For example:

- Global equity markets, which may be volatile, significantly impact the valuation of our portfolio companies and, therefore, the investment income that we recognize. For our investments that are publicly listed and thus have readily observable market prices, global equity markets have a direct impact on valuation. For other investments, these markets have an indirect impact on valuation as we typically utilize market multiples (i.e. stock price of comparable companies divided by earnings or cash flow) as a critical input to ascertain fair value of our investments that do not have readily observable market prices. In addition, the valuation for any particular period may not be realized at the time of disposition. For example, because our private equity funds often hold very large amounts of the securities of their portfolio companies, the disposition of these securities often takes place over a long period of time, which can further expose us to volatility risk. In addition, the receptivity of equity markets to initial public offerings, as well as subsequent secondary equity offerings by companies already public, impacts our ability to realize investment gains. Unfavorable market conditions, market volatility and other factors may also adversely impact our strategic partnerships with third-party hedge fund managers by influencing the level or pace of subscriptions or redemptions from the funds managed by our partners.

- Changes in credit markets can also impact valuations and may have offsetting results depending on the valuation methodology used. For example, we typically use a discounted cash flow analysis as one of the methodologies to ascertain the fair value of our investments that do not have readily observable market prices. If applicable interest rates rise, then the assumed cost of capital for those portfolio companies would be expected to increase under the discounted cash flow analysis, and this effect would negatively impact their valuations if not offset by other factors. Rising U.S. interest rates may also negatively impact certain foreign currencies that depend on foreign capital flows. Conversely, a fall in interest rates can positively impact valuations of certain portfolio companies if not offset by other factors. These impacts could be substantial depending upon the magnitude of the change in interest rates. In certain cases, the valuations obtained from the discounted cash flow analysis and the other primary methodology we use, the market multiples approach, may yield different and offsetting results. For example, the positive impact of falling interest rates on discounted cash flow valuations may offset the negative impact of the market multiples valuation approach and may result in less of a decline in value than for those investments that had a readily observable market price. Finally, low interest rates related to monetary stimulus and economic stagnation may also negatively impact expected returns on all investments, as the demand for relatively higher return assets increases and supply decreases.

- Foreign exchange rates can materially impact the valuations of our investments that are denominated in currencies other than the U.S. dollar. For example, U.S. dollar appreciation relative to other currencies is likely to cause a decrease in the dollar value of non-U.S. investments to the extent unhedged.

- Conditions in commodity markets impact the performance of our portfolio companies and other investments in a variety of ways, including through the direct or indirect impact on the cost of the inputs used in their operations as well as the pricing and profitability of the products or services that they sell. The price of commodities has historically been subject to substantial volatility, which among other things, could be driven by economic, monetary, political or weather related factors. If our funds' operator or our portfolio companies are unable to raise prices to offset increases in the cost of raw materials or other inputs, or if consumers defer purchases of or seek substitutes for the products of our funds or such portfolio companies, our funds or such portfolio companies could experience lower operating income which may in turn reduce the valuation of such funds' investments or those portfolio companies. The value of energy investments generally increase or decrease with the increase or decrease, respectively, of energy commodity prices and in particular with long-term forecasts for such energy commodity prices. Given our investments in oil and gas companies and assets, the value of this portfolio and the investment income we realize is sensitive to oil and gas prices. The volatility of commodity prices also makes it difficult to predict commodity price movements. Apart from our energy investments, a number of our other investments may be dependent to varying degrees on the energy sector through, for example, the provision of equipment and services used in energy exploration and production. These companies may benefit from an increase or suffer from a decline in commodity prices.

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

Changes in these factors can have a significant effect on the results of the valuation methodologies used to value our portfolio, and our reported fair values for these assets could vary materially if these factors from prior quarters were to change significantly. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Environment."

Global and regional economic conditions have a substantial impact on the value of investments. See "—Risks Related to Our Business—Difficult market and economic conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial prospects and condition."

Dependence on significant leverage in investments by our funds and our balance sheet assets could adversely affect our ability to achieve attractive rates of return on those investments.

Because many of our funds' investments and our balance sheet investments often rely heavily on the use of leverage, our ability to achieve attractive rates of return will depend on our continued ability to access sufficient sources of indebtedness at attractive rates. For example, our credit funds use varying degrees of leverage when making investments. Similarly, in many private equity investments, indebtedness may constitute 70% or more of a portfolio company's total debt and equity capitalization, including debt that may be incurred in connection with the investment, and a portfolio company's indebtedness may also increase in recapitalization transactions subsequent to the company's acquisition. The absence of available sources of sufficient debt financing for extended periods of time could therefore materially and adversely affect our funds and our portfolio companies. U.S. federal bank regulatory agencies and the European Central Bank have issued leveraged lending guidance covering transactions characterized by a degree of financial leverage. Such guidance may limit the amount or availability of debt financing and may increase the cost of financing we are able to obtain for our transactions and may cause the returns on our investments to suffer. See "—Risks Related to Our Business—Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could materially and adversely affect our business."

An increase in either the general levels of interest rates or in the risk spread demanded by sources of indebtedness such as we experienced during the global financial crisis in 2008 and 2009 would make it more expensive to finance those investments. In addition, increases in interest rates could decrease the value of fixed-rate debt investments that our balance sheet assets, finance vehicles or our funds make. Increases in interest rates could also make it more difficult to locate and consummate private equity and other investments because other potential buyers, including operating companies acting as strategic buyers, may be able to bid for an asset at a higher price due to a lower overall cost of capital or their ability to benefit from a higher amount of cost savings following the acquisition of the asset. In addition, a portion of the indebtedness used to finance private equity investments often includes high-yield debt securities issued in the capital markets. Capital markets are volatile, and there may be times when we might not be able to access those markets at attractive rates, or at all, when completing an investment.

Investments in highly leveraged entities are also inherently more sensitive to declines in revenues, increases in expenses and interest rates and adverse economic, market and industry developments. The incurrence of a significant amount of indebtedness by an entity could, among other things:

- subject the entity to a number of restrictive covenants, terms and conditions, any violation of which would be viewed by creditors as an event of default and could materially impact our ability to realize value from our investment;
- allow even moderate reductions in operating cash flow to render it unable to service its indebtedness;
- give rise to an obligation to make mandatory prepayments of debt using excess cash flow, which might limit the entity's ability to respond to changing industry conditions to the extent additional cash is needed for the response, to make unplanned but necessary capital expenditures or to take advantage of growth opportunities;
- limit the entity's ability to adjust to changing market conditions, thereby placing it at a competitive disadvantage compared to its competitors who have relatively less debt;
- limit the entity's ability to engage in strategic acquisitions that might be necessary to generate attractive returns or further growth; and
- limit the entity's ability to obtain additional financing or increase the cost of obtaining such financing, including for capital expenditures, working capital or other general corporate purposes.

A leveraged company's income and equity also tend to increase or decrease at a greater rate than would otherwise be the case if money had not been borrowed. As a result, the risk of loss associated with a leveraged company is generally greater than for comparable companies with comparatively less debt. For example, leveraged companies could default on their debt obligations due to a decrease in revenues and cash flow precipitated by an economic downturn or by poor relative performance at such a company. Similarly, the leveraged nature of some of our investments in real assets increases the risk that a decline in the fair value of the underlying real asset will result in their abandonment or foreclosure. For example, if the property-level debt on a particular investment has reached its maturity and the underlying asset value has declined below its debt-level, we may, in absence of cooperation by the lender in regards to a partial debt-write-off, be forced to put the investment into liquidation. In addition, the 2017 Tax Act partially limits the tax deductibility of interest, which could have a material adverse effect on our funds' investment activities and on operations of a leveraged company.

When our existing portfolio investments reach the point when debt incurred to finance those investments matures in significant amounts and must be either repaid or refinanced, those investments may materially suffer if they have generated insufficient cash flow to repay maturing debt and there is insufficient capacity and availability in the financing markets to permit them to refinance maturing debt on satisfactory terms, or at all. If the financing for such purposes were to be unavailable or uneconomic when significant amounts of the debt incurred to finance our existing portfolio investments start to come due, these investments could be materially and adversely affected. In the event of default or potential default under applicable financing arrangements, one or more of our portfolio companies may go bankrupt, which could give rise to substantial investment losses, adverse claims or litigation against us or our employees and damage to our reputation.

Among the sectors particularly challenged by downturns in the global credit markets (such as the global financial crisis in 2008 and 2009) are the CLO and leveraged finance markets. We have significant exposure to these markets through our CLO subsidiaries, which we principally acquired in the acquisitions of KFN and Avoca. As of December 31, 2019, we indirectly hold below investment grade corporate loans and securities with a $14.9 billion estimated fair market value through our CLO subsidiaries. Each of these subsidiaries is a special purpose company that issued to us and other investors notes secured by a pool of collateral consisting primarily of corporate leveraged loans. In most cases, our CLO holdings are deeply subordinated, representing the CLO subsidiary's substantial leverage, which increases both the opportunity for higher returns as well as the magnitude of losses when compared to holders or investors that rank more senior to us in right of payment. These loans and bonds also generally involve a higher degree of risk than investment grade rated debt, including the risks described in the paragraphs above. Our CLO subsidiaries have historically experienced an increase in downgrades, depreciations in market value and defaults in respect of leveraged loans in their collateral during downturns in credit markets. The CLOs' portfolio profile tests set limits on the amount of discounted obligations a CLO can hold. During any time that a CLO issuer exceeds such a limit, the ability of the CLO's manager to sell assets and reinvest available principal proceeds into substitute assets is restricted. In such circumstances, CLOs may fail certain over-collateralization tests, which would cause diversions of cash flows away from us as holders of the more junior CLO, which may impact our cash flows. The ability of the CLOs to make interest payments to the holders of the senior notes of those structures is highly dependent upon the performance of the CLO collateral. If the collateral in those structures were to experience a significant decrease in cash flow due to an increased default level, payment of all principal and interest outstanding may be accelerated as a result of an event of default or by holders of the senior notes. There can be no assurance that market conditions giving rise to these types of consequences will not occur, re-occur, subsist or become more acute in the future. Because our CLO structures involve complex collateral and other arrangements, the documentation for such structures is complex, is subject to differing interpretations and involves legal risk. These CLOs have served as long-term, non-recourse financing for debt investments and as a way to reduce refinancing risk, reduce maturity risk and secure a fixed cost of funds over an underlying market interest rate. An inability to continue to utilize CLOs or other similar financing vehicles successfully could limit our ability to fund future investments, grow our business or fully execute our business strategy and our results of operations may be materially and adversely affected.

Our CLO subsidiaries regularly use significant leverage to finance their assets. An inability of such subsidiaries to continue to raise or utilize leverage, to refinance or extend the maturities of their outstanding indebtedness or to maintain adequate levels of collateral under the terms of their CLOs could limit their ability to grow their business, reinvest principal cash, distribute cash to us or fully execute their business strategy, and our results of operations may be materially and adversely affected. If these subsidiaries are unable to maintain their operating results and access to capital resources, they could face substantial liquidity problems and might be required to dispose of material assets or operations to meet debt service and other obligations. These CLO strategies and the value of the assets of such CLO subsidiaries are also sensitive to changes in interest rates because these strategies rely on borrowed money and because the value of the underlying portfolio loans can fall when interest rates rise. If interest rates on CLO borrowings increase and the interest rates on the portfolio loans do not also increase, the CLO strategy is unlikely to achieve its projected returns. Also, if interest rates increase in the future, our CLO portfolio will likely experience a reduction in value because it would hold assets receiving below market rates of interest.

Our credit-oriented funds and CLOs may choose to use leverage as part of their respective investment programs and regularly borrow a substantial amount of their capital. The use of leverage poses a significant degree of risk and enhances the possibility of a significant loss in the value of the investment portfolio. A fund may borrow money from time to time to purchase or carry securities or debt obligations or may enter into derivative transactions (such as total return swaps) with counterparties that have embedded leverage. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the securities or debt obligations purchased or carried and will be lost—and the timing and magnitude of such losses may be accelerated or exacerbated—in the event of a decline in the market value of such securities or debt obligations. Gains realized with borrowed funds may cause the fund's NAV to increase at a faster rate than would be the case without borrowings. However, if investment results fail to cover the cost of borrowings, the fund's NAV could also decrease faster than if there had been no borrowings.

Any of the foregoing circumstances could have a material adverse effect on our results of operations, financial condition and cash flow.

The due diligence process that we undertake in connection with our investments may not reveal all facts that may be relevant in connection with an investment.

Before making our investments, we conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. The objective of the due diligence process is to identify attractive investment opportunities based on the facts and circumstances surrounding an investment, to identify possible risks associated with that investment and, in the case of private equity investments, to prepare a framework that may be used from the date of an acquisition to drive operational achievement and value creation. When conducting due diligence, we typically evaluate a number of important business, financial, tax, accounting, environmental, technological, regulatory and legal issues in determining whether or not to proceed with an investment. Outside consultants, legal advisors, accountants and investment banks are involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, we rely on resources available to us, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence process may at times be subjective with respect to newly organized companies or carve-out transactions for which only limited information is available.

Instances of bribery, fraud, accounting irregularities and other improper, illegal or corrupt practices can be difficult to detect, and fraud and other deceptive practices can be widespread in certain jurisdictions. Several of our funds invest in emerging market countries that may not have established laws and regulations that are as stringent as in more developed nations, or where existing laws and regulations may not be consistently enforced. For example, our funds invest throughout jurisdictions that have material perceptions of corruption according to international rating standards (such as Transparency International's Corruption Perceptions Index) such as China, India, Indonesia, Latin America, the Middle East and Africa. Due diligence on investment opportunities in these jurisdictions is frequently more complicated because consistent and uniform commercial practices in such locations may not have developed. Bribery, fraud, accounting irregularities and corrupt practices can be especially difficult to detect in such locations.

The due diligence conducted for certain of our credit strategies, as well as certain private equity and real asset investments, is limited to publicly available information. Accordingly, we cannot be certain that the due diligence investigation that we will carry out with respect to any investment opportunity will reveal or highlight all relevant facts (including fraud, bribery and other illegal activities and contingent liabilities) that may be necessary or helpful in evaluating such investment opportunity, including the existence of contingent liabilities. We also cannot be certain that our due diligence investigations will result in investments being successful or that the actual financial performance of an investment will not fall short of the financial projections we used when evaluating that investment.

Our investment management activities involve investments in relatively high-risk, illiquid assets, and we may fail to realize any profits from these activities for a considerable period of time or lose some or all of the capital invested.

Many of our funds and our balance sheet may hold investments in securities that are not publicly traded. In many cases, our funds or we may be prohibited by contract or by applicable securities laws from selling such securities at many points in time. Our funds or we will generally not be able to sell these securities publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration is available, and then only at such times when we do not possess material nonpublic information. The ability of many of our funds or us to dispose of investments is heavily dependent on the capital markets and in particular the public equity markets. For example, the ability to realize any value from an investment may depend upon the ability to complete an initial public offering of the portfolio company in which such investment is made. Even if the securities are publicly traded, large holdings of securities can often be disposed of only over a substantial length of time, exposing our investment returns to risks of downward movement in market prices during the intended disposition period. Moreover, because the investment strategy of many of our funds, particularly our private equity funds, often entails having representation on our funds' public portfolio company boards, our funds may be restricted in their ability to effect such sales during certain time periods. In addition, market conditions and regulatory environment can also delay our funds' ability to exit and realize value from their investments. For example, rising interest rates and challenging credit markets may make it difficult for potential buyers to raise sufficient capital to purchase our funds' investments. Government policies regarding certain regulations, such as antitrust law, or restrictions on foreign investment in certain of our funds' portfolio companies or assets can also limit our funds' exit opportunities. The recently enacted Foreign Investment Risk Review Modernization Act ("FIRRMA") and related regulations significantly expanded the types of transactions that are subject to the jurisdiction of the Committee on Foreign Investment in the United States ("CFIUS"). Under FIRRMA, CFIUS has the authority to review and potentially block or impose conditions on certain foreign investments in U.S. companies or real estate, which may reduce the number of potential buyers and limit the ability of our funds to exit from certain investments. As many of our funds have a finite term, we could also be forced to dispose of investments sooner than otherwise desirable. Accordingly, under certain conditions, our funds may be forced to either sell their investments at lower prices than they had expected to realize or defer sales that they had planned to make, potentially for a considerable period of time. Moreover, we may determine that we may be required to sell our balance sheet assets alongside our funds' investments at such times. We have made and expect to continue to make significant capital investments in our current and future funds and other strategies. Contributing capital to these funds is risky, and we may lose some or all of the principal amount of our investments.

Our investments are subject to a number of inherent risks.

Our results are highly dependent on our continued ability to generate attractive returns from our investments. Investments made by our private equity, credit or other investments involve a number of significant risks inherent to private equity, credit and other investing, including the following:

- companies in which investments are made may have limited financial resources and may be unable to meet their obligations under their securities, which may be accompanied by a deterioration in the value of their equity securities or any collateral or guarantees provided with respect to their debt;

- companies in which investments are made are more likely to depend on the management talents and efforts of a small group of persons and, as a result, the death, disability, resignation or termination of one or more of those persons could have a material adverse impact on their business and prospects;
- companies in which private equity investments are made may be businesses or divisions acquired from larger operating entities that may require a rebuilding or replacement of financial reporting, information technology, operational and other functions;
- companies in which investments are made may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position;
- instances of bribery, fraud and other deceptive practices committed by senior management of portfolio companies in which our funds or we invest may undermine our due diligence efforts with respect to such companies, and if such bribery, fraud or other deceptive practices are discovered, negatively affect the valuation of a fund's investments as well as contribute to overall market volatility that can negatively impact a fund's or our investment program;
- our funds may make investments that they do not advantageously dispose of prior to the date the applicable fund is dissolved, either by expiration of such fund's term or otherwise, resulting in a lower than expected return on the investments and, potentially, on the fund itself;
- our portfolio companies generally have capital structures established on the basis of financial projections based primarily on management's judgments and assumptions, and general economic conditions and other factors may cause actual performance to fall short of these financial projections, which could cause a substantial decrease in the value of our equity holdings in the portfolio company and cause our funds' or our performance to fall short of our expectations;
- executive officers, directors and employees of an equity sponsor may be named as defendants in litigation involving a company in which an investment is made or is being made, and we or our funds may indemnify such executive officers, directors or employees for liability relating to such litigation;
- we advise funds that invest in businesses that operate in a variety of industries that are subject to extensive domestic and foreign regulation (including companies that supply services to governmental agencies), such as the telecommunications industry, the defense and government services industry, the healthcare industry, oil and gas industry, the waste management industry and the food industry, which may involve greater risk due to rapidly changing market and governmental conditions in those sectors;
- our transactions involve complex tax structuring that could be challenged or disregarded, which may result in losing treaty benefits or would otherwise adversely impact our investments; and
- significant failures of our portfolio companies to comply with laws and regulations applicable to them could affect the ability of our funds or us to invest in other companies in certain industries in the future and could harm our reputation.

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

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

Investments in real assets, which may include real estate, infrastructure, oil and gas properties and other energy assets, may expose us to increased risks and liabilities that are inherent in the ownership of real assets. For example:

- Ownership of real assets in our funds or vehicles may increase our risk of liability under environmental laws that impose, regardless of fault, joint and several liability for the cost of remediating contamination and compensation for damages. In addition, changes in environmental laws or regulations or the environmental condition of an investment may create liabilities that did not exist at the time of acquisition that would not have been foreseen. Even in cases where we are indemnified by a seller with respect to an investment against liabilities arising out of violations of environmental laws and regulations, there can be no assurance as to the financial viability of the seller to satisfy such indemnities or our ability to achieve enforcement of such indemnities;

- Ownership of real assets may also present additional risk of liability for personal and property injury or impose significant operating challenges and costs, for example with respect to compliance with zoning, environmental or other applicable laws;

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

- The operation of real assets is exposed to potential unplanned interruptions caused by significant catastrophic or force majeure events. These risks could, among other effects, adversely impact the cash flows available from investments in real assets, cause personal injury or loss of life, damage property, or instigate disruptions of service. In addition, the cost of repairing or replacing damaged assets could be considerable. Repeated or prolonged service interruptions may result in permanent loss of customers, litigation, or penalties for regulatory or contractual non-compliance. Force majeure events that are incapable of, or too costly to, cure may also have a permanent adverse effect on an investment; and

- The management of the business or operations of a real asset may be contracted to a third-party management company unaffiliated with us. Although it would be possible to replace any such operator, the failure of such an operator to adequately perform its duties or to act in ways that are in the best interest of the investment, or the breach by an operator of applicable agreements or laws, rules and regulations, could have an adverse effect on the investment's results of operations and financial condition. Real asset investments may involve the subcontracting of design and construction activities in respect of projects, and as a result our investments are subject to the risk that contractual provisions passing liabilities to a subcontractor could be ineffective, the subcontractor fails to perform services that it has agreed to provide and, in cases where a single subcontractor provides services to various investments, the subcontractor becomes insolvent.

Without limiting the foregoing risks, we note that investments that we have made and will continue to make in the oil and gas industries may present specific environmental, safety and other inherent risks. Such investments are subject to stringent and complex foreign, federal, state and local laws, ordinances and regulations specific to oil and gas industries, including, for example, those governing transportation, exploration and production of oil and natural gas. There are also various conservation laws and regulations applicable to oil and natural gas production and related operations, in addition to regulations governing occupational health and safety, the discharge of materials into the environment and other practices relating to environmental protection. Failure to comply with applicable laws, ordinances and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial obligations and the issuance of orders enjoining some or all of our operations in affected areas. These laws, ordinances and regulations may also restrict the rate of oil and natural gas production below the rate that would otherwise be possible and increase the cost of production, thereby reducing profitability. Our oil and gas investments are subject to other risks, such as:

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

- Currently unforeseen environmental incidents may occur or past non-compliance with environmental laws or regulations may be discovered making it difficult to predict the future costs or impact of compliance;

- The oil and gas industries present inherent risk of personal and property injury, for which we may not be fully insured or indemnified;

- There may be unforeseen or increased regulatory and environmental risks stemming from the use of new technologies, including hydraulic fracturing;

- Our estimated oil, natural gas, and natural gas liquids reserve quantities and future production rates are based on many assumptions that may prove to be inaccurate. Any material inaccuracies in these reserve estimates or the underlying assumptions will materially affect the quantities and value of our reserves;

- The performance of our energy investments depend on the skill, ability and decisions of third-party operators. The success of our investment will depend on their exploitation, development, construction and drilling activities and the timing and cost of drilling, completing and operating wells. Failure of such operators to comply with applicable laws, rules and regulations could result in liabilities to us, reduce the value of our interest in the oil and natural gas properties, and materially and adversely affect our cash flows and results of operations; and

- If commodity prices decline and remain depressed for a prolonged period, a significant portion of our development projects may become uneconomic and cause write-downs of the value of our oil and gas properties, which may reduce the value of our energy investments, have a negative impact on our ability to use these investments as collateral or otherwise have a material adverse effect on our results of operations.

Investments in real estate are subject to the risks inherent in the ownership and operation of real estate and real estate-related businesses and assets. These risks include those associated with the burdens of ownership of real property; general and local economic conditions; changes in supply of and demand for competing properties in an area (as a result, for instance, of overbuilding); fluctuations in the average occupancy; the financial resources of tenants; changes in building, environmental and other laws; energy and supply shortages; various uninsured or uninsurable risks; natural disasters; changes in government regulations (such as rent control); changes in real property tax rates; changes in interest rates; the reduced availability of mortgage funds that may render the sale or refinancing of properties difficult or impracticable; negative developments in the economy that depress travel activity; environmental liabilities; contingent liabilities on disposition of assets; and terrorist attacks, war and other factors that are beyond our control. Our real estate investments are also subject to additional risks, including but not limited to the following:

- The success of certain investments will depend on the ability to restructure and effect improvements in the operations of the applicable properties, and there is no assurance that we will be successful in identifying or implementing such restructuring programs and improvements.

- If we acquire direct or indirect interests in undeveloped land or underdeveloped real property, which may often be non-income producing, they will be subject to the risks normally associated with such assets and development activities, including risks relating to the availability and timely receipt of zoning and other regulatory or environmental approvals, the cost and timely completion of construction (including risks beyond the control of us or our fund, such as weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms.

- The strategy of our real estate funds may be based, in part, on the availability for purchase of assets at favorable prices followed by the continuation or improvement of market conditions or on the availability of refinancing. No assurance can be given that the real estate businesses or assets can be acquired or disposed of at favorable prices or that refinancing will be available.

- Lenders in commercial real estate financing customarily will require a "bad boy" guarantee, which typically provides that the lender can recover losses from the guarantors for certain bad acts, such as fraud or intentional misrepresentation, intentional waste, willful misconduct, criminal acts, misappropriation of funds, voluntary incurrence of prohibited debt and environmental losses sustained by lender. For our acquisitions, "bad boy" guarantees would generally be extended by our funds, our balance sheet or a combination of both depending on the ownership of the relevant asset. In addition, "bad boy" guarantees typically provide that the loan will be a full personal recourse obligation of the guarantor, for certain actions, such as prohibited transfers of the collateral or changes of control and voluntary bankruptcy of the borrower. It is expected that commercial real estate financing arrangements generally will require "bad boy" guarantees and in the event that such a guarantee is called, a fund's or our assets could be materially and adversely affected. Moreover, "bad boy" guarantees could apply to actions of the joint venture partners associated with the investments, and in certain cases the acts of such joint venture partner could result in liability to our funds or us under such guarantees.

- The acquisition, ownership and disposition of real properties carry certain specific litigation risks. Litigation may be commenced with respect to a property acquired in relation to activities that took place prior to the acquisition of such property. In addition, at the time of disposition, other potential buyers may bring claims related to the asset or for due diligence expenses or other damages. After the sale of a real estate asset, buyers may later sue our funds or us for losses associated with latent defects or other problems not uncovered in due diligence.

- Our funds or we may be subject to certain risks associated with investments in particular assets. REITs may be affected by changes in the value of their underlying properties and by defaults by borrowers or tenants. REITs depend on their ability to generate cash flow to make distributions and may be impacted by changes in tax laws or by a failure to qualify for tax-free pass through income. Investments in real estate debt investments may be unsecured and subordinated to a substantial amount of indebtedness. Such debt investments may not be protected by financial covenants. Non-performing real estate loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial write-down of the principal of such loan. Investments in commercial mortgage loans are subject to risks of delinquency, foreclosure and loss of principal. In the event of any default under a mortgage loan held directly by our fund or us, our fund or we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the loan. Investments in assets or businesses that are distressed may have little or no near-term cash flow and involve a high degree of risk. Such investments subject to bankruptcy or insolvency could be subordinated or disallowed.

Infrastructure investments often involve an ongoing commitment to a municipal, state, federal or foreign government or regulatory agencies. The nature of these obligations exposes the owners of infrastructure investments to a higher level of regulatory control than typically imposed on other businesses. They may also rely on complex government licenses, concessions, leases or contracts, which may be difficult to obtain or maintain. Infrastructure investments may require operators to manage such investments, and such operators' failure to comply with laws, including prohibitions against bribing of government officials, may materially and adversely affect the value of such investments and cause us serious reputational and legal harm. Revenues for such investments may rely on contractual agreements for the provision of services with a limited number of counterparties, and are consequently subject to heightened counterparty default risk. The operations and cash flow of infrastructure investments are also more sensitive to inflation and, in certain cases, commodity price risk. Furthermore, services provided by infrastructure investments may be subject to rate regulations by government entities that determine or limit prices that may be charged. Similarly, users of applicable services, or government entities in response to such users, may react negatively to any adjustments in rates, which may reduce the profitability of such infrastructure investments.

Our growth equity strategy invests in emerging and less established companies that are heavily dependent on new technologies.

Our growth equity funds may make investments in companies that are in a conceptual or early stage of development. These companies are often characterized by short operating histories, new technologies and products, quickly evolving markets, management teams that may have limited experience working together and in many cases, negative cash flow, all of which enhance the difficulty of evaluating these investment opportunities and the ultimate success of such investments. Other substantial operational risks to which such companies are subject include: uncertain market acceptance of the company's products or services; a high degree of regulatory risk for new or untried or untested business models, products and services; high levels of competition among similarly situated companies; new competing products and technology; lower barriers to entry and downward pricing pressure; lower capitalizations and fewer financial resources; the potential for rapid organizational or strategic change; and susceptibility to personal misconduct by or departure of key executives or founders. In addition, growth equity companies may be more susceptible to macroeconomic effects and industry downturns, and their valuations may be more volatile depending on the achievement of milestones, such as receiving a governmental license or approval. Growth equity companies also generally depend heavily on intellectual property rights, including patents, trademarks and proprietary products or processes. The ability to effectively enforce patent, trademark and other intellectual property laws in a cost-effective manner will affect the value of many of these companies. The presence of patents or other intellectual property rights belonging to other parties may lead to the termination of the research and development of a portfolio company's particular product. In addition, if a portfolio company infringes on third-party patents or other intellectual property rights, it could be prevented from using certain third-party technologies or forced to acquire licenses in order to obtain access to such technologies at a high cost.

Certain of our funds and CLOs, and our firm through our balance sheet, hold high-yield, below investment grade or unrated debt, or securities of companies that are experiencing significant financial or business difficulties, which generally entail greater risk, and if those risks are realized, it could materially and adversely affect our results of operations, financial condition and cash flow.

Certain of our funds and CLOs, and our firm through our balance sheet, invest in high-yield, below investment grade or unrated debt, including corporate loans and bonds, each of which generally involves a higher degree of risk than investment grade rated debt, and may be less liquid. Issuers of high yield, below investment grade or unrated debt may be highly leveraged, and their relatively high debt-to-equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations. As a result, high yield, below investment grade or unrated debt is often less liquid than investment grade rated debt. Also, investments may be made in loans and other forms of debt that are not marketable securities and therefore are not liquid. In the absence of appropriate hedging measures, changes in interest rates generally will also cause the value of fixed rate debt investments to vary inversely to such changes. The obligor of a debt security or instrument may not be able or willing to pay interest or to repay principal when due in accordance with the terms of the associated agreement and collateral may not be available or sufficient to cover such liabilities. Commercial bank lenders and other creditors may be able to contest payments to the holders of other debt obligations of the same obligor in the event of default under their commercial bank loan agreements. Sub-participation interests in syndicated debt may be subject to certain additional risks as a result of having no direct contractual relationship with underlying borrowers. Debt securities and instruments may be rated below investment grade by recognized rating agencies or unrated and face ongoing uncertainties and exposure to adverse business, financial or economic conditions and the issuer's failure to make timely interest and principal payments.

Certain of our investment funds, especially in our special situations strategy, and our firm through our balance sheet may hold interests in business enterprises involved in work-outs, liquidations, reorganizations, bankruptcies and similar transactions and may purchase high-risk receivables. An investment in such business enterprises entails the risk that the transaction in which such business enterprise is involved either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the fund of the security or other financial instrument in respect of which such distribution is received. In addition, if an anticipated transaction does not in fact occur, we or the fund may be required to sell the investment at a loss. Investments in troubled companies may also be adversely affected by U.S. federal and state and non-U.S. laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and a bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. Investments in securities and private claims of troubled companies made in connection with an attempt to influence a restructuring proposal or plan of reorganization in a bankruptcy case may also involve substantial litigation, which has the potential to adversely impact us or unrelated funds or portfolio companies. Companies that were not in financial distress at the time we or our funds made investments may in the future require work-outs, liquidations, reorganizations, bankruptcies or similar transactions, and as a result, become subject to the same risks described above. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies, there is a potential risk of loss of the entire investment in such company. Such investments involve a substantial degree of risk, and a decline in value of the assets would have a material adverse effect on our financial performance.

We often pursue investment opportunities that involve business, regulatory, legal or other complexities.

As an element of our investment style, we often pursue complex investment opportunities. This can often take the form of substantial business, regulatory or legal complexity that would deter other investment managers. Our tolerance for complexity presents risks, as such transactions can be more difficult, expensive and time consuming to finance and execute; it can be more difficult to manage or realize value from the assets acquired in such transactions; and such transactions sometimes entail a higher level of regulatory scrutiny, the application of complex tax laws or a greater risk of contingent liabilities. Our transactions involve complex tax structures that are costly to establish, monitor and maintain, and as we pursue a larger number of transactions across multiple assets classes and in multiple jurisdictions, such costs will increase and the risk that a tax matter is overlooked or inadequately or inconsistently addressed will increase. Consequently, we may fail to achieve the desired tax benefit or otherwise decrease the returns of our investments or damage the reputation of our firm. Changes in law and regulation and in the enforcement of existing law and regulation, such as antitrust laws and tax laws, also add complexity and risk to our business. Further, we, directly or through our funds, may acquire an investment that is subject to contingent liabilities, which could be unknown to us at the time of acquisition or, if they are known to us, we may not accurately assess or protect against the risks that they present. Acquired contingent liabilities could thus result in unforeseen losses for us or our funds. In addition, in connection with the disposition of an investment in a portfolio company, we or a fund may be required to make representations about the business and financial affairs of such portfolio company typical of those made in connection with the sale of a business. We or a fund may also be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities by us or a fund, even after the disposition of an investment. Any of these risks could harm the performance of us or our funds.

Our private equity investments are typically among the largest in the industry, which involves certain complexities and risks that are not encountered in small- and medium-sized investments.

Our private equity funds make investments in companies with relatively large capitalizations, which involves certain complexities and risks that are not encountered in small- and medium-sized investments. For example, larger transactions may be more difficult to finance and exiting larger deals may present incremental challenges. In addition, larger transactions may pose greater challenges in implementing changes in the company's management, culture, finances or operations, and may entail greater scrutiny by regulators, interest groups and other third parties. These constituencies may be more active in opposing larger investments by certain private equity firms.

In some transactions, the amount of equity capital that is required to complete a large capitalization private equity transaction may be significant and are required to be structured as a consortium transaction. A consortium transaction involves an equity investment in which two or more private equity firms serve together or collectively as equity sponsors. While we have sought to limit where possible the amount of consortium transactions in which we have been involved, we have participated in a significant number of those transactions. Consortium transactions generally entail a reduced level of control by our firm over the investment because governance rights must be shared with the other consortium investors. Accordingly, we may not be able to control decisions relating to a consortium investment, including decisions relating to the management and operation of the company and the timing and nature of any exit, which could result in the risks described in "—We and our funds have made investments in companies that we do not control, exposing us to the risk of decisions made by others with which we may not agree." Any of these factors could increase the risk that our larger investments could be less successful. The consequences to our investment funds of an unsuccessful larger investment could be more severe given the size of the investment. Moreover, we have significant capital of our own committed in such large investments. For certain large private equity transactions, we may seek to syndicate a portion of our capital commitment to third parties; however, if we are unable to syndicate all or part of such commitment, we may be required to fund the remaining commitment amount from our balance sheet. If we are required to keep on our balance sheet a large portion of the capital commitment that could not be syndicated to third parties, poor performance of such large investment may have a material adverse impact on our financial results. See "—Risks Related to Our Business—If we are unable to syndicate the securities or indebtedness or realize returns on investments financed with our balance sheet assets, our liquidity, business, results of operations and financial condition could be materially and adversely affected" and "—Our funds and our firm through our balance sheet may make a limited number of investments, or investments that are concentrated in certain issuers, geographic regions or asset types, which could negatively affect our performance or the performance of our funds to the extent those concentrated assets perform poorly."

We and our funds have made investments in companies that we do not control, exposing us to the risk of decisions made by others with which we may not agree.

We and our funds hold investments that include debt instruments and equity securities of companies that we do not control, and such investments may comprise an increasing part of our business. Such instruments and securities may be acquired by our funds through trading activities or through purchases of securities from the issuer or we may purchase such instruments and securities on a principal basis. In addition, our funds may acquire minority equity interests, particularly when making private equity investments in Asia, making growth equity investments or sponsoring investments as part of an investor consortium or through many of our credit funds. Our funds may also dispose of a portion of their majority equity investments in portfolio companies over time in a manner that results in the funds retaining a minority investment. We and our funds, including our newer private equity funds, have made certain minority investments in publicly traded companies.

We have also made minority investments in companies including hedge fund managers on our balance sheet. For example, we have investments in Marshall Wace, BlackGold and PAAMCO Prisma. We also have investments in real estate managers like Drawbridge Realty.

Transactions made by companies we do not control could be viewed as unwanted, damage our reputation, and consequently impair our ability to source transactions in the future. Those investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which we do not agree or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve our interests. These companies may be subject to complex regulatory requirements and instances of non-compliance by them may subject us to reputational harm or in certain cases, liability. We are also reliant on the systems and processes of these companies for, among other, financial information and valuations of our investments in or with them, including hedge fund managers and their funds, but we do not control the decisions and judgments made during such processes. Our investments in hedge fund managers may subject us to additional regulatory complexities or scrutiny if we are deemed to control the company for regulatory purposes, despite our minority interest. These asset managers may also be dependent on their founders and other key persons, and the loss of these key personnel could adversely impact our investment. If any of the foregoing were to occur, the value of the investments held by our funds or by us could decrease and our results of operations, financial condition and cash flow could be materially and adversely affected.

We make investments in companies that are based outside of the United States, which may expose us to additional risks not typically associated with investing in companies that are based in the United States.

Many of our funds invest or have the flexibility to invest a significant portion of their assets in the equity, debt, loans or other securities of issuers that are based outside of the United States. A substantial amount of these investments consist of private equity investments made by our private equity funds. For example, as of December 31, 2019, approximately 51% of the capital invested in those funds was attributable to non-U.S. investments. Investing in companies that are based or have significant operations in countries outside of the United States and, in particular, in emerging markets such as China and India, Eastern Europe, South and Southeast Asia, Latin America and Africa, involves risks and considerations that are not typically associated with investments in companies established in the United States. These risks may include the following:

- the possibility of exchange control regulations;
- restrictions on repatriation of profit on investments or of capital invested;
- the imposition of non-U.S. taxes and changes in tax law;
- differences in the legal and regulatory environment, such as the recognition of information barriers, or enhanced legal and regulatory compliance;
- greater levels of corruption and potential exposure to the FCPA and other laws that prohibit improper payments or offers of payments to foreign governments, their officials and other third parties;
- violations of trade sanctions or trade control regimes;
- limitations on borrowings to be used to fund acquisitions or dividends;
- limitations on permissible counterparties in our transactions or consolidation rules that effectively restrict the types of businesses in which we may invest;
- political risks generally, including political and social instability, nationalization, expropriation of assets or political hostility to investments by foreign or private equity investors;
- less liquid markets;
- reliance on a more limited number of commodity inputs, service providers and/or distribution mechanisms;
- adverse fluctuations in currency exchange rates and costs associated with conversion of investment principal and income from one currency into another;
- higher rates of inflation;
- less available current information about an issuer;
- higher transaction costs;
- less government supervision of exchanges, brokers and issuers;
- less developed bankruptcy and other laws;
- greater application of concepts like equitable subordination, which may, in bankruptcy or insolvency, result in the subordination of debt or other senior interests held by our investment funds, vehicles or accounts in companies in which our investment funds, vehicles or accounts also hold equity interests;
- difficulty in enforcing contractual obligations;
- lack of uniform accounting, auditing and financial reporting standards;
- less stringent requirements relating to fiduciary duties;

- fewer investor protections; and
- greater price volatility.

As a result of the complexity of and lack of clear laws, precedent or authority with respect to the application of various income tax laws to our structures, the application of rules governing how transactions and structures should be reported is also subject to differing interpretations. In particular, certain jurisdictions have either proposed or adopted rules that seek to limit the amount of interest that may be deductible where the lender and the borrower are related parties (or where third-party borrowings have been guaranteed by a related party) and in some cases, without regard to whether the lender is a related party, or may seek to interpret existing rules in a more restrictive manner. In addition, the tax authorities of certain countries have sought to disallow tax deductions for transaction and certain other costs at the portfolio company level either on the basis that the entity claiming the deduction does not benefit from the costs incurred or on other grounds. These measures will most likely adversely affect portfolio companies in those jurisdictions in which our investment funds have investments, and limit the benefits of additional investments in those countries. Our business is also subject to the risk that similar measures might be introduced in other countries in which our investment funds currently have investments or plan to invest in the future, or that other legislative or regulatory measures that negatively affect their respective portfolio investments might be promulgated in any of the countries in which they invest. See "—Our investments are impacted by various economic conditions and events outside of our control that are difficult to quantify or predict, which may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our results of operations and financial condition."

In addition, certain countries such as Australia, China, India, Japan, Brazil and South Korea, where we have made investments, have sought to tax investment gains derived by nonresident investors, including private equity funds, from the disposition of the equity in companies operating in those countries. In some cases this development is the result of new legislation or changes in the interpretation of existing legislation and local authority assertions that investors have a local taxable presence or are holding companies for trading purposes rather than for capital purposes, or are not otherwise entitled to treaty benefits.

Further, the tax authorities in certain countries, such as Australia, Belgium, China, India, Japan, Denmark, Germany and South Korea have sought to deny the benefits of income tax treaties or EU Directives with respect to withholding taxes on interest and dividends and capital gains of nonresident entities. Benefits of income tax treaties or EU Directives could be denied under each country's general anti-avoidance rules or on the basis that the entity benefiting from such treaty or Directive is not the owner of the income, is a mere conduit inserted primarily to access treaty benefits or Directives, or otherwise lacks substance.

These various proposals and initiatives could result in an increase in taxes paid by our funds and/or increased tax withholding with respect to our fund investors. See "—Risks Related to Our Business—Changes in relevant tax laws, regulations or treaties or an adverse interpretation of these items by tax authorities could adversely impact our effective tax rate and tax liability."

As a result of the complexity of our structures, foreign jurisdictions may seek to tax an additional portion of the fee income associated with our management advisory activity. Foreign jurisdictions may assert that an additional amount of fee income is subject to local tax, potentially reducing our profits associated with such income, although this risk may be mitigated by the availability of foreign tax credits. We or our funds may also inadvertently establish a taxable presence in a jurisdiction because of activities conducted there. Compliance with tax laws and structures in these jurisdictions and the costs of adapting to changes in tax policies require significant oversight and cost.

Although we expect that much of the capital commitments of our funds will be denominated in U.S. dollars, our investments and capital commitments that are denominated in a foreign currency, such as euro, will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. A depreciation of foreign currencies against the U.S. dollar, if not adequately hedged, would reduce the value of our investments in the relevant region, which could adversely impact our financial results. Factors that may affect currency values include trade balances, the ability of countries to pay their national debt, levels of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. We may employ hedging techniques to reduce these risks, but we can offer no assurance that such strategies will be effective or even available at all. If we engage in hedging transactions, we may be exposed to additional risks associated with such transactions. See "—Risk management activities may adversely affect the return on our investments." In addition, various countries and regulatory bodies may implement controls on foreign exchange and outbound remittances of currency, which could impact not only the timing and amount of capital contributions that are required to be made to our funds but also the value, in U.S. dollars, of our investments and investment proceeds. See "Risks Related to Our Business—Difficult market and economic conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial prospects and condition" and "Risks Related to Our Business—Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could materially and adversely affect our business." See also "Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Environment" for a discussion of recent developments in market and business conditions that may affect our business.

Third-party investors in our funds with commitment-based structures may not satisfy their contractual obligation to fund capital calls when requested by us, which could adversely affect a fund's operations and performance.

Investors in certain of our funds make capital commitments to those funds that the funds are entitled to call from those investors at any time during prescribed periods. We depend on fund investors fulfilling their commitments when we call capital from them in order for such funds to consummate investments and otherwise pay their obligations (for example, management fees) when due. Any fund investor that did not fund a capital call would generally be subject to several possible penalties, including having a significant amount of existing investment forfeited in that fund. However, the impact of the penalty is directly correlated to the amount of capital previously invested by the investor in the fund and if an investor has invested little or no capital, for instance early in the life of the fund, then the forfeiture penalty may not be as meaningful. Investors may in the future also negotiate for lesser or reduced penalties at the outset of the fund, thereby inhibiting our ability to enforce the funding of a capital call. If our fund investors were to fail to satisfy a significant amount of capital calls for any particular fund or funds, the operation and performance of those funds could be materially and adversely affected.

Our equity investments and many of our debt investments often rank junior to investments made by others, exposing us to greater risk of losing our investment.

In many cases, the companies in which we or our funds invest have, or are permitted to have, outstanding indebtedness or equity securities that rank senior to our or our fund's investment. By their terms, such instruments may provide that their holders are entitled to receive payments of distributions, interest or principal on or before the dates on which payments are to be made in respect of our or our fund's investment. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a company in which an investment is made, holders of securities ranking senior to our investment would typically be entitled to receive payment in full before distributions could be made in respect of our investment. In addition, debt investments made by us or our funds in our portfolio companies may be equitably subordinated to the debt investments made by third parties in our portfolio companies. After repaying senior security holders, the company may not have any remaining assets to use for repaying amounts owed in respect of our investment. To the extent that any assets remain, holders of claims that rank equally with our investment would be entitled to share on an equal and ratable basis in distributions that are made out of those assets. Also, during periods of financial distress or following insolvency, the ability of us or our funds to influence a company's affairs and to take actions to protect an investment may be substantially less than that of the senior creditors.

Risk management activities may adversely affect the return on our investments.

When managing exposure to market risks, we employ hedging strategies or certain forms of derivative instruments to limit our exposure to changes in the relative values of investments that may result from market developments, including changes in prevailing interest rates, currency exchange rates and commodity prices. The scope of risk management activities undertaken by us is selective and varies based on the level and volatility of interest rates, prevailing foreign currency exchange rates, the types of investments that are made and other changing market conditions. We do not seek to hedge our exposure in all currencies or all investments, which means that our exposure to certain market risks are not limited. Where applicable, we use hedging transactions and other derivative instruments to reduce the effects of a decline in the value of a position, but they do not eliminate the possibility of fluctuations in the value of the position or prevent losses if the value of the position declines. However, such activities can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of the position. Such transactions may also limit the opportunity for gain if the value of a position increases. Moreover, it may not be possible to limit the exposure to a market development that is so generally anticipated that a hedging or other derivative transaction cannot be entered into at an acceptable price.

The success of any hedging or other derivative transactions that we enter into generally will depend on our ability to correctly predict market changes. As a result, while we may enter into such transactions in order to reduce our exposure to market risks, unanticipated market changes may result in poorer overall investment performance than if the hedging or other derivative transaction had not been executed. In addition, the degree of correlation between price movements of the instruments used in connection with hedging activities and price movements in a position being hedged may vary. Moreover, for a variety of reasons, we may not seek or be successful in establishing a perfect correlation between the instruments used in hedging or other derivative transactions and the positions being hedged. An imperfect correlation could prevent us from achieving the intended result and could give rise to a loss. In addition, it may not be possible to fully or perfectly limit our exposure against all changes in the value of its investments, because the value of investments is likely to fluctuate as a result of a number of factors, some of which will be beyond our control or ability to hedge.

While hedging arrangements may reduce certain risks, such arrangements themselves may entail certain other risks. These arrangements may require the posting of cash collateral, including at a time when a fund has insufficient cash or illiquid assets such that the posting of the cash is either impossible or requires the sale of assets at prices that do not reflect their underlying value. Moreover, these hedging arrangements may generate significant transaction costs, including potential tax costs, that reduce the returns generated by a fund. The CFTC has proposed or adopted regulations governing swaps and security-based swaps, which may limit our trading activities and our ability to implement effective hedging strategies or increase the costs of compliance. See "Risks Related to Our Business—Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could materially and adversely affect our business."

Our funds and our firm through our balance sheet may make a limited number of investments, or investments that are concentrated in certain issuers, geographic regions or asset types, which could negatively affect our performance or the performance of our funds to the extent those concentrated assets perform poorly.

The governing agreements of our funds contain only limited investment restrictions and only limited requirements as to diversification of fund investments, either by geographic region or asset type. Our private equity funds generally permit up to 20% of the fund to be invested in a single company. We also advise funds that invest in a single industry such as growth equity, energy, infrastructure or real estate or funds that focus on particular geographic region. During periods of difficult market conditions or slowdowns in these sectors or geographic regions, decreased revenues, difficulty in obtaining access to financing and increased funding costs may be exacerbated by this concentration of investments, which would result in lower investment returns. Because a significant portion of a fund's capital may be invested in a single investment or portfolio company, a loss with respect to such investment or portfolio company could have a material adverse impact on such fund's capital. Accordingly, a lack of diversification on the part of a fund could materially and adversely affect a fund's performance and therefore, our results of operations and financial condition.

Similarly, our balance sheet has significant exposures to certain issuers, industries or asset classes. Because we hold interests in some of our portfolio companies both through our balance sheet investments in our private equity funds and direct co-investments, fluctuation in the fair values of these portfolio companies may have a disproportionate impact on the investment income earned by us as compared to other portfolio companies. In these circumstances, as was the case with energy investments beginning in late 2014 through and into 2018, losses may have an even greater impact on our results of operations and financial condition, as we would directly bear the full extent of such losses. Our balance sheet also has significant exposures to a small group of companies, with our investment in Fiserv, Inc. (NASDAQ: FISV) representing approximately 14.1% and our top five investments representing approximately 30.5% of our balance sheet's total investments as of December 31, 2019. As a result, our investment income is subject to greater volatility depending on such companies' operating results and other idiosyncratic factors specific to such companies, and in the case of publicly traded companies, our operating results would be impacted by volatility in the public markets generally and in the stock price of such companies. See "—Management's Discussion and Analysis of Financial Condition and Results of Operations—Analysis of Non-GAAP Operating Results—Non-GAAP Balance Sheet Measures" for information on significant investments held on our balance sheet.

Our business activities may give rise to a conflict of interest with our funds.

As we have expanded and as we continue to expand the number and scope of our businesses, we increasingly confront potential conflicts of interest relating to investment activities among our various funds and also our own account. For example:

- In pursuing the interest of our fund investors, we may take actions that could reduce our AUM or our profits that we could otherwise realize in the short term;
- We may be required to allocate investment opportunities among investment vehicles that may have overlapping investment objectives, including vehicles that may have different fee structures, and among KKR co-investment vehicles (including vehicles in which KKR employees may investment) and third-party co-investors;
- We may, on behalf of our funds or KKR itself, buy, sell, hold or otherwise deal with securities or other investments that may be purchased, sold or held by our other funds or that are otherwise issued by a portfolio company in which our funds invest. Conflicts of interest may arise between a fund, on one hand, and KKR on the other or among our

funds including but not limited to those relating to the purchase or sale of investments, the structuring of, or exercise of rights with respect to investment transactions and the advice we provide to our funds. For example we may sell an investment at a different time or for different consideration than our funds;

- We may invest on behalf of our fund or for our own account in a portfolio company of one fund that is a competitor, service provider, supplier, customer, or other counterparty with respect to a portfolio company of another fund;
- We may structure an investment in a manner that may be attractive to fund investors or to KKR Holdings from a tax perspective even though KKR is required to pay corporate taxes;
- A decision to acquire material non-public information about a company while pursuing an investment opportunity for a particular fund or our own account may result in our having to restrict the ability of other funds to take any action with regards to that company or its securities;
- Our fiduciary obligations to our fund investors may preclude us from pursuing attractive proprietary investment opportunities, in particular as we enter into strategic relationships with broad investment mandates similar to the investments we make with our balance sheet. Notwithstanding the foregoing, we also allocate certain investments that we believe are not suitable for our funds to our balance sheet;
- Conflicts may arise in allocating investments, time, services, expenses or resources among the investment activities of our funds, KKR, other KKR-affiliated entities and the employees of KKR;
- Our principals have made personal investments in a variety of our investment funds, which may result in conflicts of interest among investors of our funds or stockholders regarding investment decisions for these funds;
- The general partner's entitlement to receive carried interest from many of our funds may create an incentive for that general partner to make riskier and more speculative investments on behalf of a fund than would be the case in the absence of such an arrangement. In addition, for our funds that pay carried interest based on accrued rather than realized gains, the amount of carried interest to which the general partner is entitled and the timing of its receipt of carried interest will depend on the valuation by the general partner of the fund's investment;
- Under the 2017 Tax Act, investments must be held for more than three years, rather than the prior requirement of more than one year, for carried interest to be treated for U.S. federal income tax purposes as capital gain, which may create a conflict of interest between the limited partner investors (whose investments would receive such capital gain treatment after a holding period of only one year) and the general partner on the execution, closing or timing of sales of a fund's investments in connection with the receipt of carried interest;
- From time to time, one of our funds or other investment vehicles (including CLOs) may seek to effect a purchase or sale of an investment with one or more of our other funds or other investment vehicles in a so-called "cross transaction," or we as a principal may seek to effect a purchase or sale of our investment with one or more of our funds or other investment vehicles in a so-called "principal transaction";
- A dispute may arise between our portfolio companies, and if such dispute is not resolved amicably or results in litigation, it could cause significant reputational harm to us, and our fund investors may become dissatisfied with our handling of the dispute;
- The investors in our investment vehicles are based in a wide variety of jurisdictions and take a wide variety of forms, and consequently have diverging interests among themselves from a regulatory, tax or legal perspective or with respect to investment policies and target risk/return profiles; and
- We or our affiliates, including our capital markets business, may receive fees or other compensation in connection with specific transactions or different clients that may give rise to conflicts. The decision to take on an opportunity in one of our businesses may, as a practical matter, also limit the ability of one or our other businesses to take advantage of other related opportunities.

In addition, our funds also invest in a broad range of asset classes throughout the corporate capital structure. These investments include investments in corporate loans and debt securities, preferred equity securities and common equity securities. In certain cases, we may manage separate funds that invest in different parts of the same company's capital structure. For example, our credit funds may invest in different classes of the same company's debt and may make debt investments in a company that is owned by one of our private equity funds. In those cases, the interests of our funds may not always be aligned, which could create actual or potential conflicts of interest or the appearance of such conflicts. For example, one of our private equity funds could have an interest in pursuing an acquisition, divestiture or other transaction that, in its judgment, could enhance the value of the private equity investment, even though the proposed transaction would subject one of our credit fund's debt investments to additional or increased risks. Finally, our ability to effectively implement a public securities strategy may be limited to the extent that contractual obligations entered into in the ordinary course of our private equity business impose restrictions on our engaging in transactions that we may be interested in otherwise pursuing.

We may also cause different investment funds to invest in a single portfolio company, for example where the fund that made an initial investment no longer has capital available to invest. Conflicts may also arise where we make balance sheet investments for our own account or permit employees to invest alongside our investment vehicles or our balance sheet for their own account. In certain cases, we may require that a transaction or investment be approved by fund investors or their advisory committees, be approved by an independent valuation expert, be subject to a fairness opinion, be based on arm's-length pricing data or be calculated in accordance with a formula provided for in a fund's governing documents prior to the completion of the relevant transaction or investment to address potential conflicts of interest. Such instances include principal transactions where we or our affiliates warehouse an investment in a portfolio company for the benefit of one or more of our funds pending the contribution of committed capital by the investors in such funds, follow-on investments by a fund other than a fund that made an initial investment in a company, or transactions in which we arrange for one of our funds to buy a security from, or sell a security to, another one of our funds.

Appropriately dealing with conflicts of interest is complex and difficult and we could suffer reputational damage or potential liability if we fail, or appear to fail, to deal appropriately with conflicts as they arise. Regulatory scrutiny of, or litigation in connection with, conflicts of interest could have a material adverse effect on our reputation which could in turn materially and adversely affect our business in a number of ways, including as a result of an inability to raise additional funds and a reluctance of counterparties to do business with us.

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

Investors in our funds in certain of our leveraged credit investment vehicles may generally submit redemptions to redeem their investments on a quarterly or monthly basis following the expiration of a specified period of time or in certain cases capital may be withdrawn earlier subject to a fee, in each case subject to the applicable fund's specific redemption provisions. Factors that could result in investors leaving our funds include changes in interest rates that make other investments more attractive, changes in or rebalancing due to investors' asset allocation policy, changes in investor perception regarding our focus or alignment of interest, unhappiness with a fund's performance or investment strategy, changes in our reputation, departures or changes in responsibilities of key investment professionals, and performance and liquidity needs of fund investors. In a declining market or period of economic disruption or uncertainty, the pace of redemptions and consequent reduction in our AUM could accelerate. The decrease in revenues that would result from significant redemptions from our funds or other similar investment vehicles could have a material adverse effect on our business, revenues, net income and cash flows.

A portion of assets invested in our funds in the Public Markets business line are managed through separately managed accounts or entities structured for investment by one investor or related investors whereby we earn management and incentive fees, and we intend to continue to seek additional separately managed account or single entity mandates. The investment management agreements we enter into in connection with managing separately managed accounts or entities on behalf of certain clients may be terminated by such clients on as little as 30 days' prior written notice, or less in certain prescribed circumstances. In addition, we provide sub-advisory services to other investment advisors and managers. Such investment advisors and managers could terminate our sub-advisory agreements on as little as 30 days' prior written notice. In the case of any such terminations, the management and incentive fees we earn in connection with managing such account or company would immediately cease, which could result in a material adverse impact on our revenues.

In addition, certain funds in our Public Markets business line are registered under the Investment Company Act as management investment companies. These funds and KKR Credit Advisors (US) LLC, which serves as their investment adviser, are subject to the Investment Company Act and the rules thereunder. One of these funds is a NYSE-listed closed-end fund. BDCs in our BDC platform are also registered under the Investment Company Act, including FS KKR Capital Corp., a BDC listed on the NYSE. In addition, the management fees we and our strategic BDC partnership receive for managing registered investment companies and BDCs will generally be subject to contractual rights the company's board of directors or the investment adviser has to terminate KKR's or our strategic BDC partnership's management of an account on as short as 60 days' prior notice. Termination of these agreements would reduce the fees we earn from the relevant funds, which could have a material adverse effect on our results of operations.

Our stakes in our hedge fund partnerships subject us to numerous additional risks.

Our stakes in our hedge fund partnerships subject us to numerous additional risks applicable to hedge funds and funds of funds, including the following:

- Generally, there are few limitations on the execution of investment strategies of a hedge fund or fund of funds, which are subject to the sole discretion of the management company or the general partner of such funds;

- A fund of funds is subject to risks related to the limited rights it has to withdraw, redeem, transfer or otherwise liquidate its investments from the underlying hedge funds or other funds in which it invests. It may be impossible or costly for hedge funds or such other funds to liquidate positions rapidly in order to meet margin calls, withdrawal requests, redemption requests or otherwise, particularly if there are other market participants seeking to dispose of similar assets at the same time or the relevant market is otherwise moving against a position or in the event of trading halts or daily price movement limits on the market or otherwise. In addition, terms of the governing documents of the relevant portfolio funds may limit withdrawal, redemption, transfer or liquidation of investments, including restrictions on the redemption of capital for an initial period, restrictions on the amount of redemptions and the frequency with which redemptions can be made and investment minimums that must be maintained. Portfolio funds also typically reserve the right to reduce ("gate") or suspend redemptions, to set aside ("side pocket") capital that cannot be redeemed for so long as an event or circumstance has not occurred or ceased to exist, respectively, and to satisfy redemptions by making distributions in-kind, under certain circumstances. Moreover, these risks may be exacerbated for funds of funds. For example, if a fund of funds were to invest a significant portion of its assets in two or more hedge funds that each had illiquid positions in the same issuer, the illiquidity risk for such fund of funds would be compounded.

- Hedge funds may engage in short selling, which is subject to theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the security necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the prices of the securities to rise further, thereby exacerbating the loss;

- Hedge funds may enter into CDS as investments or hedges. CDS involve greater risks than investing in the reference obligation directly. In addition to general market risks, CDS are subject to risks related to changes in interest rates, credit spreads, credit quality and expected recovery rates of the underlying credit instrument;

- Hedge funds are exposed to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the fund to suffer a loss. Counterparty risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the fund has concentrated its transactions with a single or small group of counterparties. Generally, hedge funds are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. Moreover, the fund's internal consideration of the creditworthiness of their counterparties may prove insufficient. The absence of a regulated market to facilitate settlement may increase the potential for losses;

- The efficacy of investment and trading strategies depends largely on the ability to establish and maintain an overall market position in a combination of financial instruments. A hedge fund's trading orders may not be executed in a timely and efficient manner due to various circumstances, including systems failures or human error. In such event, the funds might only be able to acquire some but not all of the components of the position, or if the overall position were to need adjustment, the funds might not be able to make such adjustment. As a result, the funds would not be able to achieve the market position selected by the management company or general partner of such funds, and might incur a loss in liquidating their position;

- Hedge funds may make investments that they do not advantageously dispose of prior to the date the applicable fund is dissolved, either by expiration of such fund's term or otherwise. Although we generally expect that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, these funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. This would result in a lower than expected return on the investments and, perhaps, on the fund itself;

- Hedge funds may rely on computer programs, internal infrastructure and services, quantitative models (both proprietary models and those supplied by third parties) and information and data provided by third parties to trade, clear and settle securities and other transactions, among other activities, that are critical to the oversight of certain funds' activities. If any such models, information or data prove to be incorrect or incomplete, any decisions made in reliance thereon could expose the funds to potential risks. Any hedging based on faulty models, information or data may prove to be unsuccessful and adversely impact a fund's profits; and

- Hedge fund investments are also subject to risks relating to investments in commodities, futures, options and other derivatives, the prices of which are highly volatile and may be subject to the theoretically unlimited risk of loss in certain circumstances, including if the fund writes a call option. Price movements of commodities, futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the commodities underlying them. In addition, hedge funds' assets are subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouses or counterparties. Most U.S. commodities exchanges limit fluctuations in certain commodity interest prices during a single day by imposing "daily price fluctuation limits" or "daily limits," the existence of which may reduce liquidity or effectively curtail trading in particular markets. Hedge funds and funds of these hedge funds may also be subject to extensive regulations, including those of CFTC.

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

Risks Related to Our Common Stock

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

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

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

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

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

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

In general, any matters that are subject to a vote of the holders of our Class A common stock will require the approval of a majority in voting power of all our Class A common stock and Class C common stock, voting together as a single class. As a result, KKR Holdings, the holder of our Class C common stock, will vote together with the holders of our Class A common stock. As of February 10, 2020, there were 558,046,130 shares of Class A common stock and 290,381,345 shares of Class C common stock issued and outstanding, giving holders of Class A common stock 65.8% and KKR Holdings 34.2% of the total combined voting power on matters for which they are entitled to vote together as a single class. Because Messrs. Kravis and Roberts, when acting together, jointly control the vote of the shares of our Class C common stock held by KKR Holdings, Messrs. Kravis and Roberts are expected to be able to substantially influence the outcome of any matter submitted to a vote of the Class A common stock. In addition, Messrs. Kravis and Roberts, when acting together, jointly control the vote of the Class B common stock held by KKR Management LLP. The vote of the Class B common stock will determine the outcome of all matters that are not listed above as being subject to a vote by the Class A common stock.

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

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

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

We are a "controlled company" within the meaning of the corporate governance standards of the NYSE. As a "controlled company" we have elected not to comply with certain corporate governance requirements of the NYSE, including the requirements: (i) that the listed company have a nominating and corporate governance committee that is composed entirely of independent directors, (ii) that the listed company have a compensation committee that is composed entirely of independent directors and (iii) that the compensation committee be required to consider certain independence factors when engaging compensation consultants, legal counsel and other committee advisers. Accordingly, holders of our Class A common stock do not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the NYSE.

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

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

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

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

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

Even if there is deemed to be a breach of the obligations set forth in our certificate of incorporation, our certificate of incorporation provides that the Class B Stockholder will not be liable to us or the holders of our Class A common stock for any acts or omissions unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that the Class B Stockholder or its officers and directors acted in bad faith or engaged in fraud or willful misconduct. These provisions are detrimental to the holders of our Class A common stock because they restrict the remedies available to stockholders for actions of the Class B Stockholder.

In addition, we have agreed to indemnify the Class B Stockholder and its affiliates and any member, partner, Tax Matters Partner (as defined in U.S. Internal Revenue Code of 1986, as amended (the "Code"), as in effect prior to 2018), Partnership Representative (as defined in the Code), officer, director, employee agent, fiduciary or trustee of any of KKR or its subsidiaries, KKR Group Partnership, the Class B Stockholder or any of our or the Class B Stockholder’s affiliates and certain other specified persons (collectively, "Indemnitees"), to the fullest extent permitted by law, against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts incurred by any Indemnitee. We have agreed to provide this indemnification unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that the Indemnitee acted in bad faith or engaged in fraud or willful misconduct. We have also agreed to provide this indemnification for criminal proceedings.

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

Our certificate of incorporation requires, to the fullest extent permitted by law, that any claims, suits, actions or proceedings arising out of or relating in any way to our certificate of incorporation may only be brought in the Court of Chancery of the State of Delaware or, if such court does not have subject matter jurisdiction thereof, any other court in the State of Delaware with subject matter jurisdiction. This provision may have the effect of discouraging lawsuits against us and our directors, officers and stockholders.

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

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

- variations in our quarterly operating results, including the accrual and payment of corporate taxes following the Conversion, which may be substantial;
- changes in the amount of our dividends or our dividend policy;
- taking a long-term perspective on making investment, operational and strategic decisions, which may result in significant and unpredictable variations in our quarterly returns;
- failure to meet analysts' earnings estimates;
- publication of research reports about us or the investment management industry or the failure of securities analysts to cover our Class A common stock sufficiently;
- additions or departures of our key management and investment personnel;
- adverse market reaction to any acquisitions, joint ventures, reorganizations and other transactions, including incurrence of debt or issuance of securities in the future;
- changes in market valuations of similar companies;
- speculation in the press or investment community;
- changes or proposed changes in laws or regulations or differing interpretations thereof affecting our business or enforcement of these laws and regulations, or announcements relating to these matters;

- a concentrated ownership of our Class A common stock or ownership by short-term investors;
- a lack of liquidity in the trading of our Class A common stock;
- adverse publicity about the investment management or private equity industry generally or individual scandals, specifically; and
- general market and economic conditions.

An investment in our Class A common stock is not an investment in any of our funds, and the assets and revenues of our funds are not directly available to us.

Our Class A common stock is only securities of KKR & Co. Inc., the holding company of the KKR business. While our historical consolidated financial statements include financial information, including assets and revenues, of certain funds on a consolidated basis, and our future financial statements will continue to consolidate certain of these funds, such assets and revenues are available to the fund and not to us except to a limited extent through management fees, carried interest or other incentive income, distributions and other proceeds arising from agreements with funds, as discussed in more detail in this report.

Our Class A common stock price may decline due to the large number of shares eligible for future sale or for exchange, and issued or issuable pursuant to our equity incentive plans or as consideration in acquisitions.

The market price of our Class A common stock could decline as a result of sales of a large number of shares in the market or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell shares of Class A common stock in the future at a time and at a price that we deem appropriate. As of February 10, 2020, we have 558,046,130 shares of Class A common stock outstanding, which amount excludes shares beneficially owned by KKR Holdings in the form of KKR Group Partnership Units discussed below and shares available for future issuance under our 2019 Equity Incentive Plan.

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

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

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

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

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

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

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

Risks Related to Our Organizational Structure

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

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

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

Further, through its ability to elect our board of directors, the Class B Stockholder has the ability to indirectly influence the determination of the amount and timing of the KKR Group Partnership's investments and dispositions, cash expenditures, including those relating to compensation, indebtedness, issuances of additional partner interests, tax liabilities and amounts of reserves, each of which can affect the amount of cash that is available for distribution to holders of KKR Group Partnership Units.

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

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

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

- the entry into a debt financing arrangement by us in an amount in excess of 10% of our then existing long-term indebtedness (other than the entry into certain intercompany debt financing arrangements);
- the issuance by us or our subsidiaries of any securities that would (i) represent, after such issuance, or upon conversion, exchange or exercise, as the case may be, at least 5% on a fully diluted, as converted, exchanged or exercised basis, of any class of our or their equity securities or (ii) have designations, preferences, rights, priorities or powers that are more favorable than those of the Class A common stock;
- the adoption by us of a shareholder rights plan;
- the amendment of our certificate of incorporation, certain provisions of our bylaws relating to our board of directors and officers or the operating agreement of the KKR Group Partnership;
- the exchange or disposition of all or substantially all of our assets or the assets of the KKR Group Partnership;
- the merger, sale or other combination of our company or the KKR Group Partnership with or into any other person;
- the transfer, mortgage, pledge, hypothecation or grant of a security interest in all or substantially all of the assets of the KKR Group Partnership;
- the appointment or removal of our Chief Executive Officer or a Co-Chief Executive Officer;
- the termination of our employment of any of our officers or the officers of any of our subsidiaries or the termination of the association of a partner with any of our subsidiaries, in each case, without cause;
- the liquidation or dissolution of us or the KKR Group Partnership; and
- the withdrawal, removal or substitution of any person as the general partner of the KKR Group Partnership or the transfer of beneficial ownership of all or any part of a general partner interest in the KKR Group Partnership to any person other than a wholly-owned subsidiary.

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

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

We intend to pay periodic dividends to the holders of our Class A common stock and preferred stock, but our ability to do so may be limited by our holding company structure and contractual restrictions.

We intend to pay cash dividends on a quarterly basis. We are a holding company and have no material assets other than the KKR Group Partnership Units that we hold through a wholly-owned subsidiary and have no independent means of generating income. Accordingly, we intend to cause the KKR Group Partnership to make distributions on the KKR Group Partnership Units, including KKR Group Partnership Units that we directly or indirectly hold, in order to provide us with sufficient amounts to fund dividends we may declare. If the KKR Group Partnership makes such distributions, other holders of KKR Group Partnership Units, including KKR Holdings, will be entitled to receive equivalent distributions pro rata based on their KKR Group Partnership Units.

The declaration and payment of dividends to our Class A common stockholders will be at the sole discretion of our board of directors, and our dividend policy may be changed at any time. The declaration and payment of dividends is subject to legal, contractual and regulatory restrictions on the payment of dividends by us or our subsidiaries, including restrictions contained in our debt agreements, the terms of our certificate of incorporation, and such other factors as the board of directors considers relevant including, among others: our available cash and current and anticipated cash needs, including funding of investment commitments and debt service and future debt repayment obligations; general economic and business conditions; our strategic plans and prospects; our results of operations and financial condition; and our capital requirements. Under Section 170 of the Delaware General Corporation Law ("DGCL"), our board of directors may only declare and pay dividends either out of our surplus (as defined in DGCL) or in case there is no such surplus, out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. However, dividends may not be declared out of net profits if our capital, computed in accordance with DGCL, shall have been diminished by depreciation in the value of our property, or by losses, or otherwise, to an amount less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets. Furthermore, by paying cash dividends rather than investing that cash in our businesses, we risk slowing the pace of our growth, or not having a sufficient amount of cash to fund our operations, new investments or unanticipated capital expenditures, should the need arise.

Our preferred stock ranks senior to our Class A common stock with respect to the payment of dividends. Unless dividends have been declared and paid or declared and set apart for payment on the preferred stock for a quarterly dividend period, during the remainder of that dividend period we may not declare or pay or set apart payment for dividends on any class of stock of KKR & Co. Inc. that are junior to the preferred stock, including our Class A common stock, and we may not repurchase any such junior stock.

Dividends on the preferred stock are discretionary and non-cumulative. Holders of preferred stock will only receive dividends on their shares of preferred stock when, as and if declared by our board of directors. If dividends on a series of the preferred stock have not been declared and paid for the equivalent of six or more quarterly dividend periods, whether or not consecutive, holders of the preferred stock, together as a class with holders of any other series of parity stock with like voting rights, will be entitled to vote for the election of two additional directors to our board of directors. When quarterly dividends have been declared and paid on such series of the preferred stock for four consecutive quarters following such a nonpayment event, the right of the holders of the preferred stock and such parity stock to elect these two additional directors will cease, the terms of office of these two directors will forthwith terminate and the number of directors constituting our board of directors will be reduced accordingly. Additional risks related to our Series A Preferred Stock and Series B Preferred Stock are contained in the prospectus supplement relating to the respective securities.

We will be required to pay our principals for most of the benefits relating to our use of tax attributes we receive from prior and future exchanges of our Class A common stock for KKR Group Partnership Units and related transactions, and the timing and value of these tax attributes differ from those of our restricted stock units.

We are required to acquire KKR Group Partnership Units from time to time pursuant to our exchange agreement with KKR Holdings. Certain of these exchanges are expected to result in an increase in our share of the tax basis of the tangible and intangible assets of the KKR Group Partnership, primarily attributable to a portion of the goodwill inherent in our business that would not otherwise have been available. This increase in tax basis may increase (for tax purposes) depreciation and amortization and therefore reduce the amount of income tax we would otherwise be required to pay in the future. This increase in tax basis may also decrease gain (or increase loss) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

We have entered into a tax receivable agreement with KKR Holdings, which requires us to pay to KKR Holdings or to current and former principals who have exchanged KKR Holdings units for shares of Class A common stock as transferees of KKR Group Partnership Units, 85% of the amount of cash tax savings, if any, in U.S. federal, state and local income tax that we realize as a result of this increase in tax basis, as well as 85% of the amount of any such savings we actually realize as a result of increases in tax basis that arise due to future payments under the agreement. A termination of the agreement or a change of control could give rise to similar payments based on tax savings that we would be deemed to realize in connection with such events. These payment obligations are obligations of KKR & Co. Inc. and certain of its intermediate holding companies and not of the KKR Group Partnership. Our 2019 Equity Incentive Plan provides for the issuance of restricted holdings units that are not related to KKR Holdings. While the tax receivable agreement does not apply to restricted holdings units issued under our 2019 Equity Incentive Plan (and therefore we will receive 100% of any tax benefits arising from the exchange of restricted holdings units for shares of Class A common stock), any tax benefits we realize from KKR Holdings units or restricted holdings units would be deferred until such units are exchanged for shares of our Class A common stock. The timing of the tax benefit is different with respect to our restricted stock units, where we realize any tax benefit at the time of vesting, which is generally earlier than the time of exchange of KKR Holdings units or restricted holdings units. As a result, the actual increase in tax basis and the amount of tax savings in any given year will vary depending upon a number of factors, including the timing of exchanges, the number of units exchanged, the price of our Class A common stock at the time of the exchange, the extent to which such exchanges are taxable and the amount and timing of our taxable income. We expect that, as a result of the size of the increases in the tax basis of the tangible and intangible assets of the KKR Group Partnership, the payments that we may be required to make to KKR Holdings or transferees of its KKR Group Partnership Units under the tax receivable agreement will be substantial.

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

We may need to incur debt to finance payments under the tax receivable agreement to the extent our cash resources are insufficient to meet our obligations under the tax receivable agreement as a result of timing discrepancies or otherwise. In particular, our obligations under the tax receivable agreement would be effectively accelerated in the event of an early termination of the tax receivable agreement by us or in the event of certain mergers, asset sales and other forms of business combinations or other changes of control. In these situations, we would be required to pay an early termination payment based upon the net present value of all tax benefits that would be required to be paid by us to KKR Holdings and current and former principals who have exchanged KKR Holdings units. The method used to calculate the early termination payment is prescribed in the tax receivable agreement and the assumptions used for this purpose, including an applicable discount rate, which currently is LIBOR (as defined) plus 1% (LIBOR plus 1% was 2.76250% as of December 31, 2019), differ in material respects from the assumptions used to calculate the estimated present value of our aggregate cash tax savings for the hypothetical exchange of all Remaining KKR Holdings Units or the estimated payment amount for previously exchanged KKR Holdings units that is recorded in our financial statements. Accordingly, as of December 31, 2019, the amount of early termination payment would have been significantly larger than the present value of the estimated payments under the tax receivable agreement described above. At the time of the filing of this Annual Report, we have no intention to exercise the early termination right.

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

If we were deemed to be an "investment company" subject to regulation under the Investment Company Act, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.

A person will generally be deemed to be an "investment company" for purposes of the Investment Company Act if:

- it is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities; or
- absent an applicable exemption, it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis.

We believe that we are engaged primarily in the business of providing investment management services and not in the business of investing, reinvesting or trading in securities. We regard ourselves as an investment management firm and do not propose to engage primarily in the business of investing, reinvesting or trading in securities. Accordingly, we do not believe that we are an "orthodox" investment company as defined in Section 3(a)(1)(A) of the Investment Company Act and described in the first bullet point above.

With regard to the provision described in the second bullet point above, we have no material assets other than our equity interests in subsidiaries, which in turn have no material assets other than equity interests, directly or indirectly, in the KKR Group Partnership. Through these interests, we indirectly are the sole general partner of the KKR Group Partnership and indirectly are vested with all management and control over the KKR Group Partnership. We do not believe our equity interests in our subsidiaries are investment securities, and we believe that the capital interests of the general partners of our funds in their respective funds are neither securities nor investment securities. Accordingly, based on our determination, less than 40% of our total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis are comprised of assets that could be considered investment securities. However, our subsidiaries have a significant number of investment securities, and we expect to make investments in other investment securities from time to time. We monitor these holdings regularly to confirm our continued compliance with the 40% test described in the second bullet point above. The need to comply with this 40% test may cause us to restrict our business and subsidiaries with respect to the assets in which we can invest and/or the types of securities we may issue, sell investment securities, including on unfavorable terms, acquire assets or businesses that could change the nature of our business or potentially take other actions that may be viewed as adverse by the holders of our Class A common stock, in order to ensure conformity with exceptions provided by, and rules and regulations promulgated under, the Investment Company Act.

The Investment Company Act and the rules and regulations thereunder contain detailed parameters for the organization and operation of investment companies. Among other things, the Investment Company Act and the rules and regulations thereunder limit or prohibit transactions with affiliates, impose limitations on the issuance of debt and equity securities, generally prohibit the issuance of options and impose certain governance requirements. We intend to conduct our operations so that we will not be deemed to be an investment company under the Investment Company Act. If anything were to happen which would cause us to be deemed to be an investment company under the Investment Company Act, requirements imposed by the Investment Company Act, including limitations on our capital structure, ability to transact business with affiliates and ability to compensate key employees, would make it impractical for us to continue our business as currently conducted, impair the agreements and arrangements between and among us, including the KKR Group Partnership, and KKR Holdings, and materially and adversely affect our business, results of operations and financial condition. In addition, we may be required to limit the amount of investments that we make as a principal, potentially divest of our investments or otherwise conduct our business in a manner that does not subject us to the registration and other requirements of the Investment Company Act.

With respect to our subsidiary KFN, we believe it is not and does not propose to be primarily engaged in the business of investing, reinvesting or trading in securities, and we do not believe that KFN has held itself out as such. KFN conducts its operations primarily through its majority-owned subsidiaries, each of which is either outside of the definition of an investment company as defined in the Investment Company Act or excepted from such definition under the Investment Company Act. KFN monitors its holdings regularly to confirm its continued compliance with the 40% test described in the second bullet point above, and restricts its subsidiaries with respect to the assets in which each of them can invest and/or the types of securities each of them may issue in order to ensure conformity with exceptions provided by, and rules and regulations promulgated under, the Investment Company Act. If the SEC were to disagree with KFN's treatment of one or more of its subsidiaries as being excepted from the Investment Company Act, with its determination that one or more of its other holdings are not investment securities for purposes of the 40% test, or with its determinations as to the nature of its business or the manner in which it holds itself out, KFN and/or one or more of its subsidiaries could be required either (i) to change substantially the manner in which it conducts its operations to avoid being subject to the Investment Company Act or (ii) to register as an investment company. Either of these would likely have a material adverse effect on KFN, its ability to service its indebtedness and to make distributions on its shares, and on the market price of its securities, and could thereby materially and adversely affect our business, results of operations and financial condition.

In 2011, the SEC published an advance notice of proposed rulemaking regarding Rule 3a-7 under the Investment Company Act and a concept release seeking information on Section 3(c)(5)(C) of the Investment Company Act, two provisions with which KKR's subsidiaries, including KFN, must comply under the 40% test described above. Among the issues for which the SEC has requested comment is whether Rule 3a-7 should be modified so that parent companies of subsidiaries that rely on Rule 3a-7 should treat their interests in such subsidiaries as investment securities for purposes of the 40% test. The SEC is also seeking information about the nature of entities that invest in mortgages and mortgage-related pools and how the SEC staff's interpretive positions in connection with Section 3(c)(5)(C) affect these entities. Although no further action has been taken by the SEC, any guidance or action from the SEC or its staff, including changes that the SEC may ultimately propose and adopt to the way Rule 3a-7 applies to entities or new or modified interpretive positions related to Section 3(c)(5)(C), could further inhibit KKR's ability, or the ability of any of its subsidiaries, including KFN, to pursue its current or future operating strategies, which could have a material adverse effect on us.

We may from time to time undertake internal reorganizations that may adversely impact our business and results of operations.

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

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

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive offices are located in leased office space at 9 West 57th Street, New York, New York. We also lease space for our other offices in North America, Europe, Asia and Australia. We consider these facilities to be suitable and adequate for the management and operations of our business.

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

ITEM 3. LEGAL PROCEEDINGS.

The section entitled "Litigation" appearing in Note 16 "Commitments and Contingencies" to our consolidated financial statements included elsewhere in this report is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

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

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

Dividend Policy

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

Because we make our investment in our business through a holding company structure and the applicable holding companies do not own any material cash-generating assets other than their direct and indirect holdings in KKR Group Partnership Units, dividends are expected to be funded in the following manner:

- First, the KKR Group Partnership will make distributions to holders of KKR Group Partnership Units, including the holding companies through which we invest, in proportion to their percentage interests in the KKR Group Partnerships;

- Second, the holding companies through which we invest will distribute to us the amount of any distributions that they receive from the KKR Group Partnership, after deducting any applicable taxes; and

- Third, we will distribute to holders of our Class A common stock, Series A Preferred Stock and Series B Preferred Stock the amount of dividends declared by our board of directors from the distributions that we receive from our holding companies through which we invest.

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

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

Class A Common Stock Repurchases in the Fourth Quarter of 2019

Under our current repurchase program, KKR is authorized to repurchase its Class A common stock from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing, manner, price and amount of any Class A common stock repurchases will be determined by KKR in its discretion and will depend on a variety of factors, including legal requirements, price and economic and market conditions. KKR expects that the program, which has no expiration date, will be in effect until the maximum approved dollar amount has been used. The program does not require KKR to repurchase any specific number of shares of Class A common stock, and the program may be suspended, extended, modified or discontinued at any time.

In addition to the repurchases of Class A common stock described above, subsequent to May 3, 2018, the repurchase program will be used for the retirement (by cash settlement or the payment of tax withholding amounts upon net settlement) of equity awards issued pursuant to our Equity Incentive Plans representing the right to receive shares of Class A common stock. From October 27, 2015 through December 31, 2019, KKR has paid approximately $327 million in cash to satisfy tax withholding and cash settlement obligations in lieu of issuing shares of Class A common stock or its equivalent upon the vesting of equity awards representing 16.3 million shares of Class A common stock. Of these amounts, equity awards representing 11.0 million shares of Class A common stock or its equivalent were retired for $190 million prior to May 3, 2018 and did not count against the amounts remaining under the repurchase program.

The table below sets forth the information with respect to repurchases made by or on behalf of KKR & Co. Inc. or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act) of our Class A common stock during the fourth quarter of 2019. 1,489,163 shares of Class A common stock were repurchased during the fourth quarter of 2019 and 1,396,907 equity awards were retired during the fourth quarter of 2019. From inception of the repurchase program through December 31, 2019, we have repurchased or retired a total of approximately 47.4 million shares of Class A common stock under the program at an average price of approximately $17.73 per share.

Issuer Purchases of Class A common stock

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

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

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

Unregistered Sale of Equity Securities

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

Other Equity Securities

During the fourth quarter of 2019, 5,364,802 KKR Group Partnership Units were exchanged by KKR Holdings for an equal number of shares of our Class A common stock. This resulted in an increase in our ownership of the KKR Group

Partnerships and a corresponding decrease in the ownership of the KKR Group Partnerships by KKR Holdings. On February 12, 2020, approximately 3.9 million KKR Group Partnership Units were exchanged by KKR Holdings into an equal number of shares of our Class A common stock.

ITEM 6. SELECTED FINANCIAL DATA

The following tables set forth our selected historical consolidated financial data as of and for the years ended December 31, 2019, 2018, 2017, 2016 and 2015. We derived the selected historical consolidated financial data as of December 31, 2019 and 2018 and for the years ending December 31, 2019, 2018 and 2017 from the audited consolidated financial statements included elsewhere in this report. We derived the selected historical consolidated financial data as of December 31, 2017, 2016, and 2015 and for the years ended December 31, 2016 and 2015 from our audited consolidated financial statements, which are not included in this report. You should read the following data together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this report.

On January 1, 2016, KKR adopted ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis ("ASU 2015-02"), which resulted in the de-consolidation of most of KKR's investment funds that had been consolidated prior to such date. Effective with the adoption of ASU 2015-02, assets, liabilities, and noncontrolling interests from our investment funds that had previously been consolidated are no longer included in the statement of financial condition. Additionally, when an investment fund is consolidated, management fees, fee credits and carried interest earned from consolidated funds are eliminated in consolidation and as such are not recorded in Fees and Other. The economic impact of these management fees, fee credits and carried interests that are eliminated is reflected as an adjustment to noncontrolling interests and has no impact to Net Income Attributable to KKR & Co. Inc. KKR adopted this guidance using the modified retrospective method. As a result, no retrospective adjustment is required and prior periods presented under GAAP have not been impacted.

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

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

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

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

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the consolidated financial statements of KKR & Co. Inc., together with its consolidated subsidiaries, and the related notes included elsewhere in this report. The historical consolidated financial data discussed below reflects the historical results and financial position of KKR and do not reflect the Reorganization or the acquisition of KKR Capstone on January 1, 2020. In addition, this discussion and analysis contains forward-looking statements and involves numerous risks and uncertainties, including those described under "Cautionary Note Regarding Forward-looking Statements" and "Risk Factors." Actual results may differ materially from those contained in any forward-looking statements.

Overview of Business

For a discussion about our business lines and our firm, see Item 1. "Business."

Business Environment

Economic and Market Conditions

Economic Conditions. As a global investment firm, we are affected by financial and economic conditions globally. Global and regional economic conditions have substantial impact on our financial condition and results of operations, impacting the values of the investments we make, our ability to exit these investments profitably, our ability to raise capital from investors, and our ability to make new investments. Financial and economic conditions in the United States, European Union, Japan, China, and other major economies are significant contributors to the global economy.

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

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

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

These and other key issues could have repercussions across regional and global financial markets, which could adversely affect the valuations of our investments. Other key issues include (i) political uncertainty caused by, among other things, populist political parties, economic nationalist sentiments, anti-government protests and the 2020 U.S. Presidential election, (ii) regulatory changes regarding, for example, taxation, international trade, cross-border investments, immigration, and austerity programs, (iii) volatility or downturn in stock and credit markets, (iv) the potential impact and duration of the recent outbreak of the novel coronavirus, (v) any unexpected shift in the U.S. Federal Reserve's monetary policies and its impact on the markets and (vi) technological advancements and innovations that may disrupt marketplaces and businesses. For a further discussion of how market conditions may affect our businesses, see "Risk Factors—Risks Related to Our Business—Difficult market and economic conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial condition."

Equity and Credit Markets. Global equity and credit markets have a substantial effect on our financial condition and results of operations. In general, a climate of reasonable interest rates and high levels of liquidity in the debt and equity capital markets provide a positive environment for us to generate attractive investment returns, which also impacts our ability to generate incentive fees and carried interest. Periods of volatility and dislocation in the capital markets present substantial risks, but also can present us with opportunities to invest at reduced valuations that position us for future growth and investment returns. Low interest rates related to monetary stimulus and economic stagnation may negatively impact expected returns on all types of investments. Higher interest rates in conjunction with slower growth or weaker currencies in some emerging market economies have caused, and may further cause, the default risk of these countries to increase, and this could impact the operations or value of our investments that operate in these regions. Areas such as Japan, which have ongoing central bank quantitative easing campaigns and comparatively low interest rates relative to the United States, could potentially experience further currency volatility and weakness relative to the U.S. dollar.

Many of our investments are in equities, so a change in global equity prices or in market volatility directly impacts the value of our investments and our profitability as well as our ability to realize investment gains and the receptiveness of fund investors to our investment products. For the year ended December 31, 2019, global equity markets were positive, with the S&P 500 Index up 31.5% and the MSCI World Index up 28.4% on a total return basis including dividends. Equity market volatility as evidenced by the Chicago Board Options Exchange Market Volatility Index (the "VIX"), a measure of volatility, ended at 13.8 as of December 31, 2019, decreasing from 25.4 as of December 31, 2018. For a discussion of our valuation methods, see "Risk Factors—Risks Related to the Assets We Manage—Our investments are impacted by various economic conditions that are difficult to quantify or predict, which may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our results of operations and financial condition" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Fair Value Measurements—Level III Valuation Methodologies."

Many of our investments are also in non-investment grade credit instruments, and our funds and our portfolio companies also rely on credit financing and the ability to refinance existing debt. Consequently, any decrease in the value of credit instruments that we have invested in or any increase in the cost of credit financing reduces our returns and decreases our net income. In particular due in part to holdings of credit instruments such as CLOs on our balance sheet, the performance of the credit markets has had an amplified impact on our financial results, as we directly bear the full extent of losses from credit instruments on our balance sheet. Credit markets can also impact valuations because a discounted cash flow analysis is generally used as one of the methodologies to ascertain the fair value of our investments that do not have readily observable market prices. In addition, with respect to our credit instruments, tightening credit spreads are generally expected to lead to an increase, and widening credit spreads are generally expected to lead to a decrease, in the value of these credit investments, if not offset by hedging or other factors. In addition, the significant widening of credit spreads is also typically expected to negatively impact equity markets, which in turn would negatively impact our portfolio and us as noted above.

During the year ended December 31, 2019, U.S. investment grade corporate bond spreads (BofA Merrill Lynch US Corporate Index) contracted by 58 basis points and U.S. high-yield corporate bond spreads (BofAML HY Master II Index) contracted by 173 basis points. The non-investment grade credit indices were up during the year ended December 31, 2019, with the S&P/LSTA Leveraged Loan Index up 8.6% and the BofAML HY Master II Index up 14.4%. During the year ended December 31, 2019, 10-year government bond yields fell 77 basis points in the United States, fell 46 basis points in the United Kingdom, fell 43 basis points in Germany, fell 16 basis points in China, and fell 1 basis point in Japan. For a further discussion of how market conditions may affect our businesses, see "Risk Factors—Risks Related to Our Business—Difficult market and economic conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial condition" and "Risk Factors—Risks Related to the Assets We Manage—Our investments are impacted by various economic conditions that are difficult to quantify or predict, which may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our results of operations and financial condition."

For further discussion of the impact of global credit markets on our financial condition and results of operations, see "Risk Factors—Risks Related to the Assets We Manage—Changes in the debt financing markets may negatively impact the ability of our investment funds, their portfolio companies and strategies pursued with our balance sheet assets to obtain attractive financing for their investments or to refinance existing debt and may increase the cost of such financing or refinancing if it is obtained, which could lead to lower-yielding investments and potentially decrease our net income," "Risk Factors—Risks

Related to the Assets We Manage—Our investments are impacted by various economic conditions that are difficult to quantify or predict, which may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our results of operations and financial condition" and "Risk Factors—Risks Related to the Assets We Manage—Our funds and our firm through our balance sheet may make a limited number of investments, or investments that are concentrated in certain issuers, geographic regions or asset types, which could negatively affect our performance or the performance of our funds to the extent those concentrated assets perform poorly." For a further discussion of our valuation methods, see "—Critical Accounting Policies—Fair Value Measurements—Level III Valuation Methodologies."

Foreign Exchange Rates. Foreign exchange rates have a substantial impact on the valuations of our investments that are denominated in currencies other than the U.S. dollar. Currency volatility can also affect our businesses and investments that deal in cross-border trade. The appreciation or depreciation of the U.S. dollar is expected to contribute to a decrease or increase, respectively, in the U.S. dollar value of our non-U.S. investments to the extent unhedged. In addition, an appreciating U.S. dollar would be expected to make the exports of U.S. based companies less competitive, which may lead to a decline in their export revenues, if any, while a depreciating U.S. dollar would be expected to have the opposite effect. Moreover, when selecting investments for our investment funds that are denominated in U.S. dollars, an appreciating U.S. dollar may create opportunities to invest at more attractive U.S. dollar prices in certain countries outside of the United States, while a depreciating U.S. dollar would be expected to have the opposite effect. For our investments denominated in currencies other than the U.S. dollar, the depreciation in such currencies will generally contribute to the decrease in the valuation of such investments, to the extent unhedged, and adversely affect the U.S. dollar equivalent revenues of portfolio companies with substantial revenues denominated in such currencies, while the appreciation in such currencies would be expected to have the opposite effect. For the year ended December 31, 2019, the euro fell 2.2%, the British pound strengthened 3.9%, the Japanese yen rose 1.0%, and the Chinese renminbi fell 1.2%, respectively, relative to the U.S. dollar. For additional information regarding our foreign exchange rate risk, see "—Quantitative and Qualitative Disclosure About Market Risk—Exchange Rate Risk."

Commodity Markets. Our Private Markets portfolio contains energy real asset investments, and certain of our other Private Markets and Public Markets strategies and products, including private equity, direct lending, special situations and CLOs, also have meaningful investments in the energy sector. The value of these investments is heavily influenced by the price of natural gas and oil. During the year ended December 31, 2019, the long-term price of WTI crude oil increased approximately 3%, and the long-term price of natural gas decreased approximately 7%. The long-term price of WTI crude oil increased from approximately $50 per barrel to $52 per barrel, and the long-term price of natural gas decreased from approximately $2.60 per mcf to $2.42 per mcf as of December 31, 2018 and December 31, 2019, respectively. When commodity prices decline or if a decline is not offset by other factors, we would expect the value of our energy real asset investments to be adversely impacted, to the extent unhedged. In addition, because we hold certain energy assets, which had a fair value of $0.7 billion as of December 31, 2019 on our balance sheet, these price movements would have an amplified impact on our financial results, to the extent unhedged, as we would directly bear the full extent of such gains or losses. For additional information regarding our energy real assets, see "—Critical Accounting Policies—Fair Value Measurements—Level III Valuation Methodologies—Real Asset Investments" and "Risk Factors—Risks Related to the Assets We Manage—Our funds and our firm through our balance sheet may make a limited number of investments, or investments that are concentrated in certain issuers, geographic regions or asset types, which could negatively affect our performance or the performance of our funds to the extent those concentrated assets perform poorly."

Spot prices for crude oil and natural gas have declined since December 31, 2019, while the impact to longer-term prices of crude oil and natural gas has been less pronounced. We expect these price movements to have a negative impact on the fair value of our energy portfolio, all other things being equal, given those commodity prices are an input in our valuation models. However, we expect the impact of the decline will be mitigated by the existence of near-term commodity price hedges, which make long-term oil and natural gas prices a more significant driver of fair value than spot prices. As of December 31, 2019, energy strategies make up approximately 1% of our assets under management and 5% of our balance sheet assets.

Business Conditions

Our operating revenues consist of fees, performance income and investment income. Our ability to grow our revenues depends in part on our ability to attract new capital and investors, our successful deployment of capital including from our balance sheet and our ability to realize investments at a profit.

Our ability to attract new capital and investors. Our ability to attract new capital and investors in our funds is driven, in part, by the extent to which they continue to see the alternative asset management industry generally, and our investment products specifically, as an attractive vehicle for capital appreciation or income. Since 2010, we have expanded into strategies such as energy, infrastructure, real estate, growth equity, core, credit and, through hedge fund partnerships, hedge funds. In several of these strategies, our first time funds have begun raising successor funds, and we expect the cost of raising such successor funds to be lower. We have also reached out to new fund investors, including retail and high net worth investors. However, fundraising continues to be competitive. While our Americas Fund XII, Asian Fund III, European Fund V, Real Estate Partners Americas II, Global Infrastructure Investors III and Next Generation Technology Growth Fund II exceeded the size of their respective predecessor funds, there is no assurance that fundraises for our other flagship private equity funds or for our newer strategies and their successor funds will experience similar success. If we are unable to successfully raise comparably sized or larger funds, our AUM, FPAUM, and associated fees attributable to new capital raised in future periods may be lower than in prior years. See "Risk Factors—Risks Related to Our Business—Our inability to raise additional or successor funds (or raise successor funds of a comparable size as our predecessor funds) could have a material adverse impact on our business."

Our ability to successfully deploy capital. Our ability to maintain and grow our revenue base is dependent upon our ability to successfully deploy the capital available to us and participate in capital markets transactions. Greater competition, high valuations, increased overall cost of credit and other general market conditions may impact our ability to identify and execute attractive investments. Additionally, because we seek to make investments that have an ability to achieve our targeted returns while taking on a reasonable level of risk, we may experience periods of reduced investment activity. We have a long-term investment horizon and the capital deployed in any one quarter may vary significantly from the capital deployed in any other quarter or the quarterly average of capital deployed in any given year. Reduced levels of transaction activity also tends to result in reduced potential future investment gains, lower transaction fees and lower fees for our Capital Markets business line, which may earn fees in the syndication of equity or debt.

Our ability to realize investments. Challenging market and economic conditions may adversely affect our ability to exit and realize value from our investments and result in lower-than-expected returns. Although the equity markets are not the only means by which we exit investments, the strength and liquidity of the U.S. and relevant global equity markets generally, and the initial public offering market specifically, affect the valuation of, and our ability to successfully exit, our equity positions in our private equity portfolio companies in a timely manner. We may also realize investments through strategic sales. When financing is not available or becomes too costly, it may be more difficult to find a buyer that can successfully raise sufficient capital to purchase our investments.

Basis of Accounting

We consolidate the financial results of the KKR Group Partnerships and their consolidated entities, which include the accounts of our investment management and capital markets companies, the general partners of unconsolidated funds and vehicles, general partners of certain funds that are consolidated and their respective consolidated funds and certain other entities including certain CLOs and CMBS. We refer to CLOs and CMBS as collateralized financing entities ("CFEs").

When an entity is consolidated, we reflect the accounts of the consolidated entity, including its assets, liabilities, revenues, expenses, investment income, cash flows and other amounts, on a gross basis. While the consolidation of a consolidated fund or entity does not have an effect on the amounts of Net Income Attributable to KKR or KKR's stockholders' capital that KKR reports, the consolidation does significantly impact the financial statement presentation under GAAP. This is due to the fact that the accounts of the consolidated entities are reflected on a gross basis while the allocable share of those amounts that are attributable to third parties are reflected as single line items. The single line items in which the accounts attributable to third parties are recorded are presented as noncontrolling interests on the consolidated statements of financial condition and net income attributable to noncontrolling interests on the consolidated statements of operations.

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

Key Financial Measures Under GAAP

Revenues

Fees and Other

Fees and other consist primarily of (i) management and incentive fees from providing investment management services to unconsolidated funds, CLOs, other vehicles, and separately managed accounts; (ii) transaction fees earned in connection with successful investment transactions and from capital markets activities; (iii) monitoring fees from providing services to portfolio companies; (iv) expense reimbursements from certain investment funds and portfolio companies; (v) revenue earned by oil and gas entities that are consolidated; and (vi) consulting fees earned by consolidated entities that employ non-employee operating consultants. These fees are based on the contractual terms of the governing agreements and are recognized when earned, which coincides with the period during which the related services are performed and in the case of transaction fees, upon closing of the transaction. Monitoring fees may provide for a termination payment following an initial public offering or change of control. These termination payments are recognized in the period when the related transaction closes.

Capital Allocation-Based Income

Capital allocation-based income is earned from those arrangements whereby KKR serves as general partner and includes income from KKR's capital interest as well as "carried interest" which entitles KKR to a disproportionate allocation of investment income from investment funds' limited partners.

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

Expenses

Compensation and Benefits

Compensation and benefits expense includes cash compensation consisting of salaries, bonuses, and benefits, as well as equity-based compensation consisting of charges associated with the vesting of equity-based awards, carry pool allocations, and other performance-based income compensation. The amounts allocated to the carry pool and other performance-based income compensation are accounted for as compensatory profit-sharing arrangements and recorded as compensation and benefits expenses.

All employees and employees of certain consolidated entities receive a base salary that is paid by KKR or its consolidated entities, and is accounted for as compensation and benefits expense. These employees are also eligible to receive discretionary cash bonuses based on performance, overall profitability, and other matters. While cash bonuses paid to most employees are borne by KKR and certain consolidated entities and result in customary compensation and benefits expense, in the past cash bonuses that are paid to certain employees have been borne by KKR Holdings. These bonuses have historically been funded with distributions that KKR Holdings receives on KKR Group Partnership Units held by KKR Holdings but are not then passed on to holders of unvested units of KKR Holdings. Because employees are not entitled to receive distributions on units that are unvested, any amounts allocated to employees in excess of an employee's vested equity interests are reflected as employee compensation and benefits expense. These compensation charges are currently recorded based on the amount of cash expected to be paid by KKR Holdings. Because KKR makes only fixed quarterly dividends, the distributions made on KKR Group Partnership Units underlying any unvested KKR Holdings units are generally insufficient to fund annual cash bonus compensation to the same extent as in periods prior to the fourth quarter of 2015. In addition, substantially all remaining units in KKR Holdings have been allocated and, while subject to a 5 year vesting period, will become fully vested by 2021, thus decreasing the amount of distributions received by KKR Holdings that are available for annual cash bonus compensation. We, therefore, expect to pay all or substantially all of the cash bonus payments from KKR's cash from operations and the carry pool, although, from time to time, KKR Holdings may contribute to the cash bonus payments in the future. For the year ending December 31, 2019, no cash bonuses were contributed by KKR Holdings. See "Risks Related to Our Business—If we cannot retain and motivate our principals and other key personnel and recruit, retain and motivate new principals and other key personnel, our business, results and financial condition could be adversely affected" in our Annual Report regarding the adequacy of such distributions to fund future discretionary cash bonuses.

KKR uses several methods, which are designed to yield comparable results, to allocate carried interest and other performance income compensation. With respect to KKR's investment funds that provide for carried interest without a preferred return, KKR allocates 40% of the carried interest received from such funds to its carry pool for employees and non-employee operating consultants. Beginning with the quarter ended September 30, 2016, for investment funds that provide for carried interest with a preferred return and have accrued carried interest as of June 30, 2016, KKR also includes 40% of the management fees that would have been subject to a management fee refund as performance income compensation. Because of the different ways management fees are refunded in preferred return and non-preferred return funds that provide for carried interest, this calculation of 40% of the portion of the management fees subject to refund for funds that have a preferred return is designed to allocate to compensation an amount comparable to the amount that would have been allocated to the carry pool had the fund not had a preferred return. Beginning with the quarter ended September 30, 2017, for certain then-current and future carry generating funds with a preferred return and no or minimal accrued carried interest as of June 30, 2017, KKR allocates 43% of the carried interest to the carry pool instead of 40% of carried interest. For impacted funds, the incremental 3% replaces the allocation of management fee refunds that would have been calculated for those funds and is designed, based on a historical financial analysis of certain investment funds, to allocate an amount for preferred return funds that is comparable to the management fee refunds that would have been allocated as performance income compensation for those funds. The percentage of carried interest, management fee refunds, and incentive fees allocable to the carry pool or as performance income compensation is subject to change from time to time. For a discussion of how management fees are refunded for preferred return funds and non-preferred funds see "—Fair Value Measurements—Recognition of Carried Interest in the Statement of Operations."

General, Administrative and Other

General, administrative and other expense consists primarily of professional fees paid to legal advisors, accountants, advisors and consultants, insurance costs, travel and related expenses, communications and information services, depreciation and amortization charges, expenses (including impairment charges) incurred by oil and gas entities that are consolidated, costs incurred in connection with pursuing potential investments that do not result in completed transactions ("broken-deal expenses"), and other general operating expenses. A portion of these general administrative and other expenses, in particular broken-deal expenses, are borne by fund investors.

Investment Income (Loss)

Net Gains (Losses) from Investment Activities

Net gains (losses) from investment activities consist of realized and unrealized gains and losses arising from our investment activities as well as income earned from certain equity method investments. Fluctuations in net gains (losses) from investment activities between reporting periods is driven primarily by changes in the fair value of our investment portfolio as well as the realization of investments. The fair value of, as well as the ability to recognize gains from, our investments is significantly impacted by the global financial markets, which, in turn, affects the net gains (losses) from investment activities recognized in any given period. Upon the disposition of an investment, previously recognized unrealized gains and losses are reversed and an offsetting realized gain or loss is recognized in the current period. Since our investments are carried at fair value, fluctuations between periods could be significant due to changes to the inputs to our valuation process over time. For a further discussion of our fair value measurements and fair value of investments, see "—Critical Accounting Policies—Fair Value Measurements."

Dividend Income

Dividend income consists primarily of distributions that we and our consolidated investment funds receive from portfolio companies in which they invest. Dividend income is recognized primarily in connection with (i) dispositions of operations by portfolio companies, (ii) distributions of cash generated from operations from portfolio investments, and (iii) other significant refinancings undertaken by portfolio investments.

Interest Income

Interest income consists primarily of interest that is received on our credit instruments in which we and our consolidated funds and other entities invest as well as interest on our cash balances and other investments.

Interest Expense

Interest expense is incurred from debt issued by KKR, including debt issued by KFN, credit facilities entered into by KKR, debt securities issued by consolidated CFEs, and financing arrangements at our consolidated funds entered into primarily with the objective of managing cash flow. KFN's debt obligations are non-recourse to KKR beyond the assets of KFN. Debt securities issued by consolidated CFEs are supported solely by the investments held at the CFE and are not collateralized by assets of any other KKR entity. Our obligations under financing arrangements at our consolidated funds are generally limited to our pro rata equity interest in such funds. However, in some circumstances, we may provide limited guarantees of the obligations of our general partners in an amount equal to its pro rata equity interest in such funds. Our management companies bear no obligations with respect to financing arrangements at our consolidated funds. We also may provide other kinds of guarantees. See "—Liquidity."

Income Taxes

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

KKR & Co. Inc. is a corporation for U.S. federal income tax purposes and thus is subject to U.S. federal, state and local corporate income taxes at the entity level on KKR's share of net taxable income. In addition, the KKR Group Partnerships and certain of their subsidiaries operate in the United States as partnerships for U.S. federal income tax purposes and as corporate entities in certain non-U.S. jurisdictions. These entities, in some cases, are subject to U.S. state or local income taxes or non-U.S. income taxes.

Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining tax expense and in evaluating tax positions including evaluating uncertainties. We review our tax positions quarterly and adjust our tax balances as new information becomes available.

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

Net Income (Loss) Attributable to Noncontrolling Interests

Net income (loss) attributable to noncontrolling interests primarily represents the ownership interests that certain third parties hold in entities that are consolidated in the financial statements as well as the ownership interests in our KKR Group Partnerships that are held by KKR Holdings. The allocable share of income and expense attributable to these interests is accounted for as net income (loss) attributable to noncontrolling interests. Given the consolidation of certain of our investment funds and the significant ownership interests in our KKR Group Partnerships held by KKR Holdings, we expect a portion of net income (loss) will continue to be attributed to noncontrolling interests in our business.

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

Key Non-GAAP and Other Operating and Performance Measures

The key non-GAAP and other operating and performance measures that follow are used by management in making operational and resource deployment decisions as well as assessing the overall performance of KKR's businesses. They include certain financial measures that are calculated and presented using methodologies other than in accordance with GAAP. These non-GAAP measures, including after-tax distributable earnings, book value, operating assets, operating liabilities, operating revenues, operating expenses and distributable operating earnings, are presented prior to giving effect to the allocation of income (loss) between KKR & Co. Inc. and KKR Holdings L.P. and as such represent the business in total. In addition, these non-GAAP measures are presented without giving effect to the consolidation of the investment funds and CFEs that KKR manages as well as other consolidated entities that are not subsidiaries of KKR & Co. Inc.

We believe that providing these non-GAAP measures on a supplemental basis to our GAAP results is helpful to stockholders in assessing the overall performance of KKR's businesses. These non-GAAP measures should not be considered as a substitute for, or superior to, financial measures calculated in accordance with GAAP. We caution readers that these non-GAAP measures may differ from the calculations of other investment managers, and as a result, may not be comparable to similar measures presented by other investment managers. These non-GAAP measures are presented in this report as KKR's operating results, which were previously referred to as KKR's segment results.

Reconciliations of these non-GAAP measures to the most directly comparable financial measures calculated and presented in accordance with GAAP, where applicable, are included under "—Reconciliations to GAAP Measures."

Adjusted Shares

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

Incentive Plans). We believe providing adjusted shares is useful to stockholders as it provides insight into the calculation of amounts available for distribution as dividends on a per share basis. Weighted average adjusted shares is used in the calculation of after-tax distributable earnings per adjusted share and adjusted shares is used in the calculation of book value per adjusted share. Adjusted shares was previously referred to as "adjusted shares eligible for distribution."

After-tax Distributable Earnings

After-tax distributable earnings is a non-GAAP measure of KKR's earnings excluding mark-to-market gains (losses) after interest expense, preferred dividends, noncontrolling interests and income taxes paid. It is defined as the amount of net realized earnings of KKR for a given reporting period, after deducting equity-based compensation and the impact of non-recurring items. KKR believes that after-tax distributable earnings is useful to stockholders as it aligns KKR's net realization performance with the manner in which KKR receives its revenues and determines the compensation of its employees. After-tax distributable earnings does not represent and is not used to calculate actual dividends under KKR's dividend policy. Equity based compensation expense is included in after-tax distributable earnings as a component of compensation expense in order to reflect the dilutive nature of these non-cash equity-based awards. Income taxes paid represents the implied amount of income taxes that would be paid assuming that all pre-tax distributable earnings were allocated to KKR & Co. Inc., which would occur following an exchange of all KKR Holdings units for Class A common stock of KKR & Co. Inc. Income taxes paid also includes amounts paid pursuant to the tax receivable agreement.

Assets Under Management ("AUM")

Assets under management represent the assets managed or advised by KKR from which KKR is entitled to receive fees or a carried interest (either currently or upon deployment of capital), general partner capital, and assets managed or advised by our strategic BDC partnership and the hedge fund and other managers in which KKR holds an ownership interest. We believe this measure is useful to stockholders as it provides additional insight into the capital raising activities of KKR and its hedge fund and other managers and the overall activity in their investment funds and other managed capital. KKR calculates the amount of AUM as of any date as the sum of: (i) the fair value of the investments of KKR's investment funds; (ii) uncalled capital commitments from these funds, including uncalled capital commitments from which KKR is currently not earning management fees or carried interest; (iii) the fair value of investments in KKR's co-investment vehicles; (iv) the par value of outstanding CLOs (excluding CLOs wholly owned by KKR); (v) KKR's pro rata portion of the AUM of hedge fund and other managers in which KKR holds an ownership interest; (vi) all AUM of the strategic BDC partnership with FS Investments; and (vii) the fair value of other assets managed by KKR. The pro rata portion of the AUM of hedge fund and other managers is calculated based on KKR's percentage ownership interest in such entities multiplied by such entity's respective AUM. KKR's definition of AUM is not based on any definition of AUM that may be set forth in the agreements governing the investment funds, vehicles or accounts that it manages or calculated pursuant to any regulatory definitions.

Book Value

Book value is a non-GAAP measure of the net assets of KKR and is used by management primarily in assessing the unrealized value of KKR's operating assets after deducting for operating liabilities, noncontrolling interests and preferred stock. We believe this measure is useful to stockholders as it provides additional insight into the net assets of KKR excluding those net assets that are allocated to noncontrolling interest holders and to the holders of the Series A and Series B Preferred Stock. Following the Conversion, KKR's book value includes the net impact of KKR's tax assets and liabilities as prepared under GAAP.

Capital Invested

Capital invested is the aggregate amount of capital invested by (i) KKR's investment funds, (ii) KKR's Principal Activities business line as a co-investment, if any, alongside KKR's investment funds, and (iii) KKR's Principal Activities business line in connection with a syndication transaction conducted by KKR's Capital Markets business line, if any. Capital invested is used as a measure of investment activity at KKR during a given period. We believe this measure is useful to stockholders as it provides a measure of capital deployment across KKR's business lines. Capital invested includes investments made using investment financing arrangements like credit facilities, as applicable. Capital invested excludes (i) investments in certain leveraged credit strategies, (ii) capital invested by KKR's Principal Activities business line that is not a co-investment alongside KKR's investment funds, and (iii) capital invested by KKR's Principal Activities business line that is not invested in connection with a syndication transaction by KKR's Capital Markets business line. Capital syndicated by KKR's Capital Markets business line to third parties other than KKR's investment funds or Principal Activities business line is not included in capital invested. See also syndicated capital.

Distributable Operating Earnings

Distributable operating earnings is a non-GAAP measure that represents after-tax distributable earnings before interest expense, preferred dividends, income (loss) attributable to noncontrolling interests and income taxes paid. We believe distributable operating earnings is useful to stockholders as it provides a supplemental measure of our operating performance without taking into account items that we do not believe relate directly to KKR's operations.

Fee Paying AUM ("FPAUM")

Fee paying AUM represents only the AUM from which KKR is entitled to receive management fees. We believe this measure is useful to stockholders as it provides additional insight into the capital base upon which KKR earns management fees. FPAUM is the sum of all of the individual fee bases that are used to calculate KKR's and its hedge fund and BDC partnership management fees and differs from AUM in the following respects: (i) assets and commitments from which KKR is not entitled to receive a management fee are excluded (e.g., assets and commitments with respect to which it is entitled to receive only carried interest or is otherwise not currently entitled to receive a management fee) and (ii) certain assets, primarily in its private equity funds, are reflected based on capital commitments and invested capital as opposed to fair value because fees are not impacted by changes in the fair value of underlying investments.

Fee Related Earnings ("FRE")

Fee related earnings is a non-GAAP measure of earnings of KKR before performance income and investment income. KKR believes this measure may be useful to stockholders as it may provide additional insight into the profitability of KKR’s fee generating management companies and capital markets businesses. Fee related earnings is calculated as KKR’s total Fees and Other, Net, multiplied by KKR’s distributable operating margin. For purposes of the fee related earnings calculation, distributable operating margin is calculated as distributable operating earnings, before equity-based compensation, divided by total operating revenues.

Operating Assets

Operating assets is a non-GAAP measure that represents cash and short-term investments, investments, unrealized carried interest, tax assets, and other assets of KKR presented on a basis that deconsolidates (i) KKR's investment funds and collateralized financing entities that KKR manages and (ii) other consolidated entities that are not subsidiaries of KKR & Co. Inc. We believe this measure is useful to stockholders as it provides additional insight into the assets of KKR that are used to operate its business lines. As used in this definition, cash and short-term investments represent cash and liquid short-term investments in high-grade, short-duration cash management strategies used by KKR to generate additional yield.

Operating Expenses

Operating expenses is a non-GAAP measure that represents the expenses of KKR and is the sum of (i) compensation and benefits (excluding unrealized performance income compensation), (ii) occupancy and related charges and (iii) other operating expenses. KKR believes that operating expenses is useful to stockholders as it provides insight into the costs expended in connection with generating KKR's operating revenues.

Operating Liabilities

Operating liabilities is a non-GAAP measure that represents the debt obligations of KKR (including KFN), tax liabilities, and other liabilities of KKR presented on a basis that deconsolidates (i) KKR's investment funds and collateralized financing entities that KKR manages and (ii) other consolidated entities that are not subsidiaries of KKR & Co. Inc. We believe this measure is useful to stockholders as it provides additional insight into the liabilities of KKR excluding the liabilities that are allocated to noncontrolling interest holders and to the holders of the Series A and Series B Preferred Stock.

Operating Revenues

Operating revenues is a non-GAAP measure that represents the realized revenues (which excludes unrealized carried interest and unrealized net gains (losses)) generated by KKR and is the sum of (i) fees and other, net, (ii) realized performance income (loss) and (iii) realized investment income (loss). KKR believes that operating revenues is useful to stockholders as it provides insight into the realized revenue generated by KKR's business lines.

Syndicated Capital

Syndicated capital is the aggregate amount of capital in transactions originated by KKR and its investment funds and carry-yielding co-investment vehicles, which has been distributed to third parties, generally in exchange for a fee. It does not include (i) capital invested in such transactions by KKR investment funds and carry-yielding co-investment vehicles, which is instead reported in capital invested, (ii) debt capital that is arranged as part of the acquisition financing of transactions originated by KKR investment funds, and (iii) debt capital that is either underwritten or arranged on a best efforts basis. Syndicated capital is used as a measure of investment activity for KKR during a given period, and we believe that this measure is useful to stockholders as it provides additional insight into levels of syndication activity in KKR's Capital Markets business line and across KKR's investment platform.

Uncalled Commitments

Uncalled commitments are used as a measure of unfunded capital commitments that KKR’s investment funds and carry-paying co-investment vehicles have received from partners to contribute capital to fund future investments. We believe this measure is useful to stockholders as it provides additional insight into the amount of capital that is available to KKR’s investment funds to make future investments. Uncalled commitments are not reduced for investments completed using fund-level investment financing arrangements.

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Consolidated Results of Operations

The following is a discussion of our consolidated results of operations for the years ended December 31, 2019 and 2018. You should read this discussion in conjunction with the financial statements and related notes included elsewhere in this report. For a more detailed discussion of the factors that affected our non-GAAP operating results in these periods, see "—Analysis of Non-GAAP Operating Results." For a discussion comparing our consolidated results of operations for the years ended December 31, 2018 and 2017, see "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on February 15, 2019.

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

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

Revenues

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

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

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

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

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

Fee credits owed to consolidated investment funds are eliminated upon consolidation under GAAP. Transaction fees earned from KKR portfolio companies are not eliminated upon consolidation because those fees are earned from companies which are not consolidated. Furthermore, transaction fees earned in our Capital Markets business line are not shared with fund investors. Accordingly, certain transaction fees are reflected in revenues without a corresponding fee credit.

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

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

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

Compensation and Benefits Expenses

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

General, Administrative and Other Expenses

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

Net Gains (Losses) from Investment Activities

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

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

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

The net gains from investment activities for the year ended December 31, 2019 were comprised of net realized gains of $497.3 million and net unrealized gains of $2,664.5 million.

Investment gains and losses relating to investments in our unconsolidated funds are not reflected in our discussion and analysis of Net Gains (Losses) from Investment Activities. Our economics associated with these gains and losses are reflected in Capital Allocation-Based Income as described above. For a discussion and analysis of the primary investment gains or losses relating to individual investments in our unconsolidated funds, see "—Analysis of Non-GAAP Operating Results—Operating Revenues."

Realized Gains and Losses from Investment Activities

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

Unrealized Gains and Losses from Investment Activities

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

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

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

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

Realized Gains and Losses from Investment Activities

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

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

Unrealized Gains and Losses from Investment Activities

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

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

Dividend Income

During the year ended December 31, 2019, the most significant dividends received included $195.3 million from our investment in Fiserv, Inc., part of which is held as a balance sheet co-investment by KKR, $36.0 million from our consolidated real estate funds, $29.1 million from our consolidated special situations funds, $14.1 million from infrastructure investments held by KKR and $12.7 million from our consolidated energy funds. During the year ended December 31, 2018, the most significant dividends received included $52.7 million from our consolidated energy funds, $34.7 million from our consolidated special situations funds, and $32.4 million from our consolidated real estate funds. Significant dividends from portfolio companies or consolidated funds are generally not recurring quarterly dividends, and while they may occur in the future, their size and frequency are variable. For a discussion of other factors that affected KKR's dividend income, see "—Analysis of Non-GAAP Operating Results—Operating Revenues—Principal Activities Revenues—Realized Investment Income."

Interest Income

The increase in interest income during the year ended December 31, 2019 compared to the year ended December 31, 2018 was primarily due to a higher level of interest earned related to (i) the closing of five additional consolidated CLOs subsequent to December 31, 2018 and (ii) an increase in the amount of capital deployed in investments held by KKR Real Estate Finance Trust Inc. ("KREF"), a NYSE-listed real estate investment trust ("REIT"), which is consolidated, as compared to the prior period. Partially offsetting this increase is a decrease in interest income related to (i) interest income from our consolidated special situations funds, primarily related to corporate restructurings in certain underlying investments that resulted in KKR receiving non-interest bearing securities for those investments subsequent to December 31, 2018 and (ii) investments held at our India debt finance company as a result of an increase in non-performing loans (see "—Analysis of Non-GAAP Operating Results—Non-GAAP Balance Sheet Measures"). For a discussion of other factors that affected KKR's interest income, see "—Analysis of Non-GAAP Operating Results—Operating Revenues—Principal Activities Revenues—Realized Investment Income."

Interest Expense

The increase in interest expense during the year ended December 31, 2019 compared to the year ended December 31, 2018 was primarily due to (i) the impact of the closing of five additional consolidated CLOs subsequent to December 31, 2018, (ii) the issuance of euro denominated senior notes in the second quarter of 2019 and (iii) increased borrowings from consolidated asset backed financing vehicles managed by KKR. These increases were partially offset by a decrease in interest expense associated with the redemption of our 6.375% Senior Notes due 2020 (the "2020 Senior Notes") during the year ended December 31, 2019. For a discussion of other factors that affected KKR's interest expense, see "—Analysis of Non-GAAP Operating Results—Operating Expenses—Interest Expense."

Income (Loss) Before Taxes

The increase in income (loss) before taxes for the year ended December 31, 2019 compared to the year ended December 31, 2018 was due primarily to a higher level of net gains from investment activities and capital allocation-based income, and to a lesser extent, increased dividend income, partially offset by a higher level of compensation and benefits and interest expense.

Income Taxes

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

Net Income (Loss) Attributable to Noncontrolling Interests

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

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

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

Consolidated Statements of Financial Condition

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

(Amounts in thousands, except per share amounts)

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

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

Consolidated Statements of Cash Flows

The accompanying consolidated statements of cash flows include the cash flows of our consolidated entities which include certain consolidated investment funds and CFEs notwithstanding the fact that we may hold only a minority economic interest in those funds and CFEs.

The assets of our consolidated funds and CFEs, on a gross basis, can be substantially larger than the assets of our business and, accordingly, could have a substantial effect on the cash flows reflected in our consolidated statements of cash flows. The primary cash flow activities of our consolidated funds and CFEs involve: (i) capital contributions from fund investors; (ii) using the capital of fund investors to make investments; (iii) financing certain investments with indebtedness; (iv) generating cash flows through the realization of investments; and (v) distributing cash flows from the realization of investments to fund investors. Because our consolidated funds and CFEs are treated as investment companies for accounting purposes, certain of these cash flow amounts are included in our cash flows from operations.

Net Cash Provided (Used) by Operating Activities

Our net cash provided (used) by operating activities was $(5.7) billion and $(7.6) billion during the years ended December 31, 2019 and 2018, respectively. These amounts primarily included: (i) proceeds from investments net of investments purchased of $(6.0) billion and $(8.5) billion during the years ended December 31, 2019 and 2018, respectively; (ii) net realized gains (losses) on investments of $497.3 million and $534.7 million during the years ended December 31, 2019 and 2018, respectively; (iii) change in unrealized gains (losses) on investments of $2.7 billion and $0.7 billion during the years ended December 31, 2019 and 2018, respectively; and (iv) capital allocation-based income of $2.4 billion and $0.6 billion during the years ended December 31, 2019 and 2018, respectively. Investment funds are, for GAAP purposes, investment companies and reflect their investments and other financial instruments at fair value.

Net Cash Provided (Used) by Investing Activities

Our net cash provided (used) by investing activities was $(207.4) million and $(78.6) million during the years ended December 31, 2019 and 2018, respectively. Our investing activities included: (i) the purchase of fixed assets of $(194.6) million and $(102.7) million during the years ended December 31, 2019 and 2018, respectively; (ii) development of oil and natural gas properties of $(12.8) million and $(2.6) million for the years ended December 31, 2019 and 2018, respectively; and (iii) proceeds from sale of oil and natural gas properties of $26.6 million for the year ended December 31, 2018.

Net Cash Provided (Used) by Financing Activities

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

Analysis of Non-GAAP Operating Results

The following is a discussion of the results of our business on a non-GAAP basis for the years ended December 31, 2019 and 2018. You should read this discussion in conjunction with the information included under "—Basis of Accounting—Key Non-GAAP and Other Operating and Performance Measures" and the financial statements and related notes included elsewhere in this report. For a discussion comparing the results of our business on a non-GAAP basis for the years ended December 31, 2018 and 2017, see "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on February 15, 2019. Certain non-GAAP measures that are presented in this report as KKR's operating results, such as operating assets, operating liabilities, operating revenues, operating expenses and distributable operating earnings, were previously referred to as segment results in our Annual Report on Form 10-K for the year ended December 31, 2018.

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

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

OPERATING REVENUES

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

OPERATING EXPENSES

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

AFTER-TAX DISTRIBUTABLE EARNINGS

	Year Ended		
	December 31, 2019	December 31, 2018	Change
		($ in thousands)	
After-tax Distributable Earnings			
(+) Total Operating Revenues	$ 3,683,334	$ 3,862,712	$ (179,378)
(-) Total Operating Expenses	1,848,598	1,884,074	(35,476)
(=) Total Distributable Operating Earnings	**1,834,736**	**1,978,638**	**(143,902)**
(-) Interest Expense	183,682	187,379	(3,697)

(-) Preferred Dividends	33,364	33,364	—
(-) Income (Loss) Attributable to Noncontrolling Interests	4,907	8,807	(3,900)
(-) Income Taxes Paid	207,479	151,848	55,631
After-tax Distributable Earnings	**$ 1,405,304**	**$ 1,597,240**	**$ (191,936)**

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

Operating Revenues

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

Private Markets Operating Revenues

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

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

Fees and Other, Net

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

The increase in transaction fees was primarily attributable to an increase in the number of transaction fee-generating investments. During the year ended December 31, 2019, there were 59 transaction fee-generating investments that paid an average fee of $7.1 million compared to 41 transaction fee-generating investments that paid an average fee of $7.4 million during the year ended December 31, 2018. For the year ended December 31, 2019, approximately 36% of these transaction fees were paid by companies located in the Asia-Pacific region, 35% were paid from companies in Europe, and 29% were paid by companies located in North America. Transaction fees vary by investment based upon a number of factors, the most significant of which are transaction size, the particular agreements as to the amount of the fees, the complexity of the transaction and KKR's role in the transaction. Additionally, transaction fees are generally not earned with respect to energy and real estate investments. The increase in fee credits is due primarily to a higher level of transaction fees which are shared with fund investors.

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

Realized Performance Income

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

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

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

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

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

Public Markets Operating Revenues

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

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

Fees and Other, Net

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

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

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

Realized Performance Income

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

Capital Markets Operating Revenues

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

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

Transaction fees decreased due primarily to a decrease in the size of capital markets transactions and to a lesser extent the number of transactions for the year ended December 31, 2019, compared to the year ended December 31, 2018. Overall, we completed 192 capital markets transactions for the year ended December 31, 2019, of which 28 represented equity offerings and 164 represented debt offerings, as compared to 204 transactions for the year ended December 31, 2018, of which 28 represented equity offerings and 176 represented debt offerings. Our capital markets fees are generated in connection with our Private Markets and Public Markets business lines as well as from third-party companies. For the year ended December 31, 2019, approximately 23% of our transaction fees were earned from unaffiliated third parties as compared to approximately 18% for the year ended December 31, 2018. Our transaction fees are comprised of fees earned from North America, Europe and Asia-Pacific. For the year ended December 31, 2019, approximately 61% of our transaction fees were generated outside of North America as compared to approximately 30% for the year ended December 31, 2018. Our Capital Markets business line is dependent on the overall capital markets environment, which is influenced by equity prices, credit spreads and volatility. Our Capital Markets business line does not generate management or monitoring fees.

Principal Activities Operating Revenues

The following table presents Realized Investment Income in the Principal Activities business line for the year ended December 31, 2019 and 2018:

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

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

Realized Investment Income

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

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

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

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

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

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

Operating Expenses

Compensation and Benefits

The decrease for the year ended December 31, 2019 compared to the prior period was due primarily to lower compensation recorded in connection with lower total operating revenues and lower equity-based compensation charges resulting from a decrease in the weighted average number of unvested shares outstanding.

Occupancy and Other Operating Expenses

The increase for the year ended December 31, 2019 compared to the prior period is primarily due to a higher level of expenses that are creditable to our investment funds, in particular a higher level of broken-deal expenses, as well as a higher level of professional fees in connection with the growth of the firm. The level of broken-deal expenses can vary significantly period to period based upon a number of factors, the most significant of which are the number of potential investments being pursued for our investment funds, the size and complexity of investments being pursued and the number of investment funds currently in their investment period. Additionally, for the year ended December 31, 2019, other operating expenses include approximately $20 million of issuance costs incurred in connection with the launch of a closed-end fund that closed in the fourth quarter.

Other Components of After-tax Distributable Earnings

Interest Expense

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

Income Taxes Paid

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

After-tax Distributable Earnings

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

Other Operating and Performance Measures

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

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

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

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

Assets Under Management

Private Markets

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

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

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

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

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

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

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

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

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

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

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

Public Markets

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

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

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

Fee Paying Assets Under Management

Private Markets

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

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

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

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

Public Markets

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

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

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

Uncalled Commitments

Private Markets

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

Public Markets

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

Capital Invested and Syndicated Capital

Private Markets Capital Invested

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

Public Markets Capital Invested

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

Capital Markets Syndicated Capital

For the year ended December 31, 2019, Capital Markets syndicated $3.9 billion of capital as compared to $6.3 billion for the year ended December 31, 2018. The decrease was primarily due to a decrease in the size of syndication transactions in the year ended December 31, 2019 as compared to the year ended December 31, 2018. Overall, we completed 21 syndication transactions for the year ended December 31, 2019 as compared to 16 syndications for the year ended December 31, 2018. The size and frequency of syndication transactions depend in large part on market conditions and other factors that are unpredictable and outside our control, which may negatively impact the fees generated by our capital markets business from syndication transactions.

Non-GAAP Balance Sheet Measures

The following tables present information with respect to our operating assets, operating liabilities, and book value as of December 31, 2019 and December 31, 2018:

OPERATING ASSETS

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

OPERATING LIABILITIES

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

BOOK VALUE

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

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

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

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

Book Value Per Adjusted Share

Book value per adjusted share increased 23.6% from December 31, 2018. This increase was due primarily to a broad-based increase in the value of KKR's investment portfolio, including investments held by KKR as well as investments held through investment funds, such as KKR's private equity funds, where KKR is entitled to earn carried interest. For the year ended December 31, 2019, the value of KKR's balance sheet portfolio, on a non-GAAP basis, increased 25.2% and

KKR's overall private equity portfolio increased 27.0%. The increase in KKR's balance sheet portfolio and net unrealized carried interest was primarily due to mark-to-market gains in our portfolio companies. For a further discussion, see "—Consolidated Results of

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

Investment in Marshall Wace

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

The following table presents the holdings of our operating assets by asset class as of December 31, 2019. To the extent investments in our operating assets are realized at values below their cost in future periods, after-tax distributable earnings would be adversely affected by the amount of such loss, if any, during the period in which the realization event occurs. For example, during 2019 we recognized net unrealized losses in our credit investment portfolio at our India debt finance company. As of December 31, 2019, KKR's 51% interest in our India debt finance company had a cost basis of approximately $198 million, comprised of invested capital of $100 million plus reinvested earnings. If the value of our 51% investment is ultimately realized at the current carrying value of $110 million, future realized investment losses of approximately $88 million would be recognized based on valuations as of December 31, 2019, which would reduce after-tax Distributable Earnings in future periods.

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

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

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

(2) The significant investments include the top five investments (other than investments expected to be syndicated or transferred in connection with new fundraising) based on their fair values as of December 31, 2019. The fair value figures include the co-investment and the limited partner and/or general partner interests held by KKR in the underlying investment, if applicable.

Reconciliations to GAAP Measures

The following tables reconcile the most directly comparable financial measures calculated and presented in according with GAAP to KKR's non-GAAP information for the year ended December 31, 2019 and 2018:

Revenues

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

Expenses

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

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

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

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

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

The following tables provide reconciliations of certain of KKR's GAAP Consolidated Statements of Financial Condition measures to our non-GAAP Balance Sheet measures as of December 31, 2019 and December 31, 2018.

Assets

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

Liabilities

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

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

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

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

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

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

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

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

(4) Represents equity awards granted under our Equity Incentive Plans. The issuance of Class A common stock of KKR & Co. Inc. pursuant to awards under our Equity Incentive Plans dilutes KKR Class A common stockholders and KKR Holdings pro rata in accordance with their respective percentage interests in the KKR business. Excludes the award of 2,500,000 restricted stock units granted to each of our Co-Presidents/Co-Chief Operating Officers during 2017 that have not met their market-price based vesting condition as of December 31, 2019 or December 31, 2018. See Item 8. Financial Statements and Supplementary Data—Note 12 "Equity Based Compensation."

Liquidity

We manage our liquidity and capital requirements by focusing on our cash flows before the consolidation of our funds and CFEs and the effect of changes in short term assets and liabilities, which we anticipate will be settled for cash within one year. Our primary cash flow activities typically involve: (i) generating cash flow from operations; (ii) generating income from investment activities, by investing in investments that generate yield (namely interest and dividends), as well as the sale of investments and other assets; (iii) funding capital commitments that we have made to, and advancing capital to, our funds and CLOs; (iv) developing and funding new investment strategies, investment products, and other growth initiatives, including acquisitions of other investments, assets, and businesses; (v) underwriting and funding commitments in our capital markets business; (vi) distributing cash flow to our stockholders and holders of our Series A and Series B Preferred Stock; and (vii) paying borrowings, interest payments, and repayments under credit agreements, our senior notes, and other borrowing arrangements. See "—Liquidity—Liquidity Needs—Dividends."

Sources of Liquidity

Our primary sources of liquidity consist of amounts received from: (i) our operating activities, including the fees earned from our funds, portfolio companies, and capital markets transactions; (ii) realizations on carried interest from our investment funds; (iii) interest and dividends from investments that generate yield, including our investments in CLOs; (iv) realizations on and sales of investments and other assets, including the transfers of investments for fund formations; and (v) borrowings under our credit facilities, debt offerings, and other borrowing arrangements. In addition, we may generate cash proceeds from sales of our equity securities.

Many of our investment funds provide carried interest. With respect to our private equity funds, carried interest is distributed to the general partner of a private equity fund with a clawback provision only after all of the following are met: (i) a realization event has occurred (e.g., sale of a portfolio company, dividend, etc.); (ii) the vehicle has achieved positive overall investment returns since its inception, in excess of performance hurdles where applicable, and is accruing carried interest; and (iii) with respect to investments with a fair value below cost, cost has been returned to fund investors in an amount sufficient to reduce remaining cost to the investments' fair value. As of December 31, 2019, certain of our funds had met the first and second criteria, as described above, but did not meet the third criteria. In these cases, carried interest accrues on the consolidated statement of operations, but will not be distributed in cash to us as the general partner of an investment fund upon a realization event. For a fund that has a fair value above cost, overall, and is otherwise accruing carried interest, but has one or more investments where fair value is below cost, the shortfall between cost and fair value for such investments is referred to as a "netting hole." When netting holes are present, realized gains on individual investments that would otherwise allow the general partner to receive carried interest distributions are instead used to return invested capital to our funds' limited partners in an amount equal to the netting hole. Once netting holes have been filled with either (a) return of capital equal to the netting hole for those investments where fair value is below cost or (b) increases in the fair value of those investments where fair value is below cost, then realized carried interest will be distributed to the general partner upon a realization event. A fund that is in a position to pay cash carry refers to a fund for which carried interest is expected to be paid to the general partner upon the next material realization event, which includes funds with no netting holes as well as funds with a netting hole that is sufficiently small in size such that the next material realization event would be expected to result in the payment of carried interest. Strategic investor partnerships with fund investors may require netting across the various funds in which they invest, which may reduce the carried interest we otherwise would have earned if such fund investors were to have invested in our funds without the existence of the strategic investor partnership. See "Risk Factors—Risks Related to Our Business—Strategic investor partnerships have longer investment periods and invest in multiple strategies, which may increase the possibility of a 'netting hole,' which will result in less carried interest for us, as well as clawback liabilities."

As of December 31, 2019, netting holes in excess of $50 million existed at three of our private equity funds, which were Americas Fund XII, 2006 Fund, and Asian Fund, which had netting holes of approximately $272 million, $107 million, and $84 million, respectively. In accordance with the criteria set forth above, other funds currently have and may in the future develop netting holes, and netting holes for those and other funds may otherwise increase or decrease in the future.

We have access to funding under various credit facilities, other borrowing arrangements and other sources of liquidity that we have entered into with major financial institutions or which we receive from the capital markets. The following describes these sources of liquidity.

Revolving Credit Agreements, Senior Notes, KFN Debt Obligation, KFN Securities and Real Estate Financing

For a discussion of KKR's debt obligations, including our revolving credit agreements, senior notes, KFN debt obligations, KFN securities and corporate real estate financing, see Item 8. Financial Statements and Supplementary Data—Note 10 "Debt Obligations."

Preferred Stock

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

Liquidity Needs

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

- continue to grow our business lines, including seeding new strategies, funding our capital commitments made to existing and future funds, co-investments and any net capital requirements of our capital markets companies, pay the costs related to fundraising and launching of new strategies, and otherwise supporting investment vehicles which we sponsor;
- warehouse investments in portfolio companies or other investments for the benefit of one or more of our funds, vehicles, accounts or CLOs pending the contribution of committed capital by the investors in such vehicles, and advancing capital to them for operational or other needs;
- service debt obligations including the payment of obligations upon maturity or redemption, as well as any contingent liabilities that may give rise to future cash payments;
- fund cash operating expenses and contingencies, including litigation matters;

- pay corporate income taxes and other taxes;
- pay amounts that may become due under our tax receivable agreement with KKR Holdings;
- pay cash dividends in accordance with our dividend policy for our Class A common stock or the terms of our preferred stock;
- underwrite commitments, advance loan proceeds and fund syndication commitments within our capital markets business;
- acquire other assets for our Principal Activities business line, including other businesses, investments and assets, some of which may be required to satisfy regulatory requirements for our capital markets business or risk retention requirements for CLOs (to the extent it continues to apply); and
- repurchase KKR's Class A common stock or retire equity awards pursuant to the share repurchase program or other securities issued by KKR.

KKR & Co. Inc. Share Repurchase Program

Under the terms of our share repurchase program, KKR is authorized to repurchase its Class A common stock from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing, manner, price and amount of any Class A common stock repurchases will be determined by KKR in its discretion and will depend on a variety of factors, including legal requirements, price and economic and market conditions. In addition to the repurchases of Class A common stock, the repurchase program will be used for the retirement (by cash settlement or the payment of tax withholding amounts upon net settlement) of equity awards issued pursuant to our Equity Incentive Plans representing the right to receive Class A common stock. KKR expects that the program, which has no expiration date, will be in effect until the maximum approved dollar amount has been used. The program does not require KKR to repurchase or retire any specific number of shares of Class A common stock or equity awards, respectively, and the program may be suspended, extended, modified or discontinued at any time. As of December 31, 2019, $366 million was available under the repurchase program.

See Item 5. "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities."

Capital Commitments

The agreements governing our active investment funds generally require the general partners of the funds to make minimum capital commitments to such funds, which generally range from 2% to 8% of a fund's total capital commitments at final closing, but may be greater for certain funds (i) where we are pursuing newer strategies, (ii) where third party investor demand is limited, and (iii) where a larger commitment is consistent with the asset allocation strategy our balance sheet is pursuing. The following table presents our uncalled commitments to our active investment funds as of December 31, 2019:

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

Other Commitments

In addition to the uncalled commitments to our investment funds as shown above, KKR has entered into contractual commitments with respect to (i) the purchase of investments and other assets primarily in our Principal Activities business line and (ii) underwriting transactions, debt financing, and syndications in our Capital Markets business line. As of December 31, 2019, these commitments amounted to $0.8 million and $1,089.4 million, respectively. Whether these amounts are actually funded, in whole or in part, depends on the contractual terms of such commitments, including the satisfaction or waiver of any conditions to closing or funding. The unfunded commitments shown for our Capital Markets business line are shown without reflecting arrangements that may reduce the actual amount of contractual commitments shown. Our capital markets business has an arrangement with a third party, which reduces our risk when underwriting certain debt transactions, and thus our unfunded commitments as of December 31, 2019 are reduced to reflect the amount to be funded by such third party. In the case of purchases of investments or assets in our Principal Activities business line, the amount to be funded includes amounts that are intended to be syndicated to third parties, and the actual amounts to be funded may be less than shown.

On January 14, 2020, KKR committed to invest up to an additional $150 million in KKR India Financial Services to support KKR's alternative credit business in India.

Tax Receivable Agreement

We may be required to acquire KKR Group Partnership Units from time to time pursuant to our exchange agreement with KKR Holdings, which may result in an increase in our tax basis of the assets of the KKR Group Partnerships at the time of an exchange of KKR Group Partnership Units. We have entered into a tax receivable agreement with KKR Holdings, which requires us to pay to KKR Holdings, or to current and former principals who have exchanged KKR Holdings units for KKR Class A common stock as transferees of KKR Group Partnership Units, 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that we realize as a result of the increase in tax basis described above, as well as 85% of the amount of any such savings we realize as a result of increases in tax basis that arise due to future payments under the agreement. As of December 31, 2019, an undiscounted payable of $131.3 million has been recorded in due to affiliates in the financial statements representing management's best estimate of the amounts currently expected to be owed under the tax receivable agreement. As of December 31, 2019, approximately $35.8 million of cumulative cash payments have been made under the tax receivable agreement.

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

Dividends

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

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

When KKR & Co. Inc. receives distributions from the KKR Group Partnerships (the holding companies of the KKR business), KKR Holdings receives its pro rata share of such distributions from the KKR Group Partnerships.

The declaration and payment of dividends to our Class A common stockholders will be at the sole discretion of our board of directors, and our dividend policy may be changed at any time. Our current dividend policy is to pay dividends to holders of our Class A common stock in an annual aggregate amount of $0.54 per share (or a quarterly dividend of $0.135 per share) beginning with any dividend to be announced with respect to the results for the first quarter of 2020, subject to the discretion of our board of directors based on a number of factors, including KKR's future financial performance and other considerations that the board deems relevant, and compliance with the terms of KKR & Co. Inc.'s certificate of incorporation and applicable law. For U.S. federal income tax purposes, any dividends we pay (including dividends on our preferred stock) generally will be treated as qualified dividend income for U.S. individual stockholders to the extent paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. There can be no assurance that future dividends will be made as intended or at all or that any particular dividend policy for our Class A common stock will be maintained. Furthermore, the declaration and payment of distributions by the KKR Group Partnerships and our other subsidiaries may also be subject to legal, contractual and regulatory restrictions, including restrictions contained in our debt agreements and the terms of the preferred stock of the KKR Group Partnerships.

Other Liquidity Needs

We may also be required to fund various underwriting, syndication and fronting commitments in our capital markets business in connection with the underwriting of loans, securities or other financial instruments, which has increased in significance in recent periods and may continue to be significant in future periods. We generally expect that these commitments will be syndicated to third parties or otherwise fulfilled or terminated, although we may in some instances elect to retain a portion of the commitments for our own investment.

Contractual Obligations, Commitments and Contingencies

In the ordinary course of business, we and our consolidated funds and CFEs enter into contractual arrangements that may require future cash payments. The following table sets forth information relating to anticipated future cash payments as of December 31, 2019 excluding consolidated funds and CFEs with a reconciliation of such amounts to the anticipated future cash payments of KKR including consolidated funds and CFEs.

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

(1) These uncalled commitments represent amounts committed by us to fund a portion of the purchase price paid for each investment made by our investment funds which are actively investing. Because capital contributions are due on demand, the above commitments have been presented as falling due within one year. However, given the size of such commitments and the pace at which our investment funds make investments, we expect that the capital commitments presented above will be called over a period of several years. See "—Liquidity—Liquidity Needs."

(2) Amounts include: (i) $727.9 million aggregate principal amount of 1.625% Senior Notes due 2029 issued by KKR Group Finance Co. V LLC (denominated in euro), $500 million aggregate principal amount of 3.750% Senior Notes due 2029 issued by KKR Group Finance Co. VI LLC, $500 million aggregate principal amount of 5.500% Senior Notes due 2043 issued by KKR Group Finance Co. II LLC and $1,000 million aggregate principal amount of 5.125% Senior Notes due 2044 issued by KKR Group Finance Co. III LLC, gross of unamortized discount; (ii) $369.7 million aggregate principal amount of 0.509% Senior Notes due 2023, 0.764% Senior Notes due 2025 and 1.595% Senior Notes due 2038 issued by KKR Group Finance Co. IV LLC (denominated in Japanese Yen); (iii) $500 million aggregate principal amount of 5.500% Senior Notes due 2032 issued by KFN, gross of unamortized discount; (iv) $120 million aggregate principal amount of 5.200% Senior Notes due 2033 issued by KFN; (v) $70.0 million aggregate principal amount of 5.400% Senior Notes due 2033 issued by KFN; and (vi) $258.5 million aggregate principal amount of junior subordinated notes issued by KFN, gross of unamortized discount. KFN's debt obligations are non-recourse to KKR beyond the assets of KFN.

(3) These interest obligations on debt represent estimated interest to be paid over the term of the related debt obligation, which has been calculated assuming the debt outstanding at December 31, 2019 is not repaid until its maturity. Future interest rates are assumed to be those in effect as of December 31, 2019, including both variable and fixed rates, as applicable, provided for by the relevant debt agreements. The amounts presented above include accrued interest on outstanding indebtedness.

(4) Represents various commitments in our capital markets business in connection with the underwriting of loans, securities and other financial instruments. These commitments are shown net of amounts syndicated.

(5) Represents obligations in our capital markets business to lend under various revolving credit facilities.

(6) Represents commitments of KKR and KFN to fund the purchase of various investments.

(7) Represents uncalled commitments of our consolidated funds excluding KKR's portion of uncalled commitments as the general partner of the respective funds. Because capital contributions are due on demand, the above commitments have been presented as falling due within one year. However, given the size of such commitments and the pace at which our investment funds make investments, we expect that the capital commitments presented above will be called over a period of several years. See "—Liquidity—Liquidity Needs."

(8) Amounts include (i) financing arrangements entered into by our consolidated funds with the objective of providing liquidity to the funds of $6.9 billion, (ii) debt securities issued by our consolidated CLOs of $14.7 billion and (iii) borrowings collateralized by specific investments and other assets held directly by majority-owned investment vehicles of $1.0 billion. Debt securities issued by consolidated CLO entities are supported solely by the investments held at the CLO vehicles and are not collateralized by assets of any other KKR entity. Obligations under financing arrangements entered into by our consolidated funds are generally limited to our pro rata equity interest in such funds. Our management companies bear no obligations to repay any financing arrangements at our consolidated funds.

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

(10) The interest obligations on debt of our CFEs and other borrowings represent estimated interest to be paid over the term of the related debt obligation, which has been calculated assuming the debt outstanding at December 31, 2019 is not repaid until its maturity. Future interest rates are assumed to be those in effect as of December 31, 2019, including both variable and fixed rates, as applicable, provided for by the relevant debt agreements. The amounts presented above include accrued interest on outstanding indebtedness.

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

The commitment table above excludes contractual amounts owed under the tax receivable agreement because the ultimate amount and timing of the amounts due are not presently known. See "—Liquidity Needs—Tax Receivable Agreement" in this report and "Risk Factors—We will be required to pay our principals for most of the benefits relating to our use of tax attributes we receive from prior and future exchanges of our Class A common stock for KKR Group Partnership Units and related transactions, and the timing and value of these tax attributes differ from those of our restricted stock units."

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

We may incur contingent liabilities for claims that may be made against us in the future. We enter into contracts that contain a variety of representations, warranties and covenants, including indemnifications. For example, certain of our investment funds and KFN have provided certain indemnities relating to environmental and other matters and have provided nonrecourse carve-out guarantees for fraud, willful misconduct and other customary wrongful acts, each in connection with the financing of certain real estate investments that we have made. KKR has also provided certain guarantees for fraud, willful misconduct, bankruptcy and other customary wrongful acts in connection with the financing of KKR's corporate real estate and certain investment vehicles. KKR has also (i) provided credit support regarding repayment obligations to third-party lenders to certain of its employees, excluding its executive officers, in connection with their personal investments in KKR investment funds and (ii) provided credit support to one of our hedge fund partnerships. We have also indemnified employees and non-employees against potential liabilities, in connection with their service as described under "Item 13. Certain Relationships and Related Transactions, and Director Independence-Indemnification of Directors, Officers and Others" in our Annual Report. In addition, we have also provided credit support to certain of our subsidiaries' obligations in connection with certain investment vehicles or partnerships that we manage. For example, KKR has guaranteed the obligations of a general partner to post collateral on behalf of its investment vehicle in connection with such vehicle's derivative transactions, and we have also agreed to be liable for certain investment losses and/or for providing liquidity in the events specified in the governing documents of certain investment vehicles. Our maximum exposure under these arrangements is currently unknown as our liabilities for these matters would require a claim to be made against us in the future.

The partnership documents governing our carry-paying funds generally include a "clawback" provision that, if triggered, may give rise to a contingent obligation requiring the general partner to return amounts to the fund for distribution to the fund investors at the end of the life of the fund. See Item 8. Financial Statements and Supplementary Data—Note 16 "Commitments and Contingencies—Contingent Repayment Guarantees" for further information on KKR's potential clawback obligations.

Off Balance Sheet Arrangements

Other than contractual commitments and other legal contingencies incurred in the normal course of our business, we do not have any off-balance sheet financings or liabilities.

Critical Accounting Policies

The preparation of our financial statements in accordance with GAAP requires our management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of fees, expenses and investment income. Our management bases these estimates and judgments on available information, historical experience and other assumptions that we believe are reasonable under the circumstances. However, these estimates, judgments and assumptions are often subjective and may be impacted negatively based on changing circumstances or changes in our analyses. If actual amounts are ultimately different from those estimated, judged or assumed, revisions are included in the financial statements in the period in which the actual amounts become known. We believe our critical accounting policies could potentially produce materially different results if we were to change underlying estimates, judgments or assumptions.

The following discusses certain aspects of our critical accounting policies. For a full discussion of these and all critical accounting policies, see Item 8. Financial Statements and Supplementary Data—Note 2 "Summary of Significant Accounting Policies."

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. Except for certain of KKR's equity method investments and debt obligations, KKR's investments and other financial instruments are recorded at fair value or at amounts whose carrying values approximate fair value.

GAAP establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Investments and financial instruments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination of fair values, as follows:

Level I

Pricing inputs are unadjusted, quoted prices in active markets for identical assets or liabilities as of the measurement date. The types of financial instruments included in this category are publicly-listed equities and securities sold short.

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

Level II

Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies. The types of financial instruments included in this category are credit investments, investments and debt obligations of consolidated CLO entities, convertible debt securities indexed to publicly-listed securities, less liquid and restricted equity securities and certain over-the-counter derivatives such as foreign currency option and forward contracts.

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

Level III

Pricing inputs are unobservable for the financial instruments and include situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. The types of financial instruments generally included in this category are private portfolio companies, real assets investments, credit investments, equity method investments for which the fair value option was elected and investments and debt obligations of consolidated CMBS entities.

We classified 56.7% of total investments measured and reported at fair value as Level III at December 31, 2019. The valuation of our Level III investments at December 31, 2019 represents management's best estimate of the amounts that we would anticipate realizing on the sale of these investments in an orderly transaction at such date.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Level III Valuation Methodologies

With respect to our private equity portfolio, which includes growth equity investments, we generally employ two valuation methodologies when determining the fair value of an investment. The first methodology is typically a market comparables analysis that considers key financial inputs and recent public and private transactions and other available measures. The second methodology utilized is typically a discounted cash flow analysis, which incorporates significant assumptions and judgments. Estimates of key inputs used in this methodology include the weighted average cost of capital for the investment and assumed inputs used to calculate terminal values, such as exit EBITDA multiples. In certain cases the results of the discounted cash flow approach can be significantly impacted by these estimates. Other inputs are also used in both methodologies. Also, as discussed in greater detail under "—Business Environment" and "Risk Factors—Risks Related to the Assets We Manage—Our investments are impacted by various economic conditions that are difficult to quantify or predict, but may have a significant adverse impact on the value of our investments" in this report, a change in interest rates could have a significant impact on valuations. In addition, when a definitive agreement has been executed to sell an investment, KKR generally considers a significant determinant of fair value to be the consideration to be received by KKR pursuant to the executed definitive agreement.

Upon completion of the valuations conducted using these methodologies, a weighting is ascribed to each method, and an illiquidity discount is typically applied where appropriate. The ultimate fair value recorded for a particular investment will generally be within a range suggested by the two methodologies, except that the value may be higher or lower than such range in the case of investments being sold pursuant to an executed definitive agreement.

Across the total Level III private equity investment portfolio (including core investments), and including investments in both consolidated and unconsolidated investment funds, approximately 58% of the fair value is derived from investments that are valued based exactly 50% on market comparables and 50% on a discounted cash flow analysis. Less than 2% of the fair value of this Level III private equity investment portfolio is derived from investments that are valued either based 100% on market comparables or 100% on a discounted cash flow analysis. As of December 31, 2019, the overall weights ascribed to the market comparables methodology, the discounted cash flow methodology, and a methodology based on pending sales for this portfolio of Level III private equity investments were 39%, 46%, and 15%, respectively.

In the case of growth equity investments, enterprise values may be determined using the market comparables analysis and discounted cash flow analysis described above. A scenario analysis may also be conducted to subject the estimated enterprise values to a downside, base and upside case, which involves significant assumptions and judgments. A milestone analysis may also be conducted to assess the current level of progress towards value drivers that we have determined to be important, which involves significant assumptions and judgments. The enterprise value in each case may then be allocated across the investment's capital structure to reflect the terms of the security and subjected to probability weightings. In certain cases, the values of growth equity investments may be based on recent or expected financings.

Real asset investments in infrastructure, energy and real estate are valued using one or more of the discounted cash flow analysis, market comparables analysis and direct income capitalization, which in each case incorporates significant assumptions and judgments. Infrastructure investments are generally valued using the discounted cash flow analysis. Key inputs used in this methodology can include the weighted average cost of capital and assumed inputs used to calculate terminal values, such as exit EBITDA multiples. Energy investments are generally valued using a discounted cash flow analysis. Key inputs used in this methodology that require estimates include the weighted average cost of capital. In addition, the valuations of energy investments generally incorporate both commodity prices as quoted on indices and long-term commodity price forecasts, which may be substantially different from, and are currently higher than, commodity prices on certain indices for equivalent future dates. Certain energy investments do not include an illiquidity discount. Long-term commodity price forecasts are utilized to capture the value of the investments across a range of commodity prices within the energy investment portfolio associated with future development and to reflect a range of price expectations. Real estate investments are generally valued using a combination of direct income capitalization and discounted cash flow analysis. Key inputs used in such methodologies that require estimates include an unlevered discount rate and current capitalization rate, and certain real estate investments do not include a minimum illiquidity discount. The valuations of real assets investments also use other inputs.

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

On a non-GAAP basis, our energy real asset investments in oil and gas properties as of December 31, 2019 had a fair value of approximately $715 million. Based on this fair value, we estimate that an immediate, hypothetical 10% decline in the fair value of these energy investments from one or more adverse movements to the investments' valuation inputs would result in a decline in book value of $71.5 million. As of December 31, 2019, if we were to value our energy investments using only the commodity prices as quoted on indices and did not use long-term commodity price forecasts, and also held all other inputs to their valuation constant, we estimate that book value would have been approximately $77 million lower.

These hypothetical declines relate only to book value. There would be no current impact on KKR's unrealized carried interest since all of the investment funds which hold these types of energy investments have investment values that are either below their cost or not currently accruing carried interest. Additionally, there would be no impact on fees since fees earned from investment funds which hold investments in oil and gas properties are based on either committed capital or capital invested.

Credit investments are valued using values obtained from dealers or market makers, and where these values are not available, credit investments are generally valued by us based on ranges of valuations determined by an independent valuation firm. Valuation models are based on discounted cash flow analyses, for which the key inputs are determined based on market comparables, which incorporate similar instruments from similar issuers.

Key unobservable inputs that have a significant impact on our Level III investment valuations as described above are included in Item 8. Financial Statements and Supplementary Data—Note 5 "Fair Value Measurements."

Level III Valuation Process

The valuation process involved for Level III measurements is completed on a quarterly basis and is designed to subject the valuation of Level III investments to an appropriate level of consistency, oversight, and review.

For Private Markets investments classified as Level III, investment professionals prepare preliminary valuations based on their evaluation of financial and operating data, company specific developments, market valuations of comparable companies and other factors. KKR begins its procedures to determine the fair values of its Level III assets one month prior to the end of a reporting period, and KKR follows additional procedures to ensure that its determinations of fair value for its Level III assets are appropriate as of the relevant reporting date. These preliminary valuations are reviewed by an independent valuation firm engaged by KKR to perform certain procedures in order to assess the reasonableness of KKR's valuations annually for all Level III investments in Private Markets and quarterly for investments other than certain investments, which have values less than preset value thresholds and which in the aggregate comprise less than 1% of the total value of KKR's Level III Private Markets investments. The valuations of certain real asset investments are determined solely by an independent valuation firm without the preparation of preliminary valuations by our investment professionals, and instead such independent valuation firm relies on valuation information available to it as a broker or valuation firm. For credit investments and debt obligations of consolidated CMBS vehicles, an independent valuation firm is generally engaged quarterly by KKR with respect to most investments classified as Level III. The valuation firm either provides a value or provides a valuation range from which KKR's investment professionals select a point in the range to determine the preliminary valuation or performs certain procedures in order to assess the reasonableness and provide positive assurance of KKR's valuations. After reflecting any input from the independent valuation firm, the valuation proposals are submitted for review and approval by KKR's valuation committees. As of December 31, 2019, less than 5% of the total value of our Level III credit investments were not valued with the engagement of an independent valuation firm.

KKR has a global valuation committee that is responsible for coordinating and implementing the firm's valuation process to ensure consistency in the application of valuation principles across portfolio investments and between periods. The global valuation committee is assisted by the asset class-specific valuation committees that exist for private equity (including core investments), growth equity, real estate, energy and infrastructure and credit. The asset class-specific valuation committees are responsible for the review and approval of all preliminary Level III valuations in their respective asset classes on a quarterly basis. The members of these valuation committees are comprised of investment professionals, including the heads of each respective strategy, and professionals from business operations functions such as legal, compliance and finance, who are not primarily responsible for the management of the investments.

All Level III valuations are also subject to approval by the global valuation committee, which is comprised of senior employees including investment professionals and professionals from business operations functions, and includes one of KKR's

Co-Presidents and Co-Chief Operating Officers and its Chief Financial Officer, General Counsel and Chief Compliance Officer. When valuations are approved by the global valuation committee after reflecting any input from it, the valuations of Level III investments, as well as the valuations of Level I and Level II investments, are presented to the audit committee of the board of directors of KKR & Co. Inc. and are then reported to the board of directors.

As of December 31, 2019, upon completion by, where applicable, an independent valuation firm of certain limited procedures requested to be performed by them on certain investments, the independent valuation firm concluded that the fair values, as determined by KKR, of those investments reviewed by them were reasonable. The limited procedures did not involve an audit, review, compilation or any other form of examination or attestation under generally accepted auditing standards and were not conducted on all Level III investments. We are responsible for determining the fair value of investments in good faith, and the limited procedures performed by an independent valuation firm are supplementary to the inquiries and procedures that we are required to undertake to determine the fair value of the commensurate investments.

As described above, Level II and Level III investments were valued using internal models with significant unobservable inputs and our determinations of the fair values of these investments may differ materially from the values that would have resulted if readily observable inputs had existed. Additional external factors may cause those values, and the values of investments for which readily observable inputs exist, to increase or decrease over time, which may create volatility in our earnings and the amounts of assets and stockholders' equity that we report from time to time.

Changes in the fair value of investments impacts the amount of carried interest that is recognized as well as the amount of investment income that is recognized for investments held directly and through our consolidated funds as described below. We estimate that an immediate 10% decrease in the fair value of investments held directly and through consolidated investment funds generally would result in a commensurate change in the amount of net gains (losses) from investment activities for investments held directly and through investment funds and a more significant impact to the amount of carried interest recognized, regardless of whether the investment was valued using observable market prices or management estimates with significant unobservable pricing inputs. With respect to consolidated investment funds, the impact that the consequential decrease in investment income would have on net income attributable to KKR would generally be significantly less than the amount described above, given that a majority of the change in fair value of our consolidated funds would be attributable to noncontrolling interests and therefore we are only impacted to the extent of our carried interest and our balance sheet investments.

As of December 31, 2019, there were no investments which represented greater than 5% of total investments on a GAAP basis. On a non-GAAP basis, as of December 31, 2019, investments which represented greater than 5% of total non-GAAP investments consisted of Fiserv, Inc. and USI, Inc. valued at $1,837.7 million and $800.2 million, respectively. Our investment income on a GAAP basis and our book value can be impacted by volatility in the public markets related to our holdings of publicly traded securities, including our sizable holdings of Fiserv, Inc. See "—Business Environment" for a discussion on the impact of global equity markets on our financial condition and "—Non-GAAP Balance Sheet Measures" for additional information regarding our largest holdings on a non-GAAP basis.

Recognition of Investment Income

Investment income consists primarily of the net impact of: (i) realized and unrealized gains and losses on investments; (ii) dividends; (iii) interest income; (iv) interest expense and (v) foreign exchange gains and losses relating to mark-to-market activity on foreign exchange forward contracts, foreign currency options, foreign denominated debt and debt securities issued by consolidated CFEs.

Certain of our investment funds are consolidated. When a fund is consolidated, the portion of our funds' investment income that is allocable to our carried interests and capital investments is not shown in the consolidated statements of operations. For funds that are consolidated, all investment income (loss), including the portion of a funds' investment income (loss) that is allocable to KKR's carried interest, is included in investment income (loss) on the consolidated statements of operations. The carried interest that KKR retains in net income (loss) attributable to KKR & Co. Inc. is reflected as an adjustment to net income (loss) attributable to noncontrolling interests. However, because certain of our funds remain consolidated and because we hold a minority economic interest in these funds' investments, our share of the investment income is less than the total amount of investment income presented in the consolidated statements of operations for these consolidated funds.

Recognition of Carried Interest in the Statement of Operations

Carried interest entitles the general partner of a fund to a greater allocable share of the fund's earnings from investments relative to the capital contributed by the general partner and correspondingly reduces noncontrolling interests' attributable share of those earnings. Carried interest is earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment returns decrease or turn negative in subsequent periods, recognized carried interest will be reversed and reflected as losses in the statement of operations. For funds that are not consolidated, amounts earned pursuant to carried interest are included in capital allocation-based income in the consolidated statements of operations. Amounts earned pursuant to carried interest at consolidated funds are eliminated from fees and other upon consolidation of the fund and are included as investment income (loss) in net gains (losses) from investment activities along with all of the other investment gains and losses at the consolidated fund.

Carried interest is recognized in the statement of operations based on the contractual conditions set forth in the agreements governing the fund as if the fund were terminated and liquidated at the reporting date and the fund's investments were realized at the then estimated fair values. Due to the extended durations of our private equity funds, we believe that this approach results in income recognition that best reflects our periodic performance in the management of those funds. Amounts earned pursuant to carried interest are earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment amounts earned decrease or turn negative in subsequent periods, recognized carried interest will be reversed and to the extent that the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, a clawback obligation would be recorded. For funds that are not consolidated, this clawback obligation, if any, is reflected as a reduction of our investment balance as this is where carried interest is initially recorded. For funds that are consolidated, this clawback obligation, if any, is reflected as an increase in noncontrolling interests in the consolidated statements of financial condition.

Prior to 2012, most of our historical private equity funds that provide for carried interest do not have a preferred return. For these funds, the management company is required to refund up to 20% of any management fees earned from its limited partners in the event that the fund recognizes carried interest. At such time as the fund recognizes carried interest in an amount sufficient to cover 20% of the management fees earned or a portion thereof, a liability due to the fund's limited partners is recorded and revenue is reduced for the amount of the carried interest recognized, not to exceed 20% of the management fees earned. The refunds to the limited partners are paid, and liabilities relieved, at such time that the underlying investment is sold and the associated carried interest is realized. In the event that a fund's carried interest is not sufficient to cover all or a portion of the amount that represents 20% of the earned management fees, such management fees would be retained and not returned to the funds' limited partners.

Most of our investment funds that provide for carried interest and were launched after 2012, however, have a preferred return. In this case, the management company does not refund the management fees earned from the limited partners of the fund as described above. Instead, the management fee is effectively returned to the limited partners through a reduction of the realized gain on which carried interest is calculated. To calculate the carried interest, KKR calculates whether a preferred return has been achieved based on an amount that includes all of the management fees paid by the limited partners as well as the other capital contributions and expenses paid by them to date. To the extent the fund has exceeded the preferred return at the time of a realization event, and subject to any other conditions for the payment of carried interest like netting holes, carried interest is distributed to the general partner. Until the preferred return is achieved, no carried interest is recorded. Thereafter, the general partner is entitled to a catch up allocation such that the general partner's carried interest is paid in respect of all of the fund's net gains, including the net gains used to pay the preferred return, until the general partner has received the full percentage amount of carried interest that the general partner is entitled to under the terms of the fund. In general, investment funds that entitle the management company to receive an incentive fee have a preferred return and are calculated on a similar basis that takes into account management fees paid.

Recently Issued Accounting Pronouncements

For a full discussion of recently issued accounting pronouncements, see Item 8. Financial Statements and Supplementary Data—Note 2 "Summary of Significant Accounting Policies."

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risks primarily relates to movements in the fair value of investments, including the effect that those movements have on our management fees, carried interest, and net gains from investment activities. The fair value of investments may fluctuate in response to changes in the values of investments, foreign currency exchange rates, and interest rates. Additionally, interest rate movements can adversely impact the amount of interest income we receive on credit instruments bearing variable rates and could also impact the amount of interest that we pay on debt obligations bearing variable rates.

The quantitative information provided in this section was prepared using estimates and assumptions that management believes are appropriate in order to provide a reader with an indication of the directional impact that a hypothetical adverse movement in certain risks would have on net income attributable to KKR & Co. Inc. In all cases, these directional impacts are presented after deducting amounts that are attributable to noncontrolling interests held by KKR Holdings. As of December 31, 2019, KKR & Co. Inc. and KKR Holdings held interests in our business of 65.9% and 34.1%, respectively. The actual impact of a hypothetical adverse movement in these risks could be materially different from the amounts shown below.

The firm uses various committees to help manage market risk and general business risks.

Management of Market Risk

When we commit capital of a certain amount from our balance sheet to investments or transactions, a balance sheet committee of senior employees, including our two Co-Chief Executive Officers, a Co-President/Co-Chief Operating Officer, and the Chief Financial Officer, must approve the investment or transaction before it may be made. The committee may delegate authority to other employees subject to maximum commitment sizes or other limitations determined by the committee. In addition, this committee supervises activities governing KKR's capital structure, liquidity, and the composition of our balance sheet.

Certain securities transactions by our capital markets business are subject to risk tolerance limits, regulatory capital requirements, and the review and approval of one or more committees in compliance with rules applicable to broker-dealers pursuant to the Exchange Act. When our capital is committed to capital markets transactions after diligence is conducted, such transactions are subject to the review and approval of a capital markets underwriting committee. These transactions are also subject to risk tolerance limits. The risk tolerance limits establish the level of investment we may make in a single company or type of transaction, for example, and are designed to avoid undue concentration and risk exposure. Regulatory capital requirements also place limits on the size of securities underwritings the capital markets business can conduct based on quantitative measure of assets, liabilities, and certain off-balance-sheet items. Aggregate balance sheet risk and capital deployed for transactions are monitored on an ongoing basis by the balance sheet committee referenced above.

With respect to the funds and other investment vehicles through which we make investments for our fund investors, KKR manages risk by subjecting transactions to the review and approval of an applicable investment committee or portfolio manager; a portfolio management committee (or other designated senior employees) then regularly monitors these investments. Before making an investment, investment professionals identify risks in due diligence, evaluating, among other things, business, financial, legal and regulatory issues, financial data, and other information relevant to a particular investment. An investment team presents the investment and its identified risks to an investment committee or a portfolio manager, which must approve each investment before it may be made. If an investment is made, a portfolio management committee (or other designated senior employees) is responsible for working with our investment professionals to monitor the investment on an ongoing basis.

Management of General Business Risk

KKR has an investment management and distribution committee comprised of senior employees across our business lines, and includes our Co-Presidents/Co-Chief Operating Officers and Chief Financial Officer. The investment management and distribution committee focuses on coordinating investment and distribution activities across the firm. KKR has a risk and operations committee comprised of senior employees from across our business operations, and includes our Co-Presidents/Co-Chief Operating Officers, Chief Financial Officer, General Counsel, and Chief Compliance Officer. The risk and operations committee focuses on KKR's operations and enterprise risk management.

KKR's global conflicts and compliance committee is responsible for analyzing and addressing new or potential conflicts of interest that may arise in KKR's business, including conflicts relating to specific transactions as well as potential conflicts involving the overall activities of KKR and its various businesses. This committee also reviews and monitors certain

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

Changes in Fair Value

The majority of our investments are reported at fair value. Net changes in the fair value of investments impact the net gains (losses) from investment activities in our consolidated statements of operations. Based on investments held as of December 31, 2019, we estimate that an immediate 10% decrease in the fair value of investments generally would result in a commensurate change in the amount of net gains (losses) from investment activities (except that carried interest would likely be more significantly impacted), regardless of whether the investment was valued using observable market prices or management estimates with significant unobservable pricing inputs. The impact that the consequential decrease in investment income would have on net income attributable to KKR & Co. Inc. would generally be significantly less than the amount described above, given that a significant portion of the change in fair value would be attributable to noncontrolling interests and therefore we are only impacted to the extent of our carried interest and our balance sheet investments and to a lesser extent our management fees. Because of this, the quantitative information that follows represents the impact that a reduction to each of the income streams shown below would have on net income attributable to KKR & Co. Inc. before income taxes. The actual impact to individual line items within the consolidated statements of operations would differ from the amounts shown below as a result of (i) the inclusion of amounts attributable to KKR Holdings in individual line items within the consolidated statement of operations, (ii) the elimination of management fees and carried interest as a result of the consolidation of certain investment funds and CFEs, and (iii) the gross-up of net gains (losses) from investment activities, in each case as a result of the consolidation of certain investment funds and CFEs.

Based on the fair value of investments as of December 31, 2019, we estimate that an immediate, hypothetical 10% decline in the fair value of investments would result in declines in net income attributable to KKR & Co. Inc. before income taxes in 2020 from reductions in the following items, if not offset by other factors:

	Management Fees	Carried Interest, Net of Carry Pool Allocation	Net Gains/(Losses) From Investment Activities Including General Partner Capital Interest
		($ in thousands)	
10% Decline in Fair Value of Investments [(1)]	$ 20,399 [(2)]	$ 399,043 [(3)]	$ 858,439 [(3)]

(1) An immediate, hypothetical 10% decline in the fair value of investments would also impact our ability to earn incentive fees. Since the majority of our incentive fees are earned at December 31st or September 30th of each calendar year and are not subject to clawback, a 10% decline in fair value would generally result in the recognition of no incentive fees on a prospective basis and result in lower net income relative to prior years where such incentive fees may have been earned.

(2) Represents an annualized reduction in management fees.

(3) Decrease would impact our statement of operations in a single quarter. With respect to carried interest, for purposes of this analysis the impact of preferred returns are ignored.

Management Fees

Our management fees in our Private Markets business line are generally calculated based on the amount of capital committed or invested by a fund, as described under "Business—Our Business Lines—Private Markets." Accordingly, movements in the fair value of investments do not significantly affect the amount of fees we may charge in Private Markets funds. Management fees in our infrastructure funds are calculated based on NAV of the fund and, in some cases, we additionally earn management fees on the fund's remaining commitment.

In the case of our Public Markets business line, management fees are often calculated based on the average NAV of the fund for that particular period, although certain funds in our Public Markets business line have management fees based on the amount of capital invested. In the case of our CLO vehicles, management fees are calculated based on the collateral of the vehicle. The collateral is based on the par value of the investments and cash on hand.

To the extent that management fees are calculated based on the NAV of the fund's investments, the amount of fees that we may charge will increase or decrease in direct proportion to the effect of changes in the fair value of the fund's investments. The proportion of our management fees that are based on NAV depends on the number and type of funds in existence. For the year ended December 31, 2019, the fund management fees that were recognized based on the NAV of the applicable funds was approximately 25%.

Publicly Traded Securities

Our investment funds and KKR's balance sheet hold certain investments in portfolio companies whose securities are publicly traded. The market prices of securities may be volatile and are likely to fluctuate due to a number of factors beyond our control. These factors include actual or anticipated fluctuations in the quarterly and annual results of such companies or of other companies in the industries in which they operate, market perceptions concerning the availability of additional securities for sale, general economic, social or political developments, industry conditions, changes in government regulation, shortfalls in operating results from levels forecasted by securities analysts, the general state of the securities markets and other material events, such as significant management changes, re-financings, acquisitions, and dispositions. In addition, although a substantial portion of our investments are comprised of investments in portfolio companies whose securities are not publicly traded, the value of these privately held investments may also fluctuate as our Level III investments are valued in part using a market comparables analysis. Consequently, due to similar factors beyond our control as described above for portfolio companies whose securities are publicly traded, the value of these Level III investments may fluctuate with market prices. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Environment."

Exchange Rate Risk

Our investment funds, CLO vehicles, and KKR's balance sheet hold investments denominated in currencies other than the U.S. dollar. Those investments expose us and our fund investors to the risk that the value of the investments will be affected by changes in exchange rates between the currency in which the investments are denominated and the currency in which the investments are made. Additionally, a portion of our management fees are denominated in non-U.S. dollar currencies. Our policy is to reduce these risks by employing hedging techniques, including using foreign currency options and foreign exchange forward contracts to reduce exposure to future changes in exchange rates when a meaningful amount of capital has been invested in currencies other than the currencies in which the investments are denominated.

Our primary exposure to exchange rate risk relates to movements in the value of exchange rates between the U.S. dollar and other currencies in which our investments are denominated (including euros, British pounds, Japanese yen, among others), net of the impact of foreign exchange hedging strategies. The quantitative information that follows represents the impact that a reduction to each of the income streams shown below would have on net income attributable to KKR & Co. Inc. before income taxes. The actual impact to individual line items within the statements of operations would differ from the amounts shown below as a result of (i) the inclusion of amounts attributable to KKR Holdings in individual line items within the consolidated statement of operations, (ii) the elimination of carried interest as a result of the consolidation of certain investment funds, and (iii) the gross-up of net gains (losses) from investment activities, in each case as a result of the consolidation of certain investment funds and CLO vehicles.

We estimate that an immediate, hypothetical 10% decline in the exchange rates between the U.S. dollar and all of the major foreign currencies in which our investments were denominated as of December 31, 2019 (i.e. an increase in the value of the U.S. dollar against these foreign currencies) would result in declines in net income attributable to KKR & Co. Inc. before income taxes in 2020 from reductions in the following items, net of the impact of foreign exchange hedging strategies, if not offset by other factors:

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

(1) An immediate, hypothetical 10% decline in exchange rates between the U.S. dollar and all of the major foreign currencies in which our investments were denominated would only marginally impact our ability to earn incentive fees since the majority of our funds in which we are entitled to earn incentive fees are denominated in U.S. dollars. Additionally, the impact on our management fees that are denominated in non-U.S. dollar currencies considering the impact of foreign exchange hedging strategies employed would not be expected to be material.

(2) Decrease would impact our statement of operations in a single quarter. With respect to carried interest, for purposes of this analysis the impact of preferred returns are ignored.

Interest Rate Risk

Valuation of Investments

Changes in credit markets and in particular, interest rates, can impact investment valuations, particularly our Level III investments, and may have offsetting results depending on the valuation methodology used. For example, we typically use a discounted cash flow analysis as one of the methodologies to ascertain the fair value of our investments that do not have readily observable market prices. If applicable interest rates rise, then the assumed cost of capital for those portfolio companies would be expected to increase under the discounted cash flow analysis, and this effect would negatively impact their valuations if not offset by other factors. Conversely, a fall in interest rates can positively impact valuations of certain portfolio companies if not offset by other factors. These impacts could be substantial depending upon the magnitude of the change in interest rates. In certain cases, the valuations obtained from the discounted cash flow analysis and the other primary methodology we use, the market multiples approach, may yield different and offsetting results. For example, the positive impact of falling interest rates on discounted cash flow valuations may offset the negative impact of the market multiples valuation approach and may result in less of a decline in value than for those investments that had a readily observable market price. Finally, low interest rates related to monetary stimulus and economic stagnation may also negatively impact expected returns on all investments, as the demand for relatively higher return assets increases and supply decreases.

Interest Income

We and certain consolidated funds, including CLOs, hold credit investments that generate interest income based on variable interest rates. We are exposed to interest rate risk relating to investments that generate yield since a meaningful portion of credit investments held by us and our consolidated funds, including CLOs, earn income based on variable interest rates. However, the contractual interest rate structure for a large portion of our credit investments bearing variable rates have "floors," which establish a minimum rate of interest that will be earned. In the current low interest rate environment, a large portion of the credit investments held by us and our consolidated funds, including CLOs, are earning interest marginally above the contractual floor and therefore, for these investments, a decrease in variable interest rates would not materially impact the amount of interest income earned. The impact on net income attributable to KKR & Co. Inc. resulting from a decrease of a hypothetical 100 basis points in variable interest rates used in the recognition of interest income would not be expected to be material since (i) many variable rate credit investments are subject to floors as described above and (ii) a substantial portion of this decrease would be attributable to noncontrolling interests.

Interest Expense

We and certain consolidated funds, including CLOs, have debt obligations that include revolving credit agreements, certain investment financing arrangements and debt securities issued by CLO vehicles that accrue interest at variable rates. Changes in these rates would affect the amount of interest payments that our consolidated funds, including CLOs, would have to make. With respect to consolidated funds and CLOs, the impact on net income attributable to KKR & Co. Inc. resulting from an increase of a hypothetical 100 basis points in variable interest rates used in the recognition of interest expense would not be expected to be material since a substantial portion of this increase would be attributable to noncontrolling interests. With respect to debt obligations held by KKR and not in the consolidated funds or CLOs, as of December 31, 2019, KKR had debt obligations outstanding with an aggregate principal amount of approximately $258.5 million that accrues interest at a variable rate. Our policy is to reduce these risks by employing hedging techniques, including using interest rate swaps. The impact on net income attributable to KKR & Co. Inc. resulting from an increase of a hypothetical 100 basis points in variable interest rates used in the recognition of interest expense, net of the impact of interest rate hedging strategies, would not be expected to be material.

Credit Risk

We are party to agreements providing for various financial services and transactions that contain an element of risk in the event that the counterparties are unable to meet the terms of such agreements. In these agreements, we depend on these counterparties to make payment or otherwise perform. We generally endeavor to reduce our risk of exposure by limiting the counterparties with which we enter into financial transactions to reputable financial institutions. In addition, availability of financing from financial institutions may be uncertain due to market events, and we may not be able to access these financing markets.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

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

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

Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the US federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

Critical Audit Matter

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

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

Critical Audit Matter Description

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

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

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

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

How the Critical Audit Matter Was Addressed in the Audit

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

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

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

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

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

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

See notes to financial statements.

KKR & CO. INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Continued)
(Amounts in Thousands)

The following presents the portion of the consolidated balances presented in the consolidated statements of financial condition attributable to consolidated variable interest entities ("VIEs"). KKR's consolidated VIEs consist primarily of (i) certain collateralized financing entities ("CFEs") holding collateralized loan obligations ("CLOs") and commercial real estate mortgage-backed securities ("CMBS") and (ii) certain investment funds. With respect to consolidated VIEs, the following assets may only be used to settle obligations of these consolidated VIEs and the following liabilities are only the obligations of these consolidated VIEs. The noteholders, limited partners and other creditors of these VIEs have no recourse to KKR's general assets. Additionally, KKR has no right to the benefits from, nor does KKR bear the risks associated with, the assets held by these VIEs beyond KKR's beneficial interest therein and any income generated from the VIEs. There are neither explicit arrangements nor does KKR hold implicit variable interests that would require KKR to provide any material ongoing financial support to the consolidated VIEs, beyond amounts previously committed, if any.

	December 31, 2019		
	Consolidated CFEs	**Consolidated KKR Funds and Other Entities**	**Total**
Assets			
Cash and Cash Equivalents Held at Consolidated Entities	$ 634,029	$ 112,122	$ 746,151
Restricted Cash and Cash Equivalents	—	34,849	34,849
Investments	14,948,237	20,851,587	35,799,824
Due from Affiliates	—	9,678	9,678
Other Assets	100,221	178,892	279,113
Total Assets	$ 15,682,487	$ 21,187,128	$ 36,869,615
Liabilities			
Debt Obligations	$ 14,658,137	$ 2,481,937	$ 17,140,074
Accounts Payable, Accrued Expenses and Other Liabilities	513,057	109,575	622,632
Total Liabilities	$ 15,171,194	$ 2,591,512	$ 17,762,706

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

See notes to financial statements.

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

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

See notes to financial statements.

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

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

See notes to financial statements.

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

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

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

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

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

See notes to financial statements.

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

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

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

Beginning of Period		(30,699)
Foreign Currency Translation		(8,395)
Exchange of KKR Holdings Units		(551)
End of Period		(39,645)
Total KKR & Co. Inc. Stockholders' Equity		8,649,610
Noncontrolling Interests (See Note 15 "Equity")		15,610,358
Total Equity	$	24,259,968

See notes to financial statements.

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

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

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

See notes to financial statements.

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

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

See notes to financial statements.

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

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

See notes to financial statements.

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

1. ORGANIZATION

KKR & Co. Inc. (NYSE: KKR), together with its subsidiaries ("KKR"), is a leading global investment firm that manages multiple alternative asset classes including private equity, energy, infrastructure, real estate and credit, with strategic partners that manage hedge funds. KKR aims to generate attractive investment returns for its fund investors by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation with KKR's portfolio companies. KKR invests its own capital alongside the capital it manages for fund investors and provides financing solutions and investment opportunities through its capital markets business.

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

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

KKR & Co. Inc. both indirectly controls the KKR Group Partnerships and indirectly holds Class A partner units in each KKR Group Partnership (collectively, "KKR Group Partnership Units") representing economic interests in KKR's business. The remaining KKR Group Partnership Units are held by KKR Holdings L.P. ("KKR Holdings"), which is not a subsidiary of KKR & Co. Inc. As of December 31, 2019, KKR & Co. Inc. held approximately 65.9% of the KKR Group Partnership Units and KKR Holdings held approximately 34.1% of the KKR Group Partnership Units. The percentage ownership in the KKR Group Partnerships will continue to change as KKR Holdings exchange units in the KKR Group Partnerships for shares of Class A common stock of KKR & Co. Inc. or when KKR & Co. Inc. otherwise issues or repurchases shares of Class A common stock of KKR & Co. Inc. The KKR Group Partnerships also have outstanding equity interests that provide for the carry pool and preferred units with economic terms that mirror the preferred stock issued by KKR & Co. Inc.

The following table presents the effect of changes in the ownership interest in the KKR Group Partnerships on KKR:

	For the Years Ended December 31,		
	2019	**2018**	**2017**
Net income (loss) attributable to KKR & Co. Inc.	$ 2,005,049	$ 1,131,063	$ 1,018,305
Transfers from noncontrolling interests:			
Exchange of KKR Group Partnership shares held by KKR Holdings L.P.(1)	161,270	570,898	247,946
Change from net income (loss) attributable to KKR & Co. Inc. and transfers from noncontrolling interests held by KKR Holdings	**$ 2,166,319**	**$ 1,701,961**	**$ 1,266,251**

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

Reorganization and Acquisition of KKR Capstone

On January 1, 2020, KKR completed an internal reorganization (the "Reorganization"), in which (i) Management Holdings and International Holdings were combined with Fund Holdings, which changed its name to KKR Group Partnership L.P. ("KKR Group Partnership") and became the sole intermediate holding company for KKR's business, (ii) the issuers of each series of KKR’s outstanding senior notes were contributed to KKR Group Partnership and the guarantees by International Holdings and Management Holdings under the senior notes were automatically and unconditionally released and discharged pursuant to the terms of the indentures governing such senior notes, with KKR Group Partnership remaining as a guarantor, and (iii) the ownership interests of certain operating subsidiaries of KKR Group Partnership were reorganized. References to "KKR Group Partnerships" for periods prior to the Reorganization mean Fund Holdings, Management Holdings and International Holdings, collectively, and references to "KKR Group Partnership" for periods following the Reorganization mean KKR Group Partnership L.P. References to a "KKR Group Partnership Unit" mean (i) one Class A partner interest in each of Fund Holdings, Management Holdings and International Holdings, collectively, for periods prior to the Reorganization and (ii) one Class A partner interest in KKR Group Partnership for periods following the Reorganization.

Contemporaneously with the Reorganization, KKR acquired KKR Capstone Americas LLC and its affiliates ("KKR Capstone") on January 1, 2020. KKR Capstone was consolidated prior to January 1, 2020 and consequently, this transaction will be accounted for as an equity transaction in the first quarter of 2020.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements (referred to hereafter as the "financial statements") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

KKR consolidates the financial results of the KKR Group Partnerships and their consolidated entities, which include the accounts of KKR's investment management and capital markets companies, the general partners of certain unconsolidated investment funds, general partners of consolidated investment funds and their respective consolidated investment funds and certain other entities including CFEs. References in the accompanying financial statements to "principals" are to KKR's senior employees and non-employee operating consultants who hold interests in KKR's business through KKR Holdings.

All intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and investment income (loss) during the reporting periods. Such estimates include but are not limited to (i) the determination of the income tax provision and (ii) the valuation of investments and financial instruments. Actual results could differ from those estimates, and such differences could be material to the financial statements.

Principles of Consolidation

The types of entities KKR assesses for consolidation include (i) subsidiaries, including management companies, broker-dealers and general partners of investment funds that KKR manages, (ii) entities that have all the attributes of an investment company, like investment funds, (iii) CFEs and (iv) other entities, including entities that employ non-employee operating consultants. Each of these entities is assessed for consolidation on a case by case basis depending on the specific facts and circumstances surrounding that entity.

Pursuant to its consolidation policy, KKR first considers whether an entity is considered a VIE and therefore whether to apply the consolidation guidance under the VIE model. Entities that do not qualify as VIEs are assessed for consolidation as voting interest entities ("VOEs") under the voting interest model.

KKR's funds are, for GAAP purposes, investment companies and therefore are not required to consolidate their investments in portfolio companies even if majority-owned and controlled. Rather, the consolidated funds and vehicles reflect their investments at fair value as described below in "Fair Value Measurements."

Notes to Financial Statements (Continued)

An entity in which KKR holds a variable interest is a VIE if any one of the following conditions exist: (a) the total equity investment at risk is not sufficient to permit the legal entity to finance its activities without additional subordinated financial support, (b) the holders of the equity investment at risk (as a group) lack either the direct or indirect ability through voting rights or similar rights to make decisions about a legal entity's activities that have a significant effect on the success of the legal entity or the obligation to absorb the expected losses or right to receive the expected residual returns, or (c) the voting rights of some investors are disproportionate to their obligation to absorb the expected losses of the legal entity, their rights to receive the expected residual returns of the legal entity, or both and substantially all of the legal entity's activities either involve or are conducted on behalf of an investor with disproportionately few voting rights. Limited partnerships and other similar entities where unaffiliated limited partners have not been granted (i) substantive participatory rights or (ii) substantive rights to either dissolve the partnership or remove the general partner ("kick-out rights") are VIEs under condition (b) above. KKR's investment funds that are not CFEs (i) are generally limited partnerships, (ii) generally provide KKR with operational discretion and control, and (iii) generally have fund investors with no substantive rights to impact ongoing governance and operating activities of the fund, including the ability to remove the general partner, and, as such, the limited partners do not hold kick-out rights. Accordingly, most of KKR's investment funds are categorized as VIEs.

KKR consolidates all VIEs in which it is the primary beneficiary. A reporting entity is determined to be the primary beneficiary if it holds a controlling financial interest in a VIE. A controlling financial interest is defined as (a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The consolidation guidance requires an analysis to determine (i) whether an entity in which KKR holds a variable interest is a VIE and (ii) whether KKR's involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (for example, management and performance related fees), would give it a controlling financial interest. Performance of that analysis requires the exercise of judgment. Fees earned by KKR that are customary and commensurate with the level of effort required to provide those services, and where KKR does not hold other economic interests in the entity that would absorb more than an insignificant amount of the expected losses or returns of the entity, would not be considered variable interests. KKR factors in all economic interests including interests held through related parties, to determine if it holds a variable interest. KKR determines whether it is the primary beneficiary of a VIE at the time it becomes involved with a VIE and reconsiders that conclusion when facts and circumstances change.

For entities that are determined not to be VIEs, these entities are generally considered VOEs and are evaluated under the voting interest model. KKR consolidates VOEs it controls through a majority voting interest or through other means.

The consolidation assessment, including the determination as to whether an entity qualifies as a VIE or VOE depends on the facts and circumstances surrounding each entity and therefore certain of KKR's investment funds may qualify as VIEs whereas others may qualify as VOEs.

With respect to CLOs (which are generally VIEs), in its role as collateral manager, KKR generally has the power to direct the activities of the CLO that most significantly impact the economic performance of the entity. In some, but not all cases, KKR, through its residual interest in the CLO may have variable interests that represent an obligation to absorb losses of, or a right to receive benefits from, the CLO that could potentially be significant to the CLO. In cases where KKR has both the power to direct the activities of the CLO that most significantly impact the CLO's economic performance and the obligation to absorb losses of the CLO or the right to receive benefits from the CLO that could potentially be significant to the CLO, KKR is deemed to be the primary beneficiary and consolidates the CLO.

With respect to CMBS vehicles (which are generally VIEs), KKR holds unrated and non-investment grade rated securities issued by the CMBS, which are the most subordinate tranche of the CMBS vehicle. The economic performance of the CMBS is most significantly impacted by the performance of the underlying assets. Thus, the activities that most significantly impact the CMBS economic performance are the activities that most significantly impact the performance of the underlying assets. The special servicer has the ability to manage the CMBS assets that are delinquent or in default to improve the economic performance of the CMBS. KKR generally has the right to unilaterally appoint and remove the special servicer for the CMBS and as such is considered the controlling class of the CMBS vehicle. These rights give KKR the ability to direct the activities that most significantly impact the economic performance of the CMBS. Additionally, as the holder of the most subordinate tranche, KKR is in a first loss position and has the right to receive benefits, including the actual residual returns of the CMBS, if any. In these cases, KKR is deemed to be the primary beneficiary and consolidates the CMBS vehicle.

Investments

Investments consist primarily of private equity, credit, investments of consolidated CFEs, real assets, equity method and other investments. Investments denominated in currencies other than the entity's functional currency are valued based on the spot rate of the respective currency at the end of the reporting period with changes related to exchange rate movements reflected in the consolidated statements of operations. Security and loan transactions are recorded on a trade date basis. Further disclosure on investments is presented in Note 4 "Investments."

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

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

Credit - Consists primarily of investments in below investment grade corporate debt securities (primarily high yield bonds and syndicated bank loans), originated, distressed and opportunistic credit, real estate mortgage loans, and interests in unconsolidated CLOs.

Investments of Consolidated CFEs - Consists primarily of (i) investments in below investment grade corporate debt securities (primarily high yield bonds and syndicated bank loans) held directly by the consolidated CLOs and (ii) investments in originated, fixed-rate real estate mortgage loans held directly by the consolidated CMBS vehicles.

Real Assets - Consists primarily of investments in (i) energy related assets, principally oil and natural gas properties, (ii) infrastructure assets, and (iii) real estate, principally residential and commercial real estate assets and businesses.

Equity Method - *Other* - Consists primarily of (i) certain direct interests in operating companies in which KKR is deemed to exert significant influence under GAAP and (ii) certain interests in partnerships and joint ventures that hold private equity and real assets investments.

Equity Method - *Capital Allocation-Based Income* - Consists primarily of (i) the capital interest KKR holds as the general partner in certain investment funds, which are not consolidated and (ii) the carried interest component of the general partner interest, which are accounted for as a single unit of account.

Other - Consists primarily of investments in common stock, preferred stock, warrants and options of companies that are not private equity, real assets, credit or investments of consolidated CFEs.

Investments held by Consolidated Investment Funds

The consolidated investment funds are, for GAAP purposes, investment companies and reflect their investments and other financial instruments, including portfolio companies that are majority-owned and controlled by KKR's investment funds, at fair value. KKR has retained this specialized accounting for the consolidated investment funds in consolidation. Accordingly, the unrealized gains and losses resulting from changes in fair value of the investments and other financial instruments held by the consolidated investment funds are reflected as a component of Net Gains (Losses) from Investment Activities in the consolidated statements of operations.

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

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

Energy Investments held by KKR

KKR directly holds certain working and royalty interests in oil and natural gas properties that are not held through investment funds. Oil and natural gas activities are accounted for under the successful efforts method of accounting and such working interests are consolidated based on the proportion of the working interests held by KKR. Accordingly, KKR reflects its proportionate share of these interests on a gross basis and changes in the value of these interests are not reflected as unrealized gains and losses in the consolidated statements of operations.

Under the successful efforts method, exploration costs, other than the costs of drilling exploratory wells, are charged to expense as incurred. Costs that are associated with the drilling of successful exploration wells are capitalized if proved reserves are found. Lease acquisition costs are capitalized when incurred. Costs associated with the drilling of exploratory wells that do not find proved reserves, geological and geophysical costs and costs of certain nonproducing leasehold costs are charged to expense as incurred.

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

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

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

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

Fair Value Option

For certain investments and other financial instruments, KKR has elected the fair value option. Such election is irrevocable and is applied on a financial instrument by financial instrument basis at initial recognition. KKR has elected the fair value option for certain private equity, real assets, credit, investments of consolidated CFEs, equity method - other and other financial instruments not held through a consolidated investment fund. Accounting for these investments at fair value is consistent with how KKR accounts for its investments held through consolidated investment funds. Changes in the fair value of such instruments are recognized in Net Gains (Losses) from Investment Activities in the consolidated statements of operations. Interest income on interest bearing credit securities on which the fair value option has been elected is based on stated coupon rates adjusted for the accretion of purchase discounts and the amortization of purchase premiums. This interest income is recorded within Interest Income in the consolidated statements of operations.

Equity Method

For certain investments in entities over which KKR exercises significant influence but which do not meet the requirements for consolidation and for which KKR has not elected the fair value option, KKR uses the equity method of accounting. The carrying value of equity method investments, for which KKR has not elected the fair value option, is determined based on the amounts invested by KKR, adjusted for the equity in earnings or losses of the investee allocated based on KKR's respective ownership percentage, less distributions.

For equity method investments for which KKR has not elected the fair value option, KKR records its proportionate share of the investee's earnings or losses based on the most recently available financial information of the investee, which in certain cases may lag the date of KKR's financial statements by no more than three calendar months. As of December 31, 2019, equity method investees for which KKR reports financial results on a lag include Marshall Wace LLP ("Marshall Wace").

KKR evaluates its equity method investments for which KKR has not elected the fair value option for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable.

The carrying value of investments classified as Equity Method - Capital Allocation-Based Income approximates fair value, because the underlying investments of the unconsolidated investment funds are reported at fair value.

Financial Instruments held by Consolidated CFEs

KKR measures both the financial assets and financial liabilities of the consolidated CFEs in its financial statements using the more observable of the fair value of the financial assets and the fair value of the financial liabilities which results in KKR's consolidated net income (loss) reflecting KKR's own economic interests in the consolidated CFEs including (i) changes in the fair value of the beneficial interests retained by KKR and (ii) beneficial interests that represent compensation for services rendered.

For the consolidated CLOs, KKR has determined that the fair value of the financial assets of the consolidated CLOs is more observable than the fair value of the financial liabilities of the consolidated CLOs. As a result, the financial assets of the consolidated CLOs are being measured at fair value and the financial liabilities are being measured in consolidation as: (1) the sum of the fair value of the financial assets and the carrying value of any nonfinancial assets that are incidental to the operations of the CLOs less (2) the sum of the fair value of any beneficial interests retained by KKR (other than those that represent compensation for services) and KKR's carrying value of any beneficial interests that represent compensation for services. The resulting amount is allocated to the individual financial liabilities (other than the beneficial interests retained by KKR).

For the consolidated CMBS vehicles, KKR has determined that the fair value of the financial liabilities of the consolidated CMBS vehicles is more observable than the fair value of the financial assets of the consolidated CMBS vehicles. As a result, the financial liabilities of the consolidated CMBS vehicles are being measured at fair value and the financial assets are being measured in consolidation as: (1) the sum of the fair value of the financial liabilities (other than the beneficial interests retained by KKR), the fair value of the beneficial interests retained by KKR and the carrying value of any nonfinancial liabilities that are incidental to the operations of the CMBS vehicles less (2) the carrying value of any nonfinancial assets that are incidental to the operations of the CMBS vehicles. The resulting amount is allocated to the individual financial assets.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. Except for certain of KKR's equity method investments (see "Equity Method" above) and debt obligations (as described in Note 10 "Debt Obligations"), KKR's investments and other financial instruments are recorded at fair value or at amounts whose carrying values approximate fair value. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation techniques are applied. These valuation techniques involve varying levels of management estimation and judgment, the degree of which is dependent on a variety of factors.

GAAP establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices in active markets generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments and financial instruments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination of fair values, as follows:

Level I - Pricing inputs are unadjusted, quoted prices in active markets for identical assets or liabilities as of the measurement date. The types of financial instruments included in this category are publicly-listed equities and securities sold short.

Level II - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies. The types of financial instruments included in this category are credit investments, investments and debt obligations of consolidated CLO entities, convertible debt securities indexed to publicly-listed securities, less liquid and restricted equity securities and certain over-the-counter derivatives such as foreign currency option and forward contracts.

Level III - Pricing inputs are unobservable for the financial instruments and include situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. The types of financial instruments generally included in this category are private portfolio companies, real assets investments, credit investments, equity method investments for which the fair value option was elected and investments and debt obligations of consolidated CMBS entities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. KKR's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the asset.

A significant decrease in the volume and level of activity for the asset or liability is an indication that transactions or quoted prices may not be representative of fair value because in such market conditions there may be increased instances of transactions that are not orderly. In those circumstances, further analysis of transactions or quoted prices is needed, and a significant adjustment to the transactions or quoted prices may be necessary to estimate fair value.

The availability of observable inputs can vary depending on the financial asset or liability and is affected by a wide variety of factors, including, for example, the type of instrument, whether the instrument has recently been issued, whether the instrument is traded on an active exchange or in the secondary market, and current market conditions. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by KKR in determining fair value is greatest for instruments categorized in Level III. The variability and availability of the observable inputs affected by the factors described above may cause transfers between Levels I, II, and III, which KKR recognizes at the beginning of the reporting period.

Investments and other financial instruments that have readily observable market prices (such as those traded on a securities exchange) are stated at the last quoted sales price as of the reporting date. KKR does not adjust the quoted price for these investments, even in situations where KKR holds a large position and a sale could reasonably affect the quoted price.

Management's determination of fair value is based upon the methodologies and processes described below and may incorporate assumptions that are management's best estimates after consideration of a variety of internal and external factors.

Level II Valuation Methodologies

Credit Investments: These financial instruments generally have bid and ask prices that can be observed in the marketplace. Bid prices reflect the highest price that KKR and others are willing to pay for an instrument. Ask prices represent the lowest price that KKR and others are willing to accept for an instrument. For financial instruments whose inputs are based on bid-ask prices obtained from third party pricing services, fair value may not always be a predetermined point in the bid-ask range. KKR's policy is generally to allow for mid-market pricing and adjusting to the point within the bid-ask range that meets KKR's best estimate of fair value.

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

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

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

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

Level III Valuation Methodologies

Private Equity Investments: KKR generally employs two valuation methodologies when determining the fair value of a private equity investment. The first methodology is typically a market comparables analysis that considers key financial inputs and recent public and private transactions and other available measures. The second methodology utilized is typically a discounted cash flow analysis, which incorporates significant assumptions and judgments. Estimates of key inputs used in this methodology include the weighted average cost of capital for the investment and assumed inputs used to calculate terminal values, such as exit EBITDA multiples. In certain cases the results of the discounted cash flow approach can be significantly impacted by these estimates. Other inputs are also used in both methodologies. In addition, when a definitive agreement has been executed to sell an investment, KKR generally considers a significant determinant of fair value to be the consideration to be received by KKR pursuant to the executed definitive agreement.

Upon completion of the valuations conducted using these methodologies, a weighting is ascribed to each method, and an illiquidity discount is typically applied where appropriate. The ultimate fair value recorded for a particular investment will generally be within a range suggested by the two methodologies, except that the value may be higher or lower than such range in the case of investments being sold pursuant to an executed definitive agreement.

When determining the weighting ascribed to each valuation methodology, KKR considers, among other factors, the availability of direct market comparables, the applicability of a discounted cash flow analysis, the expected hold period and manner of realization for the investment, and in the case of investments being sold pursuant to an executed definitive agreement, an estimated probability of such sale being completed. These factors can result in different weightings among investments in the portfolio and in certain instances may result in up to a 100% weighting to a single methodology.

When an illiquidity discount is to be applied, KKR seeks to take a uniform approach across its portfolio and generally applies a minimum 5% discount to all private equity investments. KKR then evaluates such private equity investments to determine if factors exist that could make it more challenging to monetize the investment and, therefore, justify applying a higher illiquidity discount. These factors generally include (i) whether KKR is unable to freely sell the portfolio company or conduct an initial public offering of the portfolio company due to the consent rights of a third party or similar factors, (ii) whether the portfolio company is undergoing significant restructuring activity or similar factors, and (iii) characteristics about the portfolio company regarding its size and/or whether the portfolio company is experiencing, or expected to experience, a significant decline in earnings. These factors generally make it less likely that a portfolio company would be sold or publicly offered in the near term at a price indicated by using just a market multiples and/or discounted cash flow analysis, and these factors tend to reduce the number of opportunities to sell an investment and/or increase the time horizon over which an investment may be monetized. Depending on the applicability of these factors, KKR determines the amount of any incremental illiquidity discount to be applied above the 5% minimum, and during the time KKR holds the investment, the illiquidity discount may be increased or decreased, from time to time, based on changes to these factors. The amount of illiquidity discount applied at any time requires considerable judgment about what a market participant would consider and is based on the facts and circumstances of each individual investment. Accordingly, the illiquidity discount ultimately considered by a market participant upon the realization of any investment may be higher or lower than that estimated by KKR in its valuations.

In the case of growth equity investments, enterprise values may be determined using the market comparables analysis and discounted cash flow analysis described above. A scenario analysis may also be conducted to subject the estimated enterprise values to a downside, base and upside case, which involves significant assumptions and judgments. A milestone analysis may also be conducted to assess the current level of progress towards value drivers that we have determined to be important, which involves significant assumptions and judgments. The enterprise value in each case may then be allocated across the investment's capital structure to reflect the terms of the security and subjected to probability weightings. In certain cases, the values of growth equity investments may be based on recent or expected financings.

Real Asset Investments: Real asset investments in infrastructure, energy and real estate are valued using one or a combination of the discounted cash flow analysis, market comparables analysis and direct income capitalization, which in each case incorporates significant assumptions and judgments.

Infrastructure investments are generally valued using the discounted cash flow analysis. Key inputs used in this methodology can include the weighted average cost of capital and assumed inputs used to calculate terminal values, such as exit EBITDA multiples.

Energy investments are generally valued using a discounted cash flow approach, and where applicable, a market approach using comparable companies and transactions. Key inputs used in our valuations include (i) the weighted average cost of capital, (ii) future commodity prices, as quoted on indices and long-term commodity price forecasts, and (iii) the asset's future operating performance.

Real estate investments are generally valued using a combination of direct income capitalization and discounted cash flow analysis. Certain real estate investments are valued by KKR based on ranges of valuations determined by an independent valuation firm. Key inputs used in such methodologies that require estimates include an unlevered discount rate and current capitalization rate. The valuations of real assets investments also use other inputs.

Credit Investments: Credit investments are valued using values obtained from dealers or market makers, and where these values are not available, credit investments are generally valued by KKR based on ranges of valuations determined by an independent valuation firm. Valuation models are based on discounted cash flow analyses, for which the key inputs are determined based on market comparables, which incorporate similar instruments from similar issuers.

Real Estate Mortgage Loans: Real estate mortgage loans are illiquid, structured investments that are specific to the property and its operating performance. KKR engages an independent valuation firm to estimate the fair value of each loan. KKR reviews the quarterly loan valuation estimates provided by the independent valuation firm. These loans are generally valued using a discounted cash flow model using discount rates derived from observable market data applied to the capital structure of the respective sponsor and estimated property value. In the event that KKR's estimate of fair value differs from the fair value estimate provided by the independent valuation firm, KKR ultimately relies solely upon the valuation prepared by the investment personnel of KKR.

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

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

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

Revenues

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

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

Fees and Other

Fees and Other, as detailed above, are accounted for as contracts with customers. Under ASC 606, Revenue from Contracts with Customers ("ASC 606"), KKR is required to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) KKR satisfies its performance obligation. In determining the transaction price, KKR has included variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved.

The following table summarizes KKR's revenues from contracts with customers:

Revenue Type	Customer	Performance Obligation	Performance Obligation Satisfied Over Time or Point In Time (1)	Variable or Fixed Consideration	Payment Terms	Subject to Return Once Recognized	Classification of Uncollected Amounts (2)
Management Fees	Investment funds, CLOs and other vehicles	Investment management services	Over time as services are rendered	Variable consideration since varies based on fluctuations in the basis of the management fee over time	Typically quarterly or annually in arrears	No	Due from Affiliates
Transaction Fees	Portfolio companies and third party companies	Advisory services and debt and equity arranging and underwriting	Point in time when the transaction (e.g. underwriting) is completed	Fixed consideration	Typically paid on or shortly after transaction closes	No	Due from Affiliates (portfolio companies) Other Assets (third parties)
Monitoring Fees							
Recurring Fees	*Portfolio companies*	*Monitoring services*	*Over time as services are rendered*	*Variable consideration since varies based on fluctuations in the basis of the recurring fee*	*Typically quarterly in arrears*	*No*	*Due from Affiliates*
Termination Fees	*Portfolio companies*	*Monitoring services*	*Point in time when the termination is completed*	*Fixed consideration*	*Typically paid on or shortly after termination occurs*	*No*	*Due from Affiliates*
Incentive Fees	Investment funds and other vehicles	Investment management services that result in achievement of minimum investment return levels	Point in time at the end of the performance measurement period (quarterly or annually) if investment performance is achieved	Variable consideration since contingent upon the investment fund and other vehicles achieving more than stipulated investment return hurdles	Typically paid shortly after the end of the performance measurement period	No	Due from Affiliates
Expense Reimbursements	Investment funds and portfolio companies	Investment management and monitoring services	Point in time when the related expense is incurred	Fixed consideration	Typically shortly after expense is incurred	No	Due from Affiliates
Oil and Gas Revenues	Oil and gas wholesalers	Delivery of oil liquids and gas	Point in time when delivery has occurred and title has transferred	Fixed consideration	Typically shortly after delivery	No	Other Assets
Consulting Fees	Portfolio companies and other companies	Consulting and other services	Over time as services are rendered	Fixed consideration	Typically quarterly in arrears	No	Due from Affiliates

(1) For performance obligations satisfied at a point in time, there were no significant judgments made in evaluating when a customer obtains control of the promised service.

(2) For amounts classified in Other Assets, see Note 8 "Other Assets and Accounts Payable, Accrued Expenses and Other Liabilities." For amounts classified in Due from Affiliates, see Note 13 "Related Party Transactions."

Management Fees

KKR provides investment management services to investment funds, CLOs, and other vehicles in exchange for a management fee. Management fees are determined quarterly based on an annual rate and are generally based upon a percentage of the capital committed or capital invested during the investment period. Thereafter, management fees are generally based on a percentage of remaining invested capital, net asset value, gross assets or as otherwise defined in the respective contractual agreements. Since some of the factors that cause the fees to fluctuate are outside of KKR's control, management fees are considered to be constrained and are therefore not included in the transaction price. Additionally, after the contract is established there are no significant judgments made when determining the transaction price.

Management fees earned from private equity funds generally range from 1.0% to 2.0% of committed capital during the fund's investment period and are generally 0.75% to 1.25% of invested capital after the expiration of the fund's investment period with subsequent reductions over time. Typically, an investment period is defined as a period of up to six years. The actual length of the investment period is often shorter due to the earlier deployment of committed capital.

Management fees earned from real asset funds generally range from 0.75% to 1.5% and are generally based on the investment fund's average net asset value, capital commitments, or invested capital.

Management fees earned from alternative and liquid credit funds generally range from 0.10% to 1.75%. Such rates may be based on the investment fund's average net asset value, gross assets or invested capital.

Management fees earned from CLOs include senior collateral management fees and subordinate collateral management fees. When combined, senior collateral management fees and subordinate collateral management fees are determined based on an annual rate ranging from 0.40% to 0.50% of collateral. If amounts distributable on any payment date are insufficient to pay the collateral management fees according to the priority of payments, any shortfall is deferred and payable on subsequent payment dates. For the purpose of calculating the collateral management fees, collateral, the payment dates, and the priority of payments are terms defined in the management agreements.

Management fees earned from KKR's consolidated investment funds, CLOs, and other vehicles are eliminated in consolidation. However, because these amounts are funded by, and earned from, noncontrolling interests, KKR's allocated share of the net income from the consolidated investment funds, CLOs, and other vehicles is increased by the amount of fees that are eliminated. Accordingly, the elimination of these fees does not impact the net income (loss) attributable to KKR or KKR stockholders' equity.

Fee Credits

Under the terms of the management agreements with certain of its investment funds, KKR is required to share with such funds an agreed upon percentage of certain fees, including monitoring and transaction fees earned from portfolio companies ("Fee Credits"). Investment funds earn Fee Credits only with respect to monitoring and transaction fees that are allocable to the fund's investment in the portfolio company and not, for example, any fees allocable to capital invested through co-investment vehicles. Fee Credits are calculated after deducting certain costs incurred in connection with pursuing potential investments that do not result in completed transactions ("broken-deal expenses") and generally amount to 80% for older funds, or 100% for newer funds, of allocable monitoring and transaction fees after broken-deal expenses are recovered, although the actual percentage may vary from fund to fund. Fee Credits are recognized and owed to investment funds concurrently with the recognition of monitoring fees, transaction fees and broken-deal expenses. Since Fee Credits are payable to investment funds, amounts owed are generally applied as a reduction of the management fee that is otherwise billed to the investment fund. Fee credits are recorded as a reduction of revenues in the consolidated statement of operations. Fee Credits owed to investment funds are recorded in Due to Affiliates on the consolidated statements of financial condition. See Note 13 "Related Party Transactions."

Transaction Fees

KKR (i) arranges debt and equity financing, places and underwrites securities offerings, and provides other types of capital markets services for companies seeking financing in its Capital Markets business line and (ii) provides advisory services in connection with successful Private Markets and Public Markets business line portfolio company investment transactions, in each case, in exchange for a transaction fee. Transaction fees are separately negotiated for each transaction and are generally based on (i) for Capital Markets business line transactions, a percentage of the overall transaction size and (ii) for Private Markets and Public Markets business line transactions, a percentage of either total enterprise value of an investment or a percentage of the aggregate price paid for an investment. After the contract is established, there are no significant judgments made when determining the transaction price.

Monitoring Fees

KKR provides services in connection with monitoring portfolio companies in exchange for a fee. Recurring monitoring fees are separately negotiated for each portfolio company. In addition, certain monitoring fee arrangements may provide for a termination payment following an initial public offering or change of control as defined in the contractual terms of the related agreement. These termination payments are recognized in the period when the related transaction closes. After the contract is established, there are no significant judgments made when determining the transaction price.

Incentive Fees

KKR provides investment management services to certain investment funds, CLOs and other vehicles in exchange for a management fee as discussed above and, in some cases an incentive fee when KKR is not entitled to a carried interest. Incentive fee rates generally range from 5% to 20% of investment gains. Incentive fees are considered a form of variable consideration as these fees are subject to reversal, and therefore the recognition of such fees is deferred until the end of each fund's measurement period when the performance-based incentive fees become fixed and determinable. Incentive fees are generally paid within 90 days of the end of the investment vehicles' measurement period. After the contract is established, there are no significant judgments made when determining the transaction price.

Incentive fees earned from KKR's consolidated investment funds, CLOs, and other vehicles are eliminated in consolidation. However, because these amounts are funded by, and earned from, noncontrolling interests, KKR's allocated share of the net income from the consolidated investment funds, CLOs, and other vehicles is increased by the amount of fees that are eliminated. Accordingly, the elimination of these fees does not impact the net income (loss) attributable to KKR or KKR stockholders' equity.

Expense Reimbursements

Providing investment management services to investment funds and monitoring KKR's portfolio companies require KKR to arrange for services on behalf of them. In those situations where KKR is acting as an agent on behalf of its investment funds or portfolio companies, it presents the cost of services on a net basis as a reduction of Revenues. In all other situations, KKR is primarily responsible for fulfilling the services and is therefore acting as a principal for those arrangements for accounting purposes. As a result, the expense and related reimbursement associated with those services is presented on a gross basis. Costs incurred are classified within Expenses and reimbursements of such costs are classified as Expense Reimbursements within Revenues on the consolidated statements of operations. After the contract is established, there are no significant judgments made when determining the transaction price.

Oil and Gas Revenue

KKR directly holds certain working and royalty interests in oil and natural gas properties that are not held through investment funds. Oil and gas revenue is recognized when the performance obligation is satisfied, which occurs at the point in time when control of the product transfers to the customer. Performance obligations are typically satisfied through the monthly delivery of production. Revenue is recognized based on KKR's proportionate share of production from non-operated properties as marketed by the operator. After the contract is established, there are no significant judgments made when determining the transaction price.

Consulting Fees

Certain consolidated entities that employ non-employee operating consultants provide consulting and other services to portfolio companies and other companies in exchange for a consulting fee. Consulting fees are separately negotiated with each portfolio company for which services are provided and are not shared with KKR. After the contract is established, there are no significant judgments made when determining the transaction price.

Capital Allocation-Based Income

Capital allocation-based income is earned from those arrangements where KKR has a general partner capital interest and is entitled to a disproportionate allocation of investment income (referred to hereafter as "carried interest"). KKR accounts for its general partner interests in capital allocation-based arrangements as financial instruments under ASC 323, Investments - Equity Method and Joint Ventures ("ASC 323") since the general partner has significant governance rights in the investment funds in which it invests, which demonstrates significant influence. In accordance with ASC 323, KKR records equity method income based on the proportionate share of the income of the investment fund, including carried interest, assuming the investment fund was liquidated as of each reporting date pursuant to each investment fund's governing agreements. Accordingly, these general partner interests are accounted for outside of the scope of ASC 606. Other arrangements surrounding contractual incentive fees through an advisory contract are separate and distinct and accounted for in accordance with ASC 606. In these incentive fee arrangements, accounted for in accordance with ASC 606, KKR's economics in the entity do not involve an allocation of capital. See "Incentive Fees" above.

Carried interest is allocated to the general partner based on cumulative fund performance to date, and where applicable, subject to a preferred return to the funds' limited partners. At the end of each reporting period, KKR calculates the carried interest that would be due to KKR for each investment fund, pursuant to the fund agreements, as if the fair value of the underlying investments were realized as of such date, irrespective of whether such amounts have been realized. As the fair value of underlying investments varies between reporting periods, it is necessary to make adjustments to amounts recorded as carried interest to reflect either (a) positive performance resulting in an increase in the carried interest allocated to the general partner or (b) negative performance that would cause the amount due to KKR to be less than the amount previously recognized, resulting in a negative adjustment to carried interest allocated to the general partner. In each case, it is necessary to calculate the carried interest on cumulative results compared to the carried interest recorded to date and to make the required positive or negative adjustments. KKR ceases to record negative carried interest allocations once previously recognized carried interest allocations for an investment fund have been fully reversed. KKR is not obligated to make payments for guaranteed returns or hurdles and, therefore, cannot have negative carried interest over the life of an investment fund. Accrued but unpaid carried interest as of the reporting date is reflected in Investments in the consolidated statements of financial condition.

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

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

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

Compensation and Benefits

Compensation and Benefits expense includes (i) cash compensation consisting of salaries, bonuses, and benefits, (ii) equity based compensation consisting of charges associated with the vesting of equity-based awards (see Note 12 "Equity Based Compensation") and (iii) carry pool allocations.

All KKR employees and employees of certain consolidated entities receive a base salary that is paid by KKR or its consolidated entities, and is accounted for as Compensation and Benefits expense in the consolidated statements of operations. These employees are also eligible to receive discretionary cash bonuses based on performance, overall profitability and other matters. While cash bonuses paid to most employees are borne by KKR and certain consolidated entities and result in customary compensation and benefits expense, certain cash bonuses that are paid to certain of KKR's principals can be borne by KKR Holdings. These bonuses are funded with distributions that KKR Holdings receives on KKR Group Partnership Units held by KKR Holdings but are not then passed on to holders of unvested units of KKR Holdings. Because KKR principals are not entitled to receive distributions on units that are unvested, any amounts allocated to principals in excess of a principal's vested equity interests are reflected as employee compensation and benefits expense. These compensation charges, if any, are currently recorded based on the amount of cash expected to be paid by KKR Holdings.

Carry Pool Allocation

With respect to KKR's active and future funds and co-investment vehicles that provide for carried interest, KKR allocates to its employees and employees of certain consolidated entities a portion of the carried interest earned in relation to these funds as part of its carry pool. KKR currently allocates 40% or 43%, as applicable, of the carry it earns from these funds and vehicles to its carry pool. These amounts are accounted for as compensatory profit-sharing arrangements in Accounts Payable, Accrued Expenses and Other Liabilities within the accompanying consolidated statements of financial condition in conjunction with the related carried interest income and recorded as compensation expense.

Profit Sharing Plan

KKR provides certain profit sharing programs for KKR employees and other eligible personnel. In particular, KKR provides a 401(k) plan for eligible employees in the United States. For certain professionals who are participants in the 401(k) plan, KKR may, in its discretion, contribute an amount after the end of the plan year. For the years ended December 31, 2019, 2018 and 2017, KKR incurred expenses of $10.2 million, $9.5 million and $8.2 million, respectively, in connection with the 401(k) plan and other profit sharing programs.

General, Administrative and Other

General, administrative and other expense consists primarily of professional fees paid to legal advisors, accountants, advisors and consultants, insurance costs, travel and related expenses, communications and information services, depreciation and amortization charges, expenses (including impairment charges) incurred by oil and gas entities that are consolidated, broken-deal expenses, placement fees and other general operating expenses. A portion of these general administrative and other expenses, in particular broken-deal expenses, are borne by fund investors.

Investment Income

Investment income consists primarily of the net impact of:

(i) Realized and unrealized gains and losses on investments, securities sold short, derivatives and debt obligations of consolidated CFEs which are recorded in Net Gains (Losses) from Investment Activities. Upon disposition of an investment, previously recognized unrealized gains or losses are reversed and a realized gain or loss is recognized.

(ii) Foreign exchange gains and losses relating to mark-to-market activity on foreign exchange forward contracts, foreign currency options and foreign denominated debt which are recorded in Net Gains (Losses) from Investment Activities.

(iii) Dividends, which are recognized on the ex-dividend date, or, in the absence of a formal declaration of a record date, on the date it is received.

(iv) Interest income, which is recognized as earned.

(v) Interest expense, which is recognized as incurred.

Income Taxes

KKR & Co. Inc. is a corporation for U.S. federal income tax purposes and thus is subject to U.S. federal, state and local corporate income taxes at the entity level on KKR’s share of net taxable income. In addition, the KKR Group Partnerships and certain of their subsidiaries operate in the United States as partnerships for U.S. federal income tax purposes and as corporate entities in certain non-U.S. jurisdictions. These entities, in some cases, are subject to U.S. state or local income taxes or non-U.S. income taxes.

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

Deferred Income Taxes

Income taxes are accounted for using the asset and liability method of accounting. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis, using tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred assets and liabilities of a change in tax rates is recognized in the consolidated statements of operations in the period when the change is enacted.

Deferred tax assets, which are recorded in Other Assets within the statement of financial condition, are reduced by a valuation allowance when, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. When evaluating the realizability of the deferred tax assets, all evidence, both positive and negative, is considered. Items considered when evaluating the need for a valuation allowance include the ability to carry back losses, future reversals of existing temporary differences, tax planning strategies, and expectations of future earnings.

For a particular tax-paying component of an entity and within a particular tax jurisdiction, deferred tax assets and liabilities are offset and presented as a single amount within Other Assets or Accounts Payable, Accrued and Other Liabilities, as applicable, in the accompanying statements of financial condition.

Uncertain Tax Positions

KKR analyzes its tax filing positions in all of the U.S. federal, state and local tax jurisdictions and foreign tax jurisdictions where it is required to file income tax returns, as well as for all open tax years in these jurisdictions. If, based on this analysis, KKR determines that uncertainties in tax positions exist, a reserve is established. The reserve for uncertain tax positions is recorded in Accounts Payable, Accrued and Other Liabilities in the accompanying statements of financial condition. KKR recognizes accrued interest and penalties related to uncertain tax positions within the provision for income taxes in the consolidated statements of operations.

KKR records uncertain tax positions on the basis of a two-step process: (a) determination is made whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position and (b) those tax positions that meet the more-likely-than-not threshold are recognized as the largest amount of tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

Cash and Cash Equivalents

KKR considers all highly liquid short-term investments with original maturities of 90 days or less when purchased to be cash equivalents.

Cash and Cash Equivalents Held at Consolidated Entities

Cash and cash equivalents held at consolidated entities represents cash that, although not legally restricted, is not available to fund general liquidity needs of KKR as the use of such funds is generally limited to the investment activities of KKR's investment funds and CFEs.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents primarily represent amounts that are held by third parties under certain of KKR's financing and derivative transactions. The duration of this restricted cash generally matches the duration of the related financing or derivative transaction.

Due from and Due to Affiliates

KKR considers its principals and their related entities, unconsolidated investment funds and the portfolio companies of its funds to be affiliates for accounting purposes. Receivables from and payables to affiliates are recorded at their current settlement amount.

Fixed Assets, Depreciation and Amortization

Fixed assets consist primarily of corporate real estate, leasehold improvements, furniture and computer hardware. Such amounts are recorded at cost less accumulated depreciation and amortization and are included in Other Assets within the accompanying consolidated statements of financial condition. Depreciation and amortization are calculated using the straight-line method over the assets' estimated economic useful lives, which for leasehold improvements are the lesser of the lease terms or the life of the asset, and three to seven years for other fixed assets.

Freestanding Derivatives

Freestanding derivatives are instruments that KKR and certain of its consolidated funds have entered into as part of their overall risk management and investment strategies. These derivative contracts are not designated as hedging instruments for accounting purposes. Such contracts may include forward, swap and option contracts related to foreign currencies and interest rates to manage foreign exchange risk and interest rate risk arising from certain assets and liabilities. All derivatives are recognized in Other Assets or Accounts Payable, Accrued Expenses and Other Liabilities and are presented on a gross basis in the consolidated statements of financial condition and measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. KKR's derivative financial instruments contain credit risk to the extent that its counterparties may be unable to meet the terms of the agreements. KKR attempts to reduce this risk by limiting its counterparties to major financial institutions with strong credit ratings.

Goodwill

Goodwill represents the excess of acquisition cost over the fair value of net tangible and intangible assets acquired in connection with an acquisition. Goodwill is assessed for impairment annually in the third quarter of each fiscal year or more frequently if circumstances indicate impairment may have occurred. Goodwill is recorded in Other Assets in the accompanying consolidated statements of financial condition.

Securities Sold Short

Whether part of a hedging transaction or a transaction in its own right, securities sold short represent obligations of KKR to deliver the specified security at the contracted price at a future point in time, and thereby create a liability to repurchase the security in the market at the prevailing prices. The liability for such securities sold short, which is recorded in Accounts Payable, Accrued Expenses and Other Liabilities in the statement of financial condition, is marked to market based on the current fair value of the underlying security at the reporting date with changes in fair value recorded as unrealized gains or losses in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. These transactions may involve market risk in excess of the amount currently reflected in the accompanying consolidated statements of financial condition.

Comprehensive Income (Loss)

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances, excluding those resulting from contributions from and distributions to owners. In the accompanying consolidated financial statements, comprehensive income is comprised of (i) Net Income (Loss), as presented in the consolidated statements of operations and (ii) net foreign currency translation.

Foreign Currency

Consolidated entities which have a functional currency that differs from KKR's reporting currency are primarily KKR's investment management and capital markets companies located outside the United States and certain CFEs. Foreign currency denominated assets and liabilities are translated using the exchange rates prevailing at the end of each reporting period. Results of foreign operations are translated at the weighted average exchange rate for each reporting period. Translation adjustments are included as a component of accumulated other comprehensive income (loss) until realized. Foreign currency income or expenses resulting from transactions outside of the functional currency of a consolidated entity are recorded as incurred in general, administrative and other expense in the consolidated statements of operations.

Leases

At contract inception, KKR determines if an arrangement contains a lease by evaluating whether (i) the identified asset has been deployed in the contract explicitly or implicitly and (ii) KKR obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. Additionally, at contract inception KKR will evaluate whether the lease is an operating or finance lease. Right-of-use ("ROU") assets represent KKR's right to use an underlying asset for the lease term and lease liabilities represent KKR's obligation to make lease payments arising from the lease.

ROU assets and the associated lease liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. The discount rate implicit in the lease is generally not readily determinable. Consequently, KKR uses its incremental borrowing rate based on the information available including, but not limited to, collateral assumptions, the term of the lease, and the economic environment in which the lease is denominated at the commencement date in determining the present value of the future lease payments. The ROU assets are recognized as the initial measurement of the lease liabilities plus any initial direct costs and any prepaid lease payments less lease incentives received, if any. The lease terms may include options to extend or terminate the lease which are accounted for when it is reasonably certain that KKR will exercise that option. Certain leases that include lease and non-lease components are accounted for as one single lease component. In addition to contractual rent payments, occupancy lease agreements generally include additional payments for certain costs incurred by the landlord, such as building expenses and utilities. To the extent these are fixed or determinable, they are included as part of the lease payments used to measure the Operating Lease Liability.

Operating lease expense is recognized on a straight-line basis over the lease term and is recorded within Occupancy and Related Charges in the accompanying consolidated statements of operations. The ROU assets are included in Other Assets and the lease liabilities are included in Accounts Payable, Accrued Expenses and Other Liabilities in the accompanying consolidated statements of financial condition. See Note 8 "Other Assets and Accounts Payable, Accrued Expenses and Other Liabilities."

Recently Issued Accounting Pronouncements

Adopted in 2019

Leases

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

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

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

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

Premium Amortization on Purchased Callable Debt Securities

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

Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income

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

Effective on January 1, 2020

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"), which has subsequently been amended by ASU No. 2018-19, ASU No. 2019-04, ASU No. 2019-05, and ASU No. 2019-11. The objective of the guidance in ASU 2016-13 is to allow entities to recognize estimated credit losses in the period that the change in valuation occurs. ASU 2016-13 requires an entity to present financial assets measured on an amortized cost basis on the balance sheet net of an allowance for credit losses. Available for sale and held to maturity debt securities are also required to be held net of an allowance for credit losses. The guidance is effective for fiscal periods beginning after December 15, 2019. The guidance should be applied using a modified retrospective approach. KKR is currently evaluating the impact of this guidance on the financial statements.

Goodwill

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. This guidance simplifies the accounting for goodwill impairments by eliminating the second step from the goodwill impairment test. The ASU requires goodwill impairments to be measured on the basis of the fair value of a reporting unit relative to the reporting unit's carrying amount rather than on the basis of the implied amount of goodwill relative to the goodwill balance of the reporting unit. The ASU also (i) clarifies the requirements for excluding and allocating foreign currency translation adjustments to reporting units related to an entity's testing of reporting units for goodwill impairment and (ii) clarifies that an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The guidance is effective for fiscal periods beginning after December 15, 2019. Early adoption is allowed for entities as of January 1, 2017, for annual and any interim impairment tests occurring after January 1, 2017. KKR is currently evaluating the impact of this guidance on the financial statements.

Implementation Costs Incurred in a Cloud Computing Arrangement

In August 2018, the FASB issued ASU No. 2018-15, which addresses a customer's accounting for implementation costs incurred in a cloud computing arrangement ("CCA") that is a service contract. The ASU aligns the accounting for costs incurred to implement a CCA that is a service arrangement with the guidance on capitalizing costs associated with developing or obtaining internal-use software. The guidance is effective for fiscal periods beginning after December 15, 2019. Early adoption is permitted and this ASU can be applied on either a retrospective or prospective basis. KKR is currently evaluating the impact of this guidance on the financial statements.

Effective on January 1, 2021

Simplifying the Accounting for Income Taxes

On December 18, 2019, the FASB issued ASU No. 2019-12, which modifies ASC 740 to simplify the accounting for income taxes. The ASU, among other changes, (i) provides a policy election to not allocate consolidated income taxes when a member of a consolidated tax return is not subject to income tax and (ii) provides guidance to evaluate whether a step-up in tax basis of goodwill relates to a business combination in which book goodwill was recognized or a separate transaction. The guidance is effective for fiscal periods beginning after December 15, 2020. KKR is currently evaluating the impact of this guidance on the financial statements.

Notes to Financial Statements (Continued)

3. NET GAINS (LOSSES) FROM INVESTMENT ACTIVITIES

Net Gains (Losses) from Investment Activities in the consolidated statements of operations consist primarily of the realized and unrealized gains and losses on investments (including foreign exchange gains and losses attributable to foreign denominated investments and related activities) and other financial instruments, including those for which the fair value option has been elected. Unrealized gains or losses result from changes in the fair value of these investments and other financial instruments during a period. Upon disposition of an investment or financial instrument, previously recognized unrealized gains or losses are reversed and an offsetting realized gain or loss is recognized in the current period.

The following table summarizes total Net Gains (Losses) from Investment Activities for the years ended December 31, 2019, 2018 and 2017, respectively:

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

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

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

(1) See Note 4 "Investments."

(2) See Note 8 "Other Assets and Accounts Payable, Accrued Expenses and Other Liabilities."

(3) See Note 10 "Debt Obligations."

4. INVESTMENTS

Investments consist of the following:

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

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

Equity Method

Investment in Marshall Wace

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

Subject to the exercise of a put option by Marshall Wace or a call option by KKR, at subsequent closings to occur in the second, third, and fourth years following the initial closing described above, and subject to satisfaction or waiver of certain closing conditions, including regulatory approvals, KKR may at each such closing subscribe (or be required to subscribe) for an incremental 5% equity interest. The exercise of such options would require the use of cash and/or KKR Class A common stock.

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

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

Summarized Financial Information

KKR evaluates each of its equity method investments to determine if any are significant as defined in the regulations promulgated by the U.S. Securities and Exchange Commission (the "SEC"). As of and for the years ended December 31, 2019, 2018, and 2017, no individual equity method investment held by KKR met the significance criteria. As such, KKR is not required to present separate financial statements for any of its equity method investments.

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

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

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

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

5. FAIR VALUE MEASUREMENTS

The following tables summarize the valuation of assets and liabilities measured and reported at fair value by the fair value hierarchy. Investments classified as Equity Method - Other, for which the fair value option has not been elected, and Equity Method - Capital Allocation-Based Income have been excluded from the tables below.

Assets, at fair value:

	December 31, 2019			
	Level I	Level II	Level III	Total
Private Equity	$ 1,393,654	$ 1,658,264	$ 9,871,682	$ 12,923,600
Credit	—	1,320,380	9,217,759	10,538,139
Investments of Consolidated CFEs	—	14,948,237	—	14,948,237
Real Assets	—	—	3,567,944	3,567,944
Equity Method - Other	228,999	49,511	1,656,045	1,934,555
Other Investments	431,084	196,192	2,154,755	2,782,031
Total Investments	2,053,737	18,172,584	26,468,185	46,694,506
Foreign Exchange Contracts and Options	—	188,572	—	188,572
Other Derivatives	—	1,333	21,806 [1]	23,139
Total Assets	**$ 2,053,737**	**$ 18,362,489**	**$ 26,489,991**	**$ 46,906,217**

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

(1) Includes derivative assets that were valued using a third-party valuation firm. The approach used to estimate the fair value of these derivative assets was generally the discounted cash flow method, which includes consideration of the current portfolio, projected portfolio construction, projected portfolio realizations, portfolio volatility (based on the volatility, correlation, and size of each underlying asset class), and the discounting of future cash flows to the reporting date.

Liabilities, at fair value:

	December 31, 2019			
	Level I	Level II	Level III	Total
Securities Sold Short	$ 251,223	$ —	$ —	$ 251,223
Foreign Exchange Contracts and Options	—	39,364	—	39,364
Unfunded Revolver Commitments	—	—	75,842 (1)	75,842
Other Derivatives	—	34,174	—	34,174
Debt Obligations of Consolidated CFEs	—	14,658,137	—	14,658,137
Total Liabilities	**$ 251,223**	**$ 14,731,675**	**$ 75,842**	**$ 15,058,740**

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

(1) These unfunded revolver commitments are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR's Level III credit investments.

(2) Includes options issued in connection with the acquisition of the equity interest in Marshall Wace and its affiliates in November 2015 to increase KKR's ownership interest in periodic increments. The options are valued using a Monte-Carlo simulation valuation methodology. Key inputs used in this methodology that require estimates include Marshall Wace's dividend yield, assets under management volatility and equity volatility. See Note 4 "Investments."

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The following tables summarize changes in investments and debt obligations measured and reported at fair value for which Level III inputs have been used to determine fair value for the years ended December 31, 2019 and 2018, respectively:

For the Year Ended December 31, 2019

	Level III Investments							Level III Debt Obligations
	Private Equity	**Credit**	**Investments of Consolidated CFEs**	**Real Assets**	**Equity Method - Other**	**Other Investments**	**Total**	**Debt Obligations of Consolidated CFEs**
Balance, Beg. of Period	$ 6,128,583	$ 6,764,730	$ 2,082,545	$ 3,157,954	$ 1,503,022	$ 2,116,586	$ 21,753,420	$ 1,876,783
Transfers In / (Out) Due to Changes in Consolidation	23,123	956,402	(2,015,130)	—	—	(42,864)	(1,078,469)	(1,849,206)
Transfers In	26,045	149,804	—	18,429	26,520	—	220,798	—
Transfers Out	(491,723)	(10,248)	—	—	(143,620)	(36,018)	(681,609)	—
Asset Purchases / Debt Issuances	3,179,376	4,600,626	—	927,477	414,393	829,992	9,951,864	—
Sales / Paydowns	(353,684)	(3,032,887)	(62,334)	(501,371)	(303,196)	(516,346)	(4,769,818)	—
Settlements	—	39,424	—	—	—	—	39,424	(26,770)
Net Realized Gains (Losses)	114,812	(55,948)	(2,759)	93,848	17,496	52,757	220,206	—
Net Unrealized Gains (Losses)	1,245,150	(177,954)	(2,322)	(128,393)	141,430	(249,352)	828,559	(807)
Change in Other Comprehensive Income	—	(16,190)	—	—	—	—	(16,190)	—
Balance, End of Period	**$ 9,871,682**	**$ 9,217,759**	**$ —**	**$ 3,567,944**	**$ 1,656,045**	**$ 2,154,755**	**$ 26,468,185**	**$ —**
Changes in Net Unrealized Gains (Losses) Included in Net Gains (Losses) from Investment Activities related to Level III Assets and Liabilities still held as of the Reporting Date	$ 1,316,857	$ (208,744)	$ —	$ (90,583)	$ 149,519	$ (230,726)	$ 936,323	$ —

For the Year Ended December 31, 2018

	Level III Investments							Level III Debt Obligations
	Private Equity	**Credit**	**Investments of Consolidated CFEs**	**Real Assets**	**Equity Method - Other**	**Other Investments**	**Total**	**Debt Obligations of Consolidated CFEs**
Balance, Beg. of Period	$ 2,172,290	$ 5,138,937	$ 5,353,090	$ 2,251,267	$ 1,076,709	$ 1,760,011	$ 17,752,304	$ 5,238,236
Transfers In / (Out) Due to Changes in Consolidation	928,217	770,677	(4,153,641)	—	—	1,065	(2,453,682)	(4,045,957)
Transfers In	—	154,255	1,000,000	—	—	38,782	1,193,037	—
Transfers Out	(52,568)	(1,030,072)	—	—	—	—	(1,082,640)	—
Asset Purchases / Debt Issuances	2,383,277	4,265,569	—	1,309,390	657,332	814,407	9,429,975	800,350
Sales / Paydowns	(142,067)	(1,932,299)	(31,280)	(545,686)	(141,806)	(350,484)	(3,143,622)	—
Settlements	—	(1,350)	—	—	—	—	(1,350)	(20,722)
Net Realized Gains (Losses)	41,614	(236,595)	13,000	55,966	(149,825)	20,745	(255,095)	—
Net Unrealized Gains (Losses)	797,820	(294,417)	(98,624)	87,017	60,612	(167,940)	384,468	(95,124)
Change in Other Comprehensive Income	—	(69,975)	—	—	—	—	(69,975)	—
Balance, End of Period	**$ 6,128,583**	**$ 6,764,730**	**$ 2,082,545**	**$ 3,157,954**	**$ 1,503,022**	**$ 2,116,586**	**$ 21,753,420**	**$ 1,876,783**
Changes in Net Unrealized Gains (Losses) Included in Net Gains (Losses) from Investment Activities related to Level III Assets and Liabilities still held as of the Reporting Date	$ 808,637	$ (197,159)	$ (98,624)	$ 68,215	$ (86,009)	$ (120,413)	$ 374,647	$ (95,124)

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Notes to Financial Statements (Continued)

Total realized and unrealized gains and losses recorded for Level III assets and liabilities are reported in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations.

The following table presents additional information about valuation methodologies and significant unobservable inputs used for investments that are measured and reported at fair value and categorized within Level III as of December 31, 2019:

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

Discounted cash flow	Weighted Average Cost of Capital	14.9%	7.7% - 43.8%	Decrease
	Enterprise Value/LTM EBITDA Exit Multiple	9.7x	3.7x - 12.7x	Increase

Notes to Financial Statements (Continued)

(1) In determining certain of these inputs, management evaluates a variety of factors including economic conditions, industry and market developments, market valuations of comparable companies and company specific developments including exit strategies and realization opportunities. Management has determined that market participants would take these inputs into account when valuing the investments and debt obligations. LTM means last twelve months and EBITDA means earnings before interest, taxes, depreciation and amortization.

(2) Inputs were weighted based on the fair value of the investments included in the range.

(3) Unless otherwise noted, this column represents the directional change in the fair value of the Level III investments that would result from an increase to the corresponding unobservable input. A decrease to the unobservable input would have the opposite effect. Significant increases and decreases in these inputs in isolation could result in significantly higher or lower fair value measurements.

(4) The directional change from an increase in the weight ascribed to the market comparables approach would increase the fair value of the Level III investments if the market comparables approach results in a higher valuation than the discounted cash flow approach and transaction price. The opposite would be true if the market comparables approach results in a lower valuation than the discounted cash flow approach and transaction price.

(5) The directional change from an increase in the weight ascribed to the discounted cash flow approach would increase the fair value of the Level III investments if the discounted cash flow approach results in a higher valuation than the market comparables approach, transaction price and direct income capitalization approach. The opposite would be true if the discounted cash flow approach results in a lower valuation than the market comparables approach, transaction price and direct income capitalization approach.

(6) The directional change from an increase in the weight ascribed to the transaction price or milestones would increase the fair value of the Level III investments if the transaction price or milestones results in a higher valuation than the market comparables and discounted cash flow approach. The opposite would be true if the transaction price or milestones results in a lower valuation than the market comparables approach and discounted cash flow approach.

(7) The directional change from an increase in the weight ascribed to the direct income capitalization approach would increase the fair value of the Level III investments if the direct income capitalization approach results in a higher valuation than the discounted cash flow approach. The opposite would be true if the direct income capitalization approach results in a lower valuation than the discounted cash flow approach.

(8) The total energy fair value amount includes multiple investments (in multiple locations throughout North America) that are held in multiple investment funds and produce varying quantities of oil, condensate, natural gas liquids, and natural gas. Commodity price may be measured using a common volumetric equivalent where one barrel of oil equivalent ("BOE"), is determined using the ratio of six thousand cubic feet of natural gas to one barrel of oil, condensate or natural gas liquids. The price per BOE is provided to show the aggregate of all price inputs for the various investments over a common volumetric equivalent although the valuations for specific investments may use price inputs specific to the asset for purposes of our valuations. The discounted cash flows include forecasted production of liquids (oil, condensate, and natural gas liquids) and natural gas with a forecasted revenue ratio of approximately 89% liquids and 11% natural gas.

(9) Includes one Infrastructure investment for $209.9 million that was valued using a market comparables and discounted cash flow analysis; weights ascribed were 25% and 75%, respectively. The significant inputs used in the market comparables approach included the Forward EBITDA multiple 11.7x. The significant inputs used in the discounted cash flow approach included the weighted average cost of capital 7.0% and the enterprise value/LTM EBITDA exit multiple 10.0x.

(10) Consists primarily of investments in common stock, preferred stock, warrants and options of companies that are not private equity, real assets, credit, equity method - other or investments of consolidated CFEs.

In the table above, certain private equity investments may be valued at cost for a period of time after an acquisition as the best indicator of fair value. In addition, certain valuations of private equity investments may be entirely or partially derived by reference to observable valuation measures for a pending or consummated transaction.

The various unobservable inputs used to determine the Level III valuations may have similar or diverging impacts on valuation. Significant increases and decreases in these inputs in isolation and interrelationships between those inputs could result in significantly higher or lower fair value measurements as noted in the table above.

6. FAIR VALUE OPTION

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

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

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

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

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

Notes to Financial Statements (Continued)

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

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

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

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

Weighted Average Shares of Class A Common Stock Outstanding - Diluted primarily includes unvested equity awards that have been granted under the Amended and Restated KKR & Co. Inc. 2010 Equity Incentive Plan (the "2010 Equity Incentive Plan") and the KKR & Co. Inc. 2019 Equity Incentive Plan (the "2019 Equity Incentive Plan" and, together with the 2010 Equity Incentive Plan, the "Equity Incentive Plans"), as well as exchangeable equity securities issued in connection with the acquisition of Avoca. Vesting or exchanges of these equity interests dilute KKR & Co. Inc. and KKR Holdings pro rata in accordance with their respective ownership interests in the KKR Group Partnerships.

For the years ended December 31, 2019, 2018, and 2017, KKR Holdings units have been excluded from the calculation of Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock - Diluted since the exchange of these units would not dilute KKR's respective ownership interests in the KKR Group Partnerships.

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

Additionally, for the years ended December 31, 2019, 2018 and 2017, 5.0 million shares of KKR Class A common stock subject to a market price-based vesting condition were excluded from the calculation of Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock - Diluted since the vesting conditions have not been satisfied. See Note 12 "Equity Based Compensation."

8. OTHER ASSETS AND ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

Other Assets consist of the following:

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

(1) Represents amounts due from third parties for investments sold for which cash settlement has not occurred.

(2) Represents amounts held at clearing brokers resulting from securities transactions.

(3) Includes proved and unproved oil and natural gas properties under the successful efforts method of accounting, which is net of impairment write-downs, accumulated depreciation, depletion and amortization. Depreciation, depletion and amortization of $31.4 million, $22.3 million and $24.7 million for the years ended December 31, 2019, 2018, and 2017, respectively, are included in General, Administrative and Other in the accompanying consolidated statements of operations.

(4) Net of accumulated depreciation and amortization of $132.7 million and $113.5 million as of December 31, 2019 and 2018, respectively. Depreciation and amortization expense of $17.7 million, $15.0 million and $15.3 million for the years ended December 31, 2019, 2018, and 2017, respectively, are included in General, Administrative and Other in the accompanying consolidated statements of operations.

(5) Represents derivative financial instruments used to manage foreign exchange risk arising from certain foreign currency denominated investments. Such instruments are measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. See Note 3 "Net Gains (Losses) from Investment Activities" for the net changes in fair value associated with these instruments.

(6) As of December 31, 2019, the carrying value of goodwill is recorded and assessed for impairment at the reporting unit.

(7) KKR's non-cancelable operating leases consist of leases for office space in North America, Europe, Asia and Australia. KKR is the lessee under the terms of the operating leases. For the year ended December 31, 2019, the operating lease cost was $48.0 million.

Notes to Financial Statements (Continued)

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

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

(1) Represents the amount of carried interest payable to principals, professionals and other individuals with respect to KKR's active funds and co-investment vehicles that provide for carried interest.

(2) Represents amounts owed to third parties for investment purchases for which cash settlement has not occurred.

(3) Represents the obligations of KKR to deliver a specified security at a future point in time. Such securities are measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. See Note 3 "Net Gains (Losses) from Investment Activities" for the net changes in fair value associated with these instruments.

(4) Represents derivative financial instruments used to manage foreign exchange risk arising from certain foreign currency denominated investments. Such instruments are measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. See Note 3 "Net Gains (Losses) from Investment Activities" for the net changes in fair value associated with these instruments.

(5) KKR’s operating leases have remaining lease terms that range from approximately one year to 14 years, some of which include options to extend the leases for up to three years. As of December 31, 2019, the weighted average remaining lease term and weighted average discount rate were 4.46 years and 2.53%, respectively.

9. VARIABLE INTEREST ENTITIES

Consolidated VIEs

KKR consolidates certain VIEs in which it is determined that KKR is the primary beneficiary as described in Note 2 "Summary of Significant Accounting Policies". The consolidated VIEs are predominately CFEs and certain investment funds sponsored by KKR.

The primary purpose of these VIEs is to provide strategy specific investment opportunities to earn investment gains, current income or both in exchange for management and performance based fees or carried interest. KKR's investment strategies differ for these VIEs; however, the fundamental risks have similar characteristics, including loss of invested capital and loss of management and performance based fees or carried interest. KKR does not provide performance guarantees and has no other financial obligation to provide funding to these consolidated VIEs, beyond amounts previously committed, if any.

Unconsolidated VIEs

KKR holds variable interests in certain VIEs which are not consolidated as it has been determined that KKR is not the primary beneficiary. VIEs that are not consolidated predominantly include certain investment funds sponsored by KKR.

KKR's investment strategies differ by investment fund; however, the fundamental risks have similar characteristics, including loss of invested capital and loss of management and performance based fees or carried interest. KKR's maximum exposure to loss as a result of its investments in the unconsolidated investment funds is the carrying value of such investments, including KKR's capital interest and any unrealized carried interest. Accordingly, disaggregation of KKR's involvement by type of unconsolidated investment fund would not provide more useful information. For these unconsolidated investment funds in which KKR is the sponsor, KKR may have an obligation as general partner to provide commitments to such investment funds. As of December 31, 2019, KKR's commitments to these unconsolidated investment funds was $2.9 billion. KKR has not provided any financial support other than its obligated amount as of December 31, 2019.

As of December 31, 2019 and 2018, the maximum exposure to loss, before allocations to the carry pool and noncontrolling interests, if any, for those VIEs in which KKR is determined not to be the primary beneficiary but in which it has a variable interest is as follows:

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

10. DEBT OBLIGATIONS

KKR enters into credit agreements and issues debt for its general operating and investment purposes.

KKR consolidates and reports debt obligations of KKR Financial Holdings LLC ("KFN"), which are non-recourse to KKR beyond the assets of KFN.

Certain of KKR's consolidated investment funds borrow to meet financing needs of their operating and investing activities. Fund financing facilities have been established for the benefit of certain investment funds. When an investment fund borrows from the facility in which it participates, the proceeds from the borrowings are limited for their intended use by the borrowing investment fund. KKR's obligations with respect to these financing arrangements are generally limited to KKR's pro rata equity interest in such investment funds.

In certain other cases, KKR has majority-owned consolidated investment vehicles that make investments and purchase other assets with borrowings that are collateralized only by the investments and assets they own.

In addition, consolidated CFE vehicles issue debt securities to third-party investors which are collateralized by assets held by the CFE vehicle. Debt securities issued by CFEs are supported solely by the assets held at the CFEs and are not collateralized by assets of any other KKR entity. CFEs also may have warehouse facilities with banks to provide liquidity to the CFE. The CFE's debt obligations are non-recourse to KKR beyond the assets of the CFE.

KKR's borrowings consisted of the following:

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

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

(2) $500 million aggregate principal amount of 3.750% senior notes of KKR due 2029. Borrowing outstanding is presented net of (i) unamortized note discount and (ii) unamortized debt issuance costs of $4.7 million as of December 31, 2019.

(3) $500 million aggregate principal amount of 5.500% senior notes of KKR due 2043. Borrowing outstanding is presented net of (i) unamortized note discount and (ii) unamortized debt issuance costs of $3.4 million and $3.6 million as of December 31, 2019 and 2018, respectively.

(4) $1.0 billion aggregate principal amount of 5.125% senior notes of KKR due 2044. Borrowing outstanding is presented net of (i) unamortized note discount (net of premium) and (ii) unamortized debt issuance costs of $7.7 million and $8.0 million as of December 31, 2019 and 2018, respectively.

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

(6) ¥5.0 billion (or $45.9 million) aggregate principal amount of 0.764% senior notes of KKR due 2025. Borrowing outstanding is presented net of unamortized debt issuance costs of $0.6 million and $0.7 million as of December 31, 2019 and 2018, respectively. These senior notes are denominated in JPY.

(7) ¥10.3 billion (or $94.5 million) aggregate principal amount of 1.595% senior notes of KKR due 2038. Borrowing outstanding is presented net of unamortized debt issuance costs of $1.1 million and $1.2 million as of December 31, 2019 and 2018, respectively. These senior notes are denominated in JPY.

(8) €650 million (or $727.9 million) aggregate principal amount of 1.625% senior notes of KKR due 2029. Borrowing outstanding is presented net of (i) unamortized note discount and (ii) unamortized debt issuance costs of $6.3 million as of December 31, 2019. These senior notes are denominated in euro.

(9) KKR consolidates KFN and thus reports KFN's outstanding $500.0 million aggregate principal amount of 5.500% senior notes due 2032. Borrowing outstanding is presented net of (i) unamortized note discount and (ii) unamortized debt issuance costs of $4.0 million and $4.4 million as of December 31, 2019 and 2018, respectively. These debt obligations are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR's Level III credit investments.

(10) KKR consolidates KFN and thus reports KFN's outstanding $120.0 million aggregate principal amount of 5.200% senior notes due 2033. Borrowing outstanding is presented net of unamortized debt issuance costs of $1.6 million and $1.7 million as of December 31, 2019 and 2018, respectively. These debt obligations are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR's Level III credit investments.

(11) KKR consolidates KFN and thus reports KFN's outstanding $70.0 million aggregate principal amount of 5.400% senior notes due 2033. Borrowing outstanding is presented net of unamortized debt issuance costs of $1.2 million and $1.3 million as of December 31, 2019 and 2018, respectively. These debt obligations are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR's Level III credit investments.

(12) KKR consolidates KFN and thus reports KFN's outstanding $258.5 million aggregate principal amount of junior subordinated notes. The weighted average interest rate is 4.4% and 5.0% and the weighted average years to maturity is 16.8 years and 17.8 years as of December 31, 2019 and 2018, respectively. These debt obligations are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR's Level III credit investments.

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

(14) The notes are classified as Level I within the fair value hierarchy and fair value is determined by quoted prices in active markets since the debt is publicly listed.

Revolving Credit Facilities

Corporate Credit Agreement

On December 7, 2018, Kohlberg Kravis Roberts & Co. L.P. and the KKR Group Partnerships, as borrowers, entered into and closed on an Amended and Restated Credit Agreement (the "Corporate Credit Agreement") by and among the borrowers, the other borrowers from time to time party thereto, the guarantors from time to time party thereto, the lending institutions from time to time party thereto and HSBC Bank USA, National Association, as Administrative Agent, which amended and restated in its entirety the credit agreement dated as of October 22, 2014.

The Corporate Credit Agreement provides the borrowers with a senior unsecured multicurrency revolving credit facility in an aggregate principal amount of $1.0 billion, as of the closing date, with the option to request an increase in the facility amount of up to an additional $500 million, for an aggregate principal amount of $1.5 billion, subject to certain conditions, including obtaining new or increased commitments from new or existing lenders. The credit facility is a five-year facility, scheduled to mature on December 7, 2023, with the borrowers' option to extend the maturity date, subject to the consent of the applicable lenders, and the borrowers may prepay, terminate or reduce the commitments under the credit facility at any time without penalty. Borrowings under the credit facility are available for general corporate purposes. Interest on borrowings under the credit facility will be based on either London Interbank Offered Rate (LIBOR) or Alternate Base Rate, with the applicable margin per annum based on a corporate ratings-based pricing grid ranging from 56.5 basis points to 110 basis points (for LIBOR borrowings). The borrowers have agreed to pay a facility fee on the total commitments (whether used or unused) at a rate per annum also based on a corporate ratings-based pricing grid ranging from 6 basis points to 15 basis points. Borrowings under the credit facility are guaranteed by (i) KKR & Co. Inc., (ii) any other entity (other than the borrowers) that guarantees the 2020 Senior Notes, the 2043 Senior Notes or the 2044 Senior Notes (each as defined below), and (iii) any other entity (other than the borrowers) that guarantees the JPY Notes (as defined below).

KCM Credit Agreement

KKR Capital Markets maintains a revolving credit agreement with a major financial institution (the "KCM Credit Agreement") for use in KKR's capital markets business, which provides for revolving borrowings of up to $500 million with a $500 million sublimit for letters of credit.

On March 30, 2016, the KCM Credit Agreement was amended and restated to extend the maturity date from March 30, 2017 to March 30, 2021. If a borrowing is made on the KCM Credit Agreement, the interest rate will vary depending on the type of drawdown requested. If the loan is a Eurocurrency loan, it will be based on LIBOR plus the applicable margin which ranges initially between 1.25% and 2.50%, depending on the amount and nature of the loan. If the loan is an ABR Loan, it will be based on the prime rate plus the applicable margin which ranges initially between 0.25% and 1.50% depending on the amount and nature of the loan. Borrowings under this facility may only be used for KKR's capital markets business, and its only obligors are entities involved in KKR's capital markets business, and its liabilities are non-recourse to other parts of KKR's business. A facility fee ranging between 0.20% and 0.40% is also payable on the entire facility amount.

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

KCM Short-Term Credit Agreement

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

If a borrowing is made under the KCM Revolver Agreement, the interest rate will vary depending on the type of drawdown requested. If the borrowing is a Eurocurrency loan, it will be based on a LIBOR rate plus an applicable margin ranging between 1.25% and 2.50%, depending on the duration of the loan. If the borrowing is an ABR loan, it will be based on a base rate plus an applicable margin ranging between 0.25% and 1.50%, depending on the duration of the loan.

The KCM Revolver Agreement contains customary representations and warranties, events of default, and affirmative and negative covenants, including a financial covenant providing for a maximum debt to equity ratio for the KCM Borrowers. The KCM Borrowers’ obligations under the KCM Revolver Agreement are secured by certain assets of the KCM Borrowers, including a pledge of equity interests of certain subsidiaries of the KCM Borrowers.

Notes Issuances and Redemptions

KKR Redeemed 6.375% Senior Notes Due 2020

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

KKR Issued 5.500% Notes Due 2043

On February 1, 2013, KKR Group Finance Co. II LLC, an indirect subsidiary of KKR & Co. Inc., issued $500 million aggregate principal amount of 5.50% Senior Notes due 2043 (the "2043 Senior Notes"). The 2043 Senior Notes are unsecured and unsubordinated obligations of KKR Group Finance Co. II LLC and will mature on February 1, 2043, unless earlier redeemed or repurchased. The 2043 Senior Notes are fully and unconditionally guaranteed, jointly and severally, by KKR & Co. Inc. and the KKR Group Partnerships. The guarantees are unsecured and unsubordinated obligations of the guarantors.

The 2043 Senior Notes bear interest at a rate of 5.50% per annum, accruing from February 1, 2013. Interest is payable semi-annually in arrears on February 1 and August 1 of each year.

The indenture, as supplemented by a first supplemental indenture, relating to the 2043 Senior Notes includes covenants, including limitations on the issuer's and the guarantors' ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The indenture, as supplemented, also provides for events of default and further provides that the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding 2043 Senior Notes may declare the 2043 Senior Notes immediately due and payable upon the occurrence and during the continuance of any event of default after expiration of any applicable grace period. In the case of specified events of bankruptcy, insolvency, receivership or reorganization, the principal amount of the 2043 Senior Notes and any accrued and unpaid interest on the 2043 Senior Notes automatically becomes due and payable. All or a portion of the 2043 Senior Notes may be redeemed at the issuer's option in whole or in part, at any time, and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the 2043 Senior Notes. If a change of control repurchase event occurs, the 2043 Senior Notes are subject to repurchase by the issuer at a repurchase price in cash equal to 101% of the aggregate principal amount of the 2043 Senior Notes repurchased plus any accrued and unpaid interest on the 2043 Senior Notes repurchased to, but not including, the date of repurchase.

KKR Issued 5.125% Notes Due 2044

On May 29, 2014, KKR Group Finance Co. III LLC, an indirect subsidiary of KKR & Co. Inc., issued $500 million aggregate principal amount of 5.125% Senior Notes due 2044 (the "2044 Senior Notes"). The 2044 Senior Notes are unsecured and unsubordinated obligations of the issuer and will mature on June 1, 2044, unless earlier redeemed or repurchased. The 2044 Senior Notes are fully and unconditionally guaranteed, jointly and severally, by KKR & Co. Inc. and the KKR Group Partnerships. The guarantees are unsecured and unsubordinated obligations of the guarantors.

The 2044 Senior Notes bear interest at a rate of 5.125% per annum, accruing from May 29, 2014. Interest is payable semi-annually in arrears on June 1 and December 1 of each year, commencing on December 1, 2014.

On March 18, 2015, KKR Group Finance Co. III LLC issued an additional $500 million aggregate principal amount of its 2044 Senior Notes. The 2044 Notes issued in March 2015 form a single series with the 2044 Notes issued in May 2014, and the terms are identical to each other except for the issue date, issue price, the first payment date, June 1, 2015, and the date from which interest begins to accrue for the 2044 Notes issued in March 2015.

The indenture, as supplemented by a first supplemental indenture, relating to the 2044 Senior Notes includes covenants, including limitations on the issuer's and the guarantors' ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The indenture, as supplemented, also provides for events of default and further provides that the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding 2044 Senior Notes may declare the 2044 Senior Notes immediately due and payable upon the occurrence and during the continuance of any event of default after expiration of any applicable grace period. In the case of specified events of bankruptcy, insolvency, receivership or reorganization, the principal amount of the 2044 Senior Notes and any accrued and unpaid interest on the 2044 Senior Notes automatically becomes due and payable. All or a portion of the 2044 Senior Notes may be redeemed at the issuer's option in whole or in part, at any time, and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the 2044 Senior Notes. If a change of control repurchase event occurs, the 2044 Senior Notes are subject to repurchase by the issuer at a repurchase price in cash equal to 101% of the aggregate principal amount of the 2044 Senior Notes repurchased plus any accrued and unpaid interest on the 2044 Senior Notes repurchased to, but not including, the date of repurchase.

Notes to Financial Statements (Continued)

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

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

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

The indenture, as supplemented by the first supplemental indenture, related to the JPY Notes includes covenants, including limitations on the issuer's and the guarantors' ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The indenture, as supplemented, also provides for events of default and further provides that the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding JPY Notes may declare the JPY Notes immediately due and payable upon the occurrence and during the continuance of any event of default after expiration of any applicable grace period. In the case of specified events of bankruptcy, insolvency, receivership or reorganization, the principal amount of the JPY Notes and any accrued and unpaid interest on the JPY Notes automatically become due and payable. The issuer may redeem the JPY Notes at its option, in whole but not in part, at a redemption price equal to 100% of the principal amount of the JPY Notes to be redeemed, together with interest accrued and unpaid to, but excluding, the date fixed for redemption, at any time, in the event of certain changes affecting taxation as provided in the JPY Indenture.

KKR Issued 1.625% Senior Notes Due 2029

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

The 2029 Senior Notes bear interest at a rate of 1.625% per annum and will mature on May 22, 2029, unless earlier redeemed. Interest on the 2029 Senior Notes accrues from May 22, 2019 and is payable annually in arrears on May 22 of each year, commencing on May 22, 2020 and ending on the applicable maturity date. The 2029 Senior Notes are unsecured and unsubordinated obligations of the issuer. The 2029 Senior Notes are fully and unconditionally guaranteed, jointly and severally, by each of the Guarantors. The guarantees are unsecured and unsubordinated obligations of the Guarantors.

The indenture, as supplemented by the first supplemental indenture, related to the 2029 Senior Notes includes covenants, including limitations on the issuer's and the Guarantors' ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The indenture, as supplemented, also provides for events of default and further provides that the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding 2029 Senior Notes may declare the 2029 Senior Notes immediately due and payable upon the occurrence and during the continuance of any event of default after expiration of any applicable grace period. In the case of specified events of bankruptcy, insolvency, receivership or reorganization, the principal amount of the 2029 Senior Notes and any accrued and unpaid interest on the 2029 Senior Notes automatically become due and payable. Prior to February 22, 2029, the issuer may redeem the 2029 Senior Notes at its option, in whole or in part, at any time and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the 2029 Senior Notes. On or after February 22, 2029, the issuer may redeem the 2029 Senior Notes at its option, in whole or in part, at any time and from time to time, at a redemption price equal to 100% of the principal amount of the 2029 Senior Notes to be redeemed, together with interest accrued and unpaid to, but excluding, the date of redemption. If a change of control repurchase event occurs, the 2029 Senior Notes are subject to repurchase by the issuer at a repurchase price in cash equal to 101% of the aggregate principle amount of the 2029 Senior Notes repurchased plus any accrued and unpaid interest on the 2029 Senior Notes repurchased to, but not including, the date of repurchase. In the event of certain changes affecting taxation as provided in the 2029 Senior Notes, the issuer may redeem the 2029 Senior Notes in whole but not in part, at any time at 100% of their principal amount, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

KKR Issued 3.750% Senior Notes Due 2029

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

The KKR 3.750% Senior Notes bear interest at a rate of 3.750% per annum and will mature on July 1, 2029, unless earlier redeemed. Interest on the KKR 3.750% Senior Notes accrues from July 1, 2019 and is payable semi-annually in arrears on January 1 and July 1 of each year, commencing on January 1, 2020 and ending on the maturity date. The KKR 3.750% Senior Notes are unsecured and unsubordinated obligations of the issuer. The KKR 3.750% Senior Notes are fully and unconditionally guaranteed, jointly and severally, by each of the Guarantors. The guarantees are unsecured and unsubordinated obligations of the Guarantors.

The Indenture includes covenants, including limitations on the issuer's and the Guarantors' ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or convey all or substantially all of their assets. The Indenture also provides for events of default and further provides that the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding KKR 3.750% Senior Notes may declare the KKR 3.750% Senior Notes immediately due and payable upon the occurrence and during the continuance of any event of default after expiration of any applicable grace period. In the case of specified events of bankruptcy, insolvency, receivership or reorganization, the principal amount of the KKR 3.750% Senior Notes and any accrued and unpaid interest on the KKR 3.750% Senior Notes automatically become due and payable. Prior to April 1, 2029, all or a portion of the KKR 3.750% Senior Notes may be redeemed at the issuer's option in whole or in part, at any time and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the KKR 3.750% Senior Notes. On or after April 1, 2029, the issuer may redeem the KKR 3.750% Senior Notes at its option, in whole or in part, at any time and from time to time, at a redemption price equal to 100% of the principal amount of the KKR 3.750% Senior Notes to be redeemed, together with interest accrued and unpaid to, but excluding, the date of redemption. If a change of control repurchase event occurs, the KKR 3.750% Senior Notes are subject to repurchase by the issuer at a repurchase price in cash equal to 101% of the aggregate principal amount of the KKR 3.750% Senior Notes repurchased plus any accrued and unpaid interest on the KKR 3.750% Senior Notes repurchased to, but not including, the date of repurchase.

KFN Issued 5.500% Notes Due 2032

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

The indenture, as supplemented by a first supplemental indenture, relating to the KFN 2032 Senior Notes includes covenants, including (i) limitations on KFN's ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of certain of its subsidiaries or merge, consolidate or sell, transfer or lease assets, (ii) requirements that KFN maintain a minimum Consolidated Net Worth (as defined in the indenture) and (iii) requirements that KFN maintain a minimum Cash and Liquid Investments (as defined in the indenture). The indenture, as supplemented, also provides for events of default and further provides that the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding KFN 2032 Senior Notes may declare the KFN 2032 Senior Notes immediately due and payable upon the occurrence and during the continuance of any event of default after expiration of any applicable grace period. In the case of specified events of bankruptcy, insolvency, receivership or reorganization, the principal amount of the KFN 2032 Senior Notes and any accrued and unpaid interest on the KFN 2032 Senior Notes automatically becomes due and payable.

Beginning on March 30, 2022, KFN may redeem the KFN 2032 Senior Notes in whole, but not in part, at KFN's option, at a redemption price equal to 100% of the outstanding principal amount plus accrued and unpaid interest to, but excluding, the date of redemption. At any time prior to March 30, 2022, KFN may redeem the KFN 2032 Senior Notes in whole, but not in part, at KFN's option at any time, at a "make-whole" redemption price set forth in the KFN 2032 Senior Notes. If a change of control occurs, the KFN 2032 Senior Notes are subject to repurchase by the issuer at a repurchase price in cash equal to 101% of the aggregate principal amount of the KFN 2032 Senior Notes repurchased plus any accrued and unpaid interest on the KFN 2032 Senior Notes repurchased to, but not including, the date of repurchase.

On November 17, 2017, KFN issued an additional $125.0 million aggregate principal amount of the KFN 2032 Senior Notes, resulting in the total outstanding aggregate principal amount of $500.0 million. The additional KFN 2032 Senior Notes, which were issued under the indenture related to the existing KFN 2032 Senior Notes as supplemented by a second supplemental indenture, constitute a further issuance of and are part of the same series as the KFN 2032 Senior Notes first issued on March 30, 2017.

KFN Issued 5.200% Notes Due 2033

On February 12, 2018, KFN issued $120.0 million aggregate principal amount of 5.200% Senior Notes due 2033 (the "KFN 2033 Senior Notes"). The KFN 2033 Senior Notes are unsecured and unsubordinated obligations of KFN, which do not provide for recourse to KKR beyond the assets of KFN. The KFN 2033 Senior Notes are not guaranteed by KKR & Co. Inc. or the KKR Group Partnerships. The KFN 2033 Senior Notes will mature on February 12, 2033, unless earlier redeemed or repurchased. The KFN 2033 Senior Notes bear interest at a rate of 5.200% per annum, accruing from February 12, 2018. Interest is payable semi-annually in arrears on February 12 and August 12 of each year.

The indenture, as supplemented by a first supplemental indenture, relating to the KFN 2033 Senior Notes includes covenants, including (i) limitations on KFN's ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of certain of its subsidiaries or merge, consolidate or sell, transfer or lease assets, (ii) requirements that KFN maintain a minimum Consolidated Net Worth (as defined in the indenture) and (iii) requirements that KFN maintain a minimum Cash and Liquid Investments (as defined in the indenture). The indenture, as supplemented, also provides for events of default and further provides that the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding KFN 2033 Senior Notes may declare the KFN 2033 Senior Notes immediately due and payable upon the occurrence and during the continuance of any event of default after expiration of any applicable grace period. In the case of specified events of bankruptcy, insolvency, receivership or reorganization, the principal amount of the KFN 2033 Senior Notes and any accrued and unpaid interest on the KFN 2033 Senior Notes automatically becomes due and payable.

Beginning on February 12, 2023, KFN may redeem the KFN 2033 Senior Notes in whole, but not in part, at KFN's option, at a redemption price equal to 100% of the outstanding principal amount plus accrued and unpaid interest to, but excluding, the date of redemption. At any time prior to February 12, 2023, KFN may redeem the KFN 2033 Senior Notes in whole, but not in part, at KFN's option at any time, at a "make-whole" redemption price set forth in the KFN 2033 Senior Notes. If a change of control occurs, the KFN 2033 Senior Notes are subject to repurchase by the issuer at a repurchase price in cash equal to 101% of the aggregate principal amount of the KFN 2033 Senior Notes repurchased plus any accrued and unpaid interest on the KFN 2033 Senior Notes repurchased to, but not including, the date of repurchase.

KFN Issued 5.400% Notes Due 2033

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

The indenture, as supplemented by a second supplemental indenture, relating to the KFN 5.400% Senior Notes includes covenants, including (i) limitations on KFN's ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of certain of its subsidiaries or merge, consolidate or sell, transfer or lease assets, (ii) requirements that KFN maintain a minimum Consolidated Net Worth (as defined in the indenture) and (iii) requirements that KFN maintain minimum Cash and Liquid Investments (as defined in the indenture). The indenture, as supplemented, also provides for events of default and further provides that the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding KFN 5.400% Senior Notes may declare the KFN 5.400% Senior Notes immediately due and payable upon the occurrence and during the continuance of any event of default after expiration of any applicable grace period. In the case of specified events of bankruptcy, insolvency, receivership or reorganization, the principal amount of the KFN 5.400% Senior Notes and any accrued and unpaid interest on the KFN 5.400% Senior Notes automatically becomes due and payable.

Beginning on May 23, 2023, KFN may redeem the KFN 5.400% Senior Notes in whole, but not in part, at KFN's option, at a redemption price equal to 100% of the outstanding principal amount plus accrued and unpaid interest to, but excluding, the date of redemption. At any time prior to May 23, 2023, KFN may redeem the KFN 5.400% Senior Notes in whole, but not in part, at KFN's option at any time, at a "make-whole" redemption price set forth in the KFN 5.400% Senior Notes. If a change of control occurs, the KFN 5.400% Senior Notes are subject to repurchase by the issuer at a repurchase price in cash equal to 101% of the aggregate principal amount of the KFN 5.400% Senior Notes repurchased plus any accrued and unpaid interest on the KFN 5.400% Senior Notes repurchased to, but not including, the date of repurchase.

KFN Issued Junior Subordinated Notes

KFN established six 30-year trusts between 2006 and 2007 for the sole purpose of issuing trust preferred securities. These trusts issued preferred securities to unaffiliated investors and common securities to KFN. The combined proceeds were invested by the trusts in junior subordinated notes issued by KFN. The junior subordinated notes are the sole assets of the trusts and mature between 2036 and 2037. Interest is payable on the junior subordinated notes quarterly and based on the associated trust ranges from between LIBOR plus 2.25% and LIBOR plus 2.65%. KFN may redeem the junior subordinated notes, in whole or in part, at any time, at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest to the redemption date.

Other Debt Obligations

As of December 31, 2019, other debt obligations consisted of the following:

	Financing Available	Borrowing Outstanding	Fair Value	Weighted Average Interest Rate	Weighted Average Remaining Maturity in Years
Financing Facilities of Consolidated Funds and Other	$ 3,865,495	$ 8,377,854	$ 8,377,854	4.0%	4.4
Debt Obligations of Consolidated CLOs	—	14,658,137	14,658,137	(1)	11.0
	$ 3,865,495	**$ 23,035,991**	**$ 23,035,991**		

(1) The senior notes of the consolidated CLOs had a weighted average interest rate of 3.0%. The subordinated notes of the consolidated CLOs do not have contractual interest rates but instead receive a pro rata amount of the net distributions from the excess cash flows of the respective CLO vehicle. Accordingly, weighted average borrowing rates for the subordinated notes are based on cash distributions during the period, if any.

Financing Facilities of Consolidated Funds and Other

Certain of KKR's consolidated investment funds have entered into financing arrangements with financial institutions, generally to provide liquidity to such investment funds. These financing arrangements are generally not direct obligations of the general partners of KKR's investment funds (beyond KKR's capital interest) or its management companies. Such borrowings have varying maturities and bear interest at floating rates. Borrowings are generally secured by the investment purchased with the proceeds of the borrowing and/or the uncalled capital commitment of each respective fund. When an investment vehicle borrows, the proceeds are available only for use by that investment vehicle and are not available for the benefit of other investment vehicles or KKR. Collateral within each investment vehicle is also available only against borrowings by that investment vehicle and not against the borrowings of other investment vehicles or KKR.

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

Debt Obligations of Consolidated CLOs

Debt obligations of consolidated CLOs consist of debt securities to third-party investors issued by the consolidated CLOs. CLO debt obligations are carried at fair value and are classified as Level II within the fair value hierarchy. See Note 5 "Fair Value Measurements."

Debt Obligations of Consolidated CMBS

During the year ended December 31, 2019, the controlling financial interest in a CMBS vehicle was sold by KKR resulting in the deconsolidation of that CMBS vehicle. For the year ended December 31, 2018, CMBS debt obligations are carried at fair value and are classified as Level III within the fair value hierarchy. See Note 5 "Fair Value Measurements."

Debt obligations of consolidated CFEs are collateralized by assets held by each respective CFE vehicle and assets of one CFE vehicle may not be used to satisfy the liabilities of another. As of December 31, 2019, the fair value of the consolidated CFE assets was $15.7 billion. This collateral consisted of Cash and Cash Equivalents Held at Consolidated Entities, Investments, and Other Assets.

Debt Covenants

Borrowings of KKR contain various debt covenants. These covenants do not, in management's opinion, materially restrict KKR's operating business or investment strategies as of December 31, 2019. KKR is in compliance with its debt covenants in all material respects as of December 31, 2019.

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

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

11. INCOME TAXES

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

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

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

KKR & Co. Inc. is a corporation for U.S. federal income tax purposes and thus is subject to U.S. federal, state and local corporate income taxes at the entity level on KKR's share of net taxable income. In addition, the KKR Group Partnerships and certain of their subsidiaries operate in the United States as partnerships for U.S. federal income tax purposes and as corporate entities in certain non-U.S. jurisdictions. These entities, in some cases, are subject to U.S. state or local income taxes or non-U.S. income taxes.

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

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

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

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

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

Deferred income taxes reflect the net tax effects of temporary differences that may exist between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes using enacted tax rates in effect for the year in which the differences are expected to reverse. A summary of the tax effects of the temporary differences is as follows:

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

(1) In connection with exchanges of KKR Holdings units into Class A common stock of KKR & Co. Inc., KKR records a deferred tax asset associated with an increase in KKR & Co. Inc.'s share of the tax basis of the tangible and intangible assets of the KKR Group Partnerships. This amount is offset by an adjustment to record amounts due to KKR Holdings and principals under the tax receivable agreement, which is included within Due to Affiliates in the consolidated statements of financial condition. The net impact of these adjustments was recorded as an adjustment to equity at the time of the exchanges.

(2) This deferred tax item includes a portion of the tax benefit KKR recognized as a result of the step-up in tax basis generated by the Conversion.

Future realization of the above deferred tax assets is dependent on KKR generating sufficient taxable income within the period of time that the tax benefits are expected to reverse. KKR considers projections of taxable income in evaluating its ability to utilize those deferred tax assets. In projecting its taxable income, KKR begins with historical results and incorporates assumptions concerning the amount and timing of future pretax operating income. Those assumptions require significant judgment and are consistent with the plans and estimates that KKR uses to manage its business. KKR has determined that it is more likely than not that all deferred tax assets will be realized and that a valuation allowance is not needed as of December 31, 2019 and 2018.

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

Tax Contingencies

KKR files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, KKR is subject to examination by U.S. federal and certain state, local and foreign tax regulators. As of December 31, 2019, tax returns of KKR and its predecessor entities for the years 2016 through 2018 for U.S. federal purposes and 2011 through 2018 for state and local tax purposes are open under general statute of limitations provisions and therefore subject to examination.

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

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

If the above tax benefits were recognized it would reduce the effective income tax rate. KKR believes that there will not be a significant increase or decrease to the tax positions within 12 months of the reporting date.

The unrecognized tax benefits are recorded in Accounts Payable, Accrued Expenses and Other Liabilities. KKR recognizes interest and penalties accrued related to unrecognized tax benefits as income tax expense. Related to the unrecognized tax benefits, KKR had a net reversal of accrued penalties of $(0.4) million and interest of $(0.4) million during 2019 and in total, as of December 31, 2019, recognized a liability for penalties of $2.2 million and interest of $10.2 million. During 2018, penalties of $0.3 million and interest of $2.6 million were accrued and in total, as of December 31, 2018, recognized a liability for penalties of $2.6 million and interest of $10.6 million.

12. EQUITY BASED COMPENSATION

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

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

(1) Includes $1.4 million, $11.7 million and $11.2 million of equity based compensation for the years ended December 31, 2019, 2018, and 2017 respectively, related to employees of equity method investees. Such amounts are included in Net Gains (Losses) from Investment Activities in the consolidated statements of operations.

Equity Incentive Plans

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

Under the 2019 Equity Incentive Plan, KKR is permitted to grant equity awards representing ownership interests in KKR & Co. Inc. Class A common stock. The total number of shares of Class A common stock that may be issued under the 2019 Equity Incentive Plan is equivalent to 15% of the aggregate number of the shares of Class A common stock and KKR Group Partnership Units (excluding KKR Group Partnership Units held by KKR & Co. Inc. or its wholly-owned subsidiaries), subject to annual adjustment. Vested awards under the Equity Incentive Plans dilute KKR & Co. Inc. common stockholders and KKR Holdings pro rata in accordance with their respective percentage interests in the KKR Group Partnerships.

Equity awards have been granted under the Equity Incentive Plans and are generally subject to service-based vesting, typically over a three to five year period from the date of grant. In certain cases, these awards are subject to transfer restrictions and/or minimum retained ownership requirements. The transfer restriction period, if applicable, lasts for (i) one year with respect to one-half of the interests vesting on any vesting date and (ii) two years with respect to the other one-half of the interests vesting on such vesting date. While providing services to KKR, if applicable, certain of these awards are also subject to minimum retained ownership rules requiring the award recipient to continuously hold shares of Class A common stock equivalents equal to at least 15% of their cumulatively vested awards that have the minimum retained ownership requirement.

Expense associated with the vesting of these awards is based on the closing price of the KKR & Co. Inc. Class A common stock on the date of grant, discounted for the lack of participation rights in the expected dividends on unvested shares.

The following table presents information regarding the discount for the lack of participation rights in the expected dividends by grant date:

Date of Grant	Discount per share [(1)]
January 1, 2016 to December 31, 2016	$ 0.64
January 1, 2017 to December 31, 2017	$ 0.68
January 1, 2018 to June 30, 2018	$ 0.68
July 1, 2018 to December 31, 2019	$ 0.50

(1) Represents the annual discount for the lack of participation rights on expected dividends. The total discount on any given tranche of unvested shares is calculated as the discount per share multiplied by the number of years in the applicable vesting period.

Expense is recognized on a straight line basis over the life of the award and assumes a forfeiture rate of up to 7% annually based upon expected turnover by class of recipient.

Market Condition Awards

On November 2, 2017, KKR's Co-Presidents and Co-Chief Operating Officers were each granted equity awards representing 2.5 million shares of KKR Class A common stock subject to a market price-based vesting condition ("Market Condition Awards"). These awards were granted under the 2010 Equity Incentive Plan. All of such awards will vest upon the market price of KKR Class A common stock reaching and maintaining a closing market price of $40 per share for 10 consecutive trading days on or prior to December 31, 2022, subject to the employee's continued service to the time of such vesting. If the $40 price target is not achieved by the close of business on December 31, 2022, the unvested Market Condition Awards will be automatically canceled and forfeited. These Market Condition Awards are subject to additional transfer restrictions and minimum retained ownership requirements after vesting. Due to the existence of the market condition, the vesting period for the Market Condition Awards is not explicit, and as such, compensation expense will be recognized over the period derived from the valuation technique used to estimate the grant-date fair value of the award (the "Derived Vesting Period"). The fair value of the Market Condition Awards at the date of grant was $4.02 per share based on a Monte-Carlo simulation valuation model due to the existence of the market condition described above.

Below is a summary of the significant assumptions used to estimate the grant date fair value of the Market Condition Awards:

Closing KKR share price as of valuation date	$19.90
Risk Free Rate	2.02%
Volatility	25.00%
Dividend Yield	3.42%
Expected Cost of Equity	11.02%

In addition, the grant date fair value assumes that holders of the Market Condition Awards will not participate in dividends until such awards have met their vesting requirements. Compensation expense is recognized over the Derived Vesting Period, which was estimated to be 3 years from the date of grant, on a straight-line basis. As of December 31, 2019, there was approximately $5.6 million of estimated unrecognized compensation expense related to unvested Market Condition Awards and such awards did not meet their market-price based vesting condition.

As of December 31, 2019, there was approximately $295.9 million of total estimated unrecognized expense related to unvested awards, including Market Condition Awards. That cost is expected to be recognized as follows:

Year	**Unrecognized Expense (in millions)**
2020	$ 162.8
2021	86.4
2022	36.9
2023	7.8
2024	1.7
2025	0.3
Total	**$ 295.9**

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

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

The weighted average remaining vesting period over which unvested awards are expected to vest is 1.2 years.

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

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

KKR Holdings Awards

KKR Holdings units are exchangeable for KKR Group Partnership Units and allow for their exchange into Class A common stock of KKR & Co. Inc. on a one-for-one basis. As of December 31, 2019 and 2018, KKR Holdings owned approximately 34.1% or 290,381,345 units and 35.9% or 299,081,239 units, respectively, of outstanding KKR Group Partnership Units. Awards for KKR Holdings units that have been granted are generally subject to service based vesting, typically over a three to five year period from the date of grant. They are also generally subject to transfer restrictions which last for (i) one year with respect to one-half of the interests vesting on any vesting date and (ii) two years with respect to the other one-half of the interests vesting on such vesting date. While providing services to KKR, the recipients are also subject to minimum retained ownership rules requiring them to continuously hold 25% of their vested interests. Upon separation from KKR, award recipients are subject to the terms of a confidentiality and restrictive covenants agreement that would require the forfeiture of certain vested and unvested units should the terms of the agreement be violated. Holders of KKR Holdings units are not entitled to participate in distributions made on KKR Group Partnership Units underlying their KKR Holdings units until such units are vested. All of the KKR Holdings units (except for less than 1.0% of the outstanding KKR Holdings units) have been granted as of December 31, 2019, and certain Holdings units remain subject to vesting.

The fair value of awards granted out of KKR Holdings is generally based on the closing price of KKR & Co. Inc. Class A common stock on the date of grant discounted for the lack of participation rights in the expected distributions on unvested units. KKR determined this to be the best evidence of fair value as KKR & Co. Inc. Class A common stock is traded in an active market and has an observable market price. Additionally, a KKR Holdings unit is an instrument with terms and conditions similar to those of KKR & Co. Inc. Class A common stock. Specifically, units in KKR Holdings and shares of KKR & Co. Inc. represent ownership interests in KKR Group Partnership Units and, subject to any vesting, minimum retained ownership requirements and transfer restrictions, each KKR Holdings unit is exchangeable into a KKR Group Partnership Unit and then into a share of KKR & Co. Inc. Class A common stock on a one-for-one basis.

Notes to Financial Statements (Continued)

In February 2016, approximately 28.9 million KKR Holdings units were granted that were originally subject to market condition and service-based vesting that were subsequently modified in November 2016 to eliminate the market condition vesting and instead require only service-based vesting in equal annual installments over a five year period. At the date of modification, total future compensation expense amounted to $320.9 million, net of estimated forfeitures, to be recognized over the remaining vesting period of the modified awards.

The awards described above were granted from outstanding but previously unallocated units of KKR Holdings, and consequently these grants did not increase the number of KKR Holdings units outstanding or outstanding KKR & Co. Inc. Class A common stock on a fully-diluted basis. If and when vested, these awards will not dilute KKR's respective ownership interests in the KKR Group Partnerships.

KKR Holdings awards give rise to equity-based compensation in the consolidated statements of operations based on the grant-date fair value of the award discounted for the lack of participation rights in the expected distributions on unvested units. This discount is consistent with that noted above for shares issued under the Equity Incentive Plans.

Expense is recognized on a straight line basis over the life of the award and assumes a forfeiture rate of up to 7% annually based on expected turnover by class of recipient.

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

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

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

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

The weighted average remaining vesting period over which unvested awards are expected to vest is 1.5 years.

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

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

13. RELATED PARTY TRANSACTIONS

Due from Affiliates consists of:

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

Due to Affiliates consists of:

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

Tax Receivable Agreement

KKR is required to acquire KKR Group Partnership Units from time to time pursuant to the exchange agreement with KKR Holdings. The KKR Group Partnerships have each made an election under Section 754 of the Internal Revenue Code of 1986, as amended, that will remain in effect for each taxable year in which an exchange of KKR Group Partnership Units for Class A common stock occurs, which may result in an increase in KKR's tax basis of the assets of the KKR Group Partnerships at the time of an exchange of KKR Group Partnership Units. Certain of these exchanges are expected to result in an increase in KKR's share of the tax basis of the tangible and intangible assets of the KKR Group Partnerships, primarily attributable to a portion of the goodwill inherent in KKR's business that would not otherwise have been available. This increase in tax basis may increase depreciation and amortization deductions for tax purposes and therefore reduce the amount of income tax KKR otherwise would be required to pay in the future. This increase in tax basis may also decrease gain (or increase loss) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

KKR has entered into a tax receivable agreement with KKR Holdings, which requires KKR to pay to KKR Holdings, or to current and former principals who have exchanged KKR Holdings units for shares of Class A common stock (as transferees of KKR Group Partnership Units), 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that KKR realizes as a result of the increase in tax basis described above, as well as 85% of the amount of any such savings KKR actually realizes as a result of increases in tax basis that arise due to future payments under the agreement. KKR expects to benefit from the remaining 15% of cash savings, if any, in income tax that it realizes. A termination of the agreement or a change of control could give rise to similar payments based on tax savings that KKR would be deemed to realize in connection with such events.

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

As a result of the 2017 Tax Act, which lowered the U.S. federal corporate tax rate from 35% to 21%, expected future cash savings generated as a result of KKR Holdings exchanges are expected to decrease. Accordingly, KKR has decreased the liability associated with the tax receivable agreement to reflect lower future payments to individuals who exchanged KKR Holdings units for shares of Class A common stock. The amount of this reduction was $67.2 million and is included in Net Gains (Losses) from Investment Activities in the consolidated statements of operations for the year ended December 31, 2017.

Effective July 1, 2018, we amended the tax receivable agreement to reflect the Conversion. The amendment also provides that, in the event the maximum U.S. federal corporate income tax rate is increased to a rate higher than 21.0% within the five-year period following the Conversion, for exchanges pursuant to the exchange agreement that take place within that five-year period (other than exchanges following the death of an individual), payments of cash tax savings realized as a result of such exchanges shall be calculated by applying a U.S. federal corporate income tax rate not to exceed 21.0%. The amendment also clarifies that the tax benefit payments with respect to exchanges completed at any time prior to the Conversion will be calculated without taking into account the step-up in tax basis in our underlying assets that we generated in 2018 as a result of the Conversion.

For the year ended December 31, 2019, cash payments that have been made under the tax receivable agreement were $11.8 million. For the years ended December 31, 2018 and 2017, no cash payments have been made under the tax receivable agreement. KKR expects its intermediate holding companies to benefit from the remaining 15% of cash savings, if any, in income tax that they realize. As of December 31, 2019, $6.3 million of cumulative income tax savings have been realized.

Discretionary Investments

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

Aircraft and Other Services

Certain of the senior employees own aircraft that KKR uses for business purposes in the ordinary course of its operations. These senior employees paid for the purchase of these aircraft with personal funds and bear all operating, personnel and maintenance costs associated with their operation. The hourly rates that KKR pays for the use of these aircraft are based on current market rates for chartering private aircraft of the same type. KKR incurred $3.8 million, $3.6 million, and $3.9 million for the use of these aircraft for the years ended December 31, 2019, 2018 and 2017, respectively.

Facilities

Certain trusts, whose beneficiaries include children of Mr. Kravis and Mr. Roberts, and certain other senior employees who are not executive officers of KKR, are partners in a real-estate based partnership that maintains an ownership interest in KKR's Menlo Park location. Payments made to this partnership were $8.1 million, $7.9 million, and $7.6 million for the years ended December 31, 2019, 2018 and 2017, respectively.

14. SEGMENT REPORTING

KKR operates through one operating and reportable segment. This single reportable segment reflects how the chief operating decision makers allocate resources and assess performance under KKR's "one-firm approach," which includes operating collaboratively across business lines, with predominantly a single expense pool.

15. EQUITY

Stockholders' Equity

Class A, Class B and Class C Common Stock

Class A common stock is entitled to vote as provided by our certificate of incorporation, Delaware law and the rules of the NYSE. Class B common stock is entitled to vote on any other matter that is submitted to a vote of the stockholders. For matters on which our Class A common stock is entitled to vote, so long as the ratio at which KKR Group Partnership Units are exchangeable for Class A common stock remains on a one-for-one basis, Class C common stock will vote together with Class A common stock as a single class and on an equivalent basis unless required otherwise by Delaware law, except Class C common stock will vote separately as a class on any amendment to the certificate of incorporation that changes certain terms, rights or preferences of Class C common stock.

The holder of Class B common stock and holders of Class C common stock do not have any economic rights to receive dividends or receive distributions upon the dissolution, liquidation or winding up of KKR. Class A common stock, Class B common stock and Class C common stock are not entitled to preemptive rights, and, except in the case of impermissible transfers of the Class B common stock, which would result in KKR’s redemption of such Class B common stock, are not subject to conversion, redemption or sinking fund provisions.

Series A and Series B Preferred Stock

The board of directors is authorized, subject to limitations prescribed by Delaware law, to issue preferred stock in one or more series, to establish from time to time the number of shares to be included in each series, and to fix the designation, powers (including voting powers), preferences and rights of the shares of each series and any of its qualifications, limitations or restrictions, in each case without further vote or action by the stockholders (except as may be required by the terms of any preferred stock then outstanding).

KKR & Co. Inc. has outstanding 13,800,000 shares of Series A Preferred Stock and 6,200,000 shares of Series B Preferred Stock. Series A Preferred Stock and Series B Preferred Stock trade on the NYSE under the symbols "KKR PR A" and "KKR PR B", respectively, and were originally issued on March 17, 2016 and June 20, 2016, respectively. The terms of the preferred stock are set forth in our certificate of incorporation.

If declared, dividends on the Series A Preferred Stock and Series B Preferred Stock are payable quarterly on March 15, June 15, September 15 and December 15 of each year, at a rate per annum equal to 6.75%, in the case of Series A Preferred Stock, and 6.50%, in the case of Series B Preferred Stock. Dividends on the Series A Preferred Stock and Series B Preferred Stock are discretionary and non-cumulative. Holders of the Series A Preferred Stock and Series B Preferred Stock will only receive dividends on such shares when, as and if declared by the board of directors. KKR has no obligation to declare or pay any dividends for any dividend period, whether or not dividends on any series of preferred stock are declared or paid for any other dividend period.

Unless dividends have been declared and paid (or declared and set apart for payment) on Series A Preferred Stock and Series B Preferred Stock for a quarterly distribution period, KKR & Co. Inc. may not declare or pay dividends on, or repurchase, any of its shares that are junior to Series A Preferred Stock and Series B Preferred Stock, including Class A common stock, during such dividend period. A dividend period begins on a dividend payment date and extends to, but excludes, the next dividend payment date.

If KKR & Co. Inc. dissolves, then the holders of the Series A Preferred Stock and Series B Preferred Stock are entitled to receive payment of a $25.00 liquidation preference per share, plus declared and unpaid dividends, if any, to the extent that KKR has sufficient gross income (excluding any gross income attributable to the sale or exchange of capital assets) such that holders of such preferred stock have capital account balances equal to such liquidation preference, plus declared and unpaid dividends, if any.

The Series A Preferred Stock and Series B Preferred Stock do not have a maturity date. However, Series A Preferred Stock may be redeemed at KKR & Co. Inc.’s option, in whole or in part, at any time on or after June 15, 2021, at a price of $25.00 per share, plus declared and unpaid dividends, if any. Series B Preferred Stock may be redeemed at KKR & Co. Inc.’s option, in whole or in part, at any time on or after September 15, 2021, at a price of $25.00 per share, plus declared and unpaid dividends, if any. Holders of Series A Preferred Stock and Series B Preferred Stock have no right to require the redemption of such stock.

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

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

In connection with the issuance of the Series A Preferred Stock and Series B Preferred Stock, the KKR Group Partnerships issued for the benefit of KKR & Co. Inc. corresponding series of preferred units with economic terms that mirror those of the Series A Preferred Stock and Series B Preferred Stock, as applicable.

Share Repurchase Program

In the first quarter of 2019, KKR increased the available amount under its repurchase program to $500 million, which may be used for the repurchase of its shares of Class A common stock of KKR & Co. Inc. and retirement of equity awards granted pursuant to the Equity Incentive Plans. Under this repurchase program, shares of Class A common stock of KKR & Co. Inc. may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing, manner, price and amount of any repurchases will be determined by KKR in its discretion and will depend on a variety of factors, including legal requirements, price and economic and market conditions. In addition to the repurchases of Class A common stock, the repurchase program will be used for the retirement (by cash settlement or the payment of tax withholding amounts upon net settlement) of equity awards granted pursuant to our Equity Incentive Plans representing the right to receive Class A common stock. KKR expects that the program, which has no expiration date, will be in effect until the maximum approved dollar amount has been used. The program does not require KKR to repurchase or retire any specific number of shares of Class A common stock or equity awards, respectively, and the program may be suspended, extended, modified or discontinued at any time.

The following table presents KKR & Co. Inc. Class A common stock that has been repurchased or equity awards retired under the repurchase program:

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

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

Noncontrolling Interests

Noncontrolling interests represent (i) noncontrolling interests in consolidated entities and (ii) noncontrolling interests held by KKR Holdings.

Noncontrolling Interests in Consolidated Entities

Noncontrolling interests in consolidated entities represent the non-redeemable ownership interests in KKR that are held primarily by:

(i) third party fund investors in KKR's consolidated funds and certain other entities;

(ii) third parties entitled to up to 1% of the carried interest received by certain general partners of KKR's funds that have made investments on or prior to December 31, 2015;

(iii) certain former principals and their designees representing a portion of the carried interest received by the general partners of KKR's private equity funds that was allocated to them with respect to private equity investments made during such former principals' tenure with KKR prior to October 1, 2009;

(iv) certain principals and former principals representing all of the capital invested by or on behalf of the general partners of KKR's private equity funds prior to October 1, 2009 and any returns thereon; and

(v) third parties in KKR's capital markets business line.

Noncontrolling Interests held by KKR Holdings

Noncontrolling interests held by KKR Holdings include economic interests held by principals indirectly in the KKR Group Partnership Units. Such principals receive financial benefits from KKR's business in the form of distributions received from KKR Holdings and through their direct and indirect participation in the value of KKR Group Partnership Units held by KKR Holdings. These financial benefits are not paid by KKR & Co. Inc. and are borne by KKR Holdings.

The following tables present the calculation of total noncontrolling interests:

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

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

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

(1) Refer to the table below for calculation of net income (loss) attributable to noncontrolling interests held by KKR Holdings.

(2) With respect to noncontrolling interests held by KKR Holdings, calculated on a pro rata basis based on the weighted average KKR Group Partnership Units held by KKR Holdings during the reporting period.

(3) For the year ended December 31, 2019, calculated based on the proportion of KKR Holdings units exchanged for KKR & Co. Inc. Class A common stock. For the years ended December 31, 2018 and 2017, calculated based on the proportion of KKR Holdings units and other exchangeable securities exchanged for KKR & Co. Inc. Class A common stock. The exchange agreement with KKR Holdings provides for the exchange of KKR Group Partnership Units held by KKR Holdings for KKR & Co. Inc. Class A common stock.

Net income (loss) attributable to each of KKR & Co. Inc. Class A common stockholders and KKR Holdings, with the exception of certain tax assets and liabilities that are directly allocable to KKR & Co. Inc., is attributed based on the percentage of the weighted average KKR Group Partnership Units directly or indirectly held by KKR & Co. Inc. and KKR Holdings, each of which directly or indirectly holds equity of the KKR Group Partnerships. However, primarily because of the (i) contribution of certain expenses borne entirely by KKR Holdings, (ii) the periodic exchange of KKR Holdings units for KKR & Co. Inc. Class A common stock pursuant to the exchange agreement and (iii) the contribution of certain expenses borne entirely by KKR associated with the Equity Incentive Plans, equity allocations shown in the consolidated statement of changes in equity differ from their respective pro rata ownership interests in KKR's net assets.

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

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

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

Redeemable Noncontrolling Interests

Redeemable Noncontrolling Interests represent noncontrolling interests of certain investment funds and vehicles that are subject to periodic redemption by fund investors following the expiration of a specified period of time (typically one year), or may be withdrawn subject to a redemption fee during the period when capital may not be otherwise withdrawn. Fund investors interests subject to redemption as described above are presented as Redeemable Noncontrolling Interests in the accompanying consolidated statements of financial condition and presented as Net Income (Loss) Attributable to Redeemable Noncontrolling Interests in the accompanying consolidated statements of operations.

When redeemable amounts become legally payable to fund investors, they are classified as a liability and included in Accounts Payable, Accrued Expenses and Other Liabilities in the accompanying consolidated statements of financial condition. For all consolidated investment vehicles and funds in which redemption rights have not been granted, noncontrolling interests are presented within Stockholders' Equity in the accompanying consolidated statements of financial condition as noncontrolling interests.

The following table presents the rollforward of Redeemable Noncontrolling Interests:

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

16. COMMITMENTS AND CONTINGENCIES

Funding Commitments

As of December 31, 2019, KKR had unfunded commitments consisting of $5,241.2 million to its active investment vehicles. In addition to the uncalled commitments to KKR's investment funds, KKR has entered into contractual commitments with respect to (i) the purchase of investments and other assets in its Principal Activities business line and (ii) underwriting transactions, debt financing, and syndications in KKR's Capital Markets business line. As of December 31, 2019, these commitments amounted to $0.8 million and $1,089.4 million, respectively. Whether these amounts are actually funded, in whole or in part, depends on the contractual terms of such commitments, including the satisfaction or waiver of any conditions to closing or funding. The unfunded commitments shown for KKR's Capital Markets business line are shown without reflecting arrangements that may reduce the actual amount of contractual commitments shown. KKR's capital markets business has an arrangement with a third party, which reduces its risk when underwriting certain debt transactions, and thus our unfunded commitments as of December 31, 2019 are reduced to reflect the amount to be funded by such third party. In the case of purchases of investments or assets in KKR's Principal Activities business line, the amount to be funded includes amounts that are intended to be syndicated to third parties, and the actual amounts to be funded may be less than shown.

Non-cancelable Operating Leases

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

As of December 31, 2019, the approximate aggregate future lease payments required on the operating leases are as follows:

2020	$ 52,811
2021	24,954
2022	20,720
2023	14,570
2024	4,491
Thereafter	14,762
Total lease payments required	132,308
Less: Imputed Interest	(7,222)
Total operating lease liabilities	**$ 125,086**

As of December 31, 2019, KKR has an additional operating lease for office space that has not yet commenced with future lease payments of approximately £66.9 million (or $88.9 million) over a lease term of 15 years. This operating lease is denominated in Pound Sterling.

Contingent Repayment Guarantees

The partnership documents governing KKR's carry-paying investment funds and vehicles generally include a "clawback" provision that, if triggered, may give rise to a contingent obligation requiring the general partner to return amounts to the fund for distribution to the fund investors at the end of the life of the fund. Under a clawback obligation, upon the liquidation of a fund, the general partner is required to return, typically on an after-tax basis, previously distributed carry to the extent that, due to the diminished performance of later investments, the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, including the effects of any performance thresholds. As of December 31, 2019, $36.9 million of carried interest was subject to this clawback obligation, assuming that all applicable carry-paying funds were liquidated at their December 31, 2019 fair values. Had the investments in such funds been liquidated at zero value, the clawback obligation would have been approximately $2.5 billion. Carried interest is recognized in the consolidated statements of operations based on the contractual conditions set forth in the agreements governing the fund as if the fund were terminated and liquidated at the reporting date and the fund's investments were realized at the then estimated fair values. Amounts earned pursuant to carried interest are earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment amounts earned decrease or turn negative in subsequent periods, recognized carried interest will be reversed and to the extent that the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, a clawback obligation would be recorded. For funds that are consolidated, this clawback obligation, if any, is reflected as an increase in noncontrolling interests in the consolidated statements of financial condition. For funds that are not consolidated, this clawback obligation, if any, is reflected as a reduction of KKR's investment balance as this is where carried interest is initially recorded.

Indemnifications and Other Guarantees

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

Litigation

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

In December 2017, KKR & Co. L.P. and its Co-Chief Executive Officers were named as defendants in a lawsuit pending in Kentucky state court alleging, among other things, the violation of fiduciary and other duties in connection with certain separately managed accounts that Prisma Capital Partners LP, a former subsidiary of KKR, manages for the Kentucky Retirement Systems. Also named as defendants in the lawsuit are certain current and former trustees and officers of the Kentucky Retirement Systems, Prisma Capital Partners LP, and various other service providers to the Kentucky Retirement Systems and their related persons. KKR and other defendants' motions to dismiss were denied by the trial court in November 2018, but in April 2019 the Kentucky Court of Appeals vacated the trial court's opinion and order denying the motions to dismiss the case for lack of standing. The decision of the Court of Appeals has been appealed by plaintiffs to the Supreme Court of Kentucky, whose decision is pending.

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

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

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

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

17. QUARTERLY FINANCIAL DATA (UNAUDITED)

	For the Three Months Ended,			
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
Statement of Operations Data:				
Total Revenues	$ 1,187,480	$ 1,179,864	$ 790,485	$ 1,063,071
Total Expenses	728,767	808,811	619,533	751,320
Total Investment Income (Loss)	1,335,926	1,156,076	218,792	1,145,027
Income (Loss) Before Taxes	1,794,639	1,527,129	389,744	1,456,778
Income Tax Expense / (Benefit)	167,593	165,399	53,132	142,626
Net Income (Loss)	1,627,046	1,361,730	336,612	1,314,152
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	—	—	—	—
Net Income (Loss) Attributable to Noncontrolling Interests	917,727	838,996	87,058	790,710
Net Income (Loss) Attributable to KKR & Co. Inc.	709,319	522,734	249,554	523,442
Series A Preferred Stock Dividends	5,822	5,822	5,822	5,822
Series B Preferred Stock Dividends	2,519	2,519	2,519	2,519
Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	$ 700,978	$ 514,393	$ 241,213	$ 515,101
Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock				
Basic	$ 1.31	$ 0.94	$ 0.44	$ 0.93
Diluted	$ 1.27	$ 0.93	$ 0.43	$ 0.91
Weighted Average Shares of Class A Common Stock Outstanding				
Basic	533,892,474	544,528,863	546,336,936	555,379,973
Diluted	550,046,440	554,643,810	559,532,065	566,277,984

	For the Three Months Ended,			
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Statement of Operations Data:				
Total Revenues	$ 472,606	$ 971,620	$ 1,129,666	$ (178,056)
Total Expenses	436,601	675,050	740,090	237,736
Total Investment Income (Loss)	584,530	1,330,786	833,288	(798,115)
Income (Loss) Before Taxes	620,535	1,627,356	1,222,864	(1,213,907)
Income Tax Expense / (Benefit)	17,641	60,960	(129,405)	(143,294)
Net Income (Loss)	602,894	1,566,396	1,352,269	(1,070,613)
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	25,674	(18,016)	12,236	(57,246)
Net Income (Loss) Attributable to Noncontrolling Interests	398,777	895,690	691,494	(628,726)
Net Income (Loss) Attributable to KKR & Co. Inc.	178,443	688,722	648,539	(384,641)
Series A Preferred Stock Dividends	5,822	5,822	5,822	5,822
Series B Preferred Stock Dividends	2,519	2,519	2,519	2,519
Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	$ 170,102	$ 680,381	$ 640,198	$ (392,982)
Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock				
Basic	$ 0.36	$ 1.33	$ 1.22	$ (0.74)
Diluted	$ 0.32	$ 1.24	$ 1.17	$ (0.74)
Weighted Average Shares of Class A Common Stock Outstanding				
Basic	487,704,838	510,586,631	525,240,214	532,266,521
Diluted	535,918,274	548,745,498	545,672,953	532,266,521

18. SUBSEQUENT EVENTS

Common Stock Dividend

A dividend of $0.125 per share of Class A common stock of KKR & Co. Inc. was announced on January 31, 2020, and will be paid on February 25, 2020 to Class A common stockholders of record as of the close of business on February 10, 2020. KKR Holdings will receive its pro rata share of the distribution from the KKR Group Partnership.

Preferred Stock Dividend

A dividend of $0.421875 per share of Series A Preferred Stock has been declared as announced on January 31, 2020 and set aside for payment on March 16, 2020 to holders of record of Series A Preferred Stock as of the close of business on March 1, 2020.

A dividend of $0.406250 per share of Series B Preferred Stock has been declared as announced on January 31, 2020 and set aside for payment on March 16, 2020 to holders of record of Series B Preferred Stock as of the close of business on March 1, 2020.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

We carried out an evaluation, under the supervision and with the participation of our management, including the Co-Chief Executive Officers and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2019. Based upon that evaluation, our Co-Chief Executive Officers and Chief Financial Officer have concluded that, as of December 31, 2019, our disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting

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

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

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2019. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework* that was issued in 2013. Based on its assessment, our management has concluded that, as of December 31, 2019, our internal control over financial reporting is effective.

Changes in Internal Control Over Financial Reporting

No changes in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) of the Exchange Act) occurred during the fourth quarter of 2019 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Attestation Report of the Independent Registered Public Accounting Firm

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

ITEM 9B. OTHER INFORMATION

Restricted Holdings Units

On February 13, 2020, we adopted a new form of equity award under the 2019 Equity Incentive Plan called restricted holdings units. Restricted holdings units will be granted under the 2019 Equity Incentive Plan, and the number of shares of Class A common stock in respect of such awards is subject to the overall limitation on the number of shares of Class A common stock that may be awarded under the 2019 Equity Incentive Plan. The form of restricted holdings units was approved by a committee of independent directors of our Board of Directors. In general, restricted holdings units are subject to vesting conditions. Following vesting, certain restricted holdings units may also be subject to additional restrictions, including transfer restrictions or minimum retained ownership requirements.

Restricted holdings units provide the holder the ability, after vesting and the satisfaction of certain other conditions, to exchange them for KKR Group Partnership Units and then for shares of Class A Common Stock on a one-for-one basis (or at the discretion of KKR, cash in an amount equal to the fair market value of the shares of Class A common stock that would otherwise be deliverable in such exchange). There is no tax receivable agreement in place for such exchange of restricted holdings units granted under the 2019 Equity Incentive Plan, and therefore KKR will receive 100% of any tax benefits arising from the exchange of restricted holdings units granted under that plan.

Prior to vesting, restricted holdings units will not be entitled to any distributions. As of the date of this report, no restricted holdings units have been issued.

Annual Meeting of Stockholders

KKR will hold its 2020 annual meeting of stockholders (the "Annual Meeting") at 9:00 a.m., Eastern Time, on Wednesday, April 22, 2020, at the offices of Simpson Thacher & Bartlett LLP, 425 Lexington Avenue, New York, New York 10017. The close of business on March 16, 2020 has been set as the record date for the Annual Meeting (the "Record Date"). Stockholders as of the close of business on the Record Date may attend the Annual Meeting if they bring valid government-issued photo identification and proof of stock ownership.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors and Executive Officers

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

Name	Age	Position(s)
Henry R. Kravis	76	Co-Chief Executive Officer, Co-Chairman and Director
George R. Roberts	76	Co-Chief Executive Officer, Co-Chairman and Director
Joseph Y. Bae	48	Co-President, Co-Chief Operating Officer and Director
Scott C. Nuttall	47	Co-President, Co-Chief Operating Officer and Director
Mary N. Dillon	58	Director
David C. Drummond	56	Director
Joseph A. Grundfest	68	Director
John B. Hess	65	Director
Xavier B. Niel	62	Director
Patricia F. Russo	67	Director
Thomas M. Schoewe	67	Director
Robert W. Scully	70	Director
Robert H. Lewin	40	Chief Financial Officer
David J. Sorkin	60	General Counsel and Secretary

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

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

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

Asia Society. Mr. Bae's intimate knowledge of KKR's business and operations and his experience in a variety of senior leadership roles within KKR provide significant value to the board of directors.

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

Mary N. Dillon has been a member of the board of directors since September 6, 2018. Ms. Dillon has served as Chief Executive Officer and a member of the board of directors of Ulta Beauty, Inc., a beauty products retailer, since July 2013. Prior to joining Ulta Beauty, she served as President and Chief Executive Officer and member of the board of directors of United States Cellular Corporation, a provider of wireless telecommunication services, beginning in June 2010. Prior to joining U.S. Cellular, Ms. Dillon served as Global Chief Marketing Officer and Executive Vice President of McDonald’s Corporation from 2005 to 2010, where she led its worldwide marketing efforts and global brand strategy. Prior to joining McDonald’s, Ms. Dillon held several positions of increasing responsibility at PepsiCo Corporation, including as President of the Quaker Foods division from 2004 to 2005 and as Vice President of Marketing for Gatorade and Quaker Foods from 2002 to 2004. Ms. Dillon served as a director of Target Corporation from 2007 to 2013 and as a member of its compensation committee from 2009 to 2013. Ms. Dillon joined the board of directors of Starbucks in January 2016 and serves as chair of its compensation and management development committee, and as a member of the nominating and corporate governance committee. Ms. Dillon provides the board with valuable knowledge and insights she gained through her various senior management and leadership roles, including as the chief executive officer of a publicly traded company. In addition, with over 30 years of experience in consumer-driven businesses, Mr. Dillon brings to the Board her extensive operational and marketing expertise in the retail industry.

David C. Drummond has been a member of the board of directors since March 14, 2014. Mr. Drummond has served as the senior vice president, corporate development of Alphabet Inc. (and its predecessor Google Inc.) since January 2006, as its chief legal officer since December 2006 and as its secretary since 2002, each until his retirement in January 2020. Previously, he served as Google Inc.'s vice president, corporate development and general counsel since February 2002 to December 2005. Prior to joining Google Inc., from July 1999 to February 2002, Mr. Drummond served as chief financial officer of SmartForce, an educational software applications company. Prior to that, Mr. Drummond was a partner at the law firm of Wilson Sonsini Goodrich & Rosati. Mr. Drummond holds a Juris Doctor degree from Stanford Law School and a Bachelor of Arts degree in history from Santa Clara University. Mr. Drummond provides significant value to the oversight and development of our business through his management and leadership roles at a publicly-traded global technology business and his insight into legal developments affecting global enterprises.

Joseph A. Grundfest has been a member of the board of directors since July 15, 2010. Mr. Grundfest has been a member of the faculty of Stanford Law School since 1990, where he is the William A. Franke Professor of Law and Business. He is also senior faculty of the Arthur and Toni Rembe Rock Center for Corporate Governance at Stanford University; co-director of Directors' College, a venue for the continuing professional education of directors of publicly traded corporations; and co-founder of Financial Engines, Inc., a provider of services and advice to participants in employer-sponsored retirement plans, where he has served as a director since its inception in 1996 until 2018. Prior to joining the Stanford Law School faculty, Mr. Grundfest was a Commissioner of the SEC from 1985 to 1990. He holds a B.A. in Economics from Yale University and a J.D. from Stanford Law School. Mr. Grundfest's knowledge and expertise in capital markets, corporate governance, and securities laws provides significant value to the oversight and development of our business.

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

Xavier B. Niel has been a member of the board of directors since March 1, 2018. Mr. Niel is the founder, deputy chairman of the board and chief strategy officer of Iliad SA, a French telecommunications company that owns the internet provider Free and the low-cost mobile operator Free Mobile. Mr. Niel also owns majority stakes in telecom operators in various countries. He has been involved in the data communications, internet and telecommunications industry since the late 1980s. In 2010, Mr. Niel founded Kima Ventures SAS, which is an active early-stage investor. In 2013, he created 42, a school that trains computer specialists in France and the United States, and in 2017, he opened Station-F, a startup campus located in Paris. Mr. Niel brings significant value to the board due to his extensive experience as an entrepreneur who founded multiple companies, in addition to his leadership and technology experience.

Patricia F. Russo has been a member of the board of directors since April 15, 2011. Ms. Russo served as chief executive officer of Alcatel-Lucent from 2006 to 2008. Prior to the merger of Alcatel and Lucent in 2006, she served as chairman of Lucent Technologies, Inc. from 2003 to 2006, and as president and chief executive officer from 2002 to 2006. Before rejoining Lucent in 2002, Ms. Russo was president and chief operating officer of Eastman Kodak Company from March 2001 to December 2001. She has served as the chairman of Hewlett Packard Enterprise Company since 2015, and as a director of Merck & Co., Inc. since 2009 and General Motors Company since 2009. Prior to its merger with Merck in 2009, Ms. Russo served as a director of Schering-Plough since 1995, and she served as a director of Hewlett Packard Company from 2011 to November 2015. From November 2016 to May 2018, Ms. Russo also served on the board of Arconic Inc., which separated from Alcoa Inc., where Ms. Russo served as a director from 2008 to November 2016. She graduated from Georgetown University with a bachelor's degree in political science and history, and obtained an Advanced Management Degree from Harvard Business School's Advanced Management Program. Ms. Russo's management and leadership experience as chief executive officer of complex global companies as well as her experience with corporate strategy, mergers and acquisitions, and sales and marketing brings important expertise to the oversight and development of our business. Ms. Russo also brings extensive experience in corporate governance as a member of boards and board committees of other public companies.

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

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

Robert H. Lewin joined KKR in 2004 and is our Chief Financial Officer. Since joining KKR, Mr. Lewin held a number of positions, including as an investor in private equity, co-leading the firm's credit and capital markets businesses, serving as Treasurer and Head of Corporate Development and most recently as Head of Human Capital & Strategic Talent. From 2006 through 2010, Mr. Lewin resided in Hong Kong, helping to launch KKR's Asia business. Mr. Lewin has a Bachelor of Science from the University of Pennsylvania. He currently serves on the board of Answer the Call, a non-profit organization.

David J. Sorkin joined KKR in 2007 and is our General Counsel and Secretary. Prior to joining KKR, Mr. Sorkin was a partner with Simpson Thacher & Bartlett LLP. Mr. Sorkin serves as President of the board of directors of New Alternatives for Children. He received a B.A., summa cum laude, from Williams College and a J.D., cum laude, from Harvard Law School.

Independence and Composition of the Board of Directors

Our board of directors consists of twelve directors, eight of whom, Messrs. Drummond, Grundfest, Hess, Niel, Schoewe and Scully and Mses. Dillon and Russo, are independent under NYSE rules relating to corporate governance matters and the independence standards described in our corporate governance guidelines.

Because the Class B Stockholder has more than 50% of the voting power for the election of our directors, we are a "controlled company" within the meaning of the corporate governance standards of the NYSE. Under these standards, a "controlled company" may elect not to comply with certain corporate governance standards, including the requirements (1) that a majority of its board of directors consist of independent directors, (2) that its board of directors have a compensation committee that is comprised entirely of independent directors with a written charter addressing the committee's purpose and responsibilities and (3) that its board of directors have a nominating and corporate governance committee that is comprised entirely of independent directors with a written charter addressing the committee's purpose and responsibilities. We currently utilize the second and third of these exemptions. See "Risk Factors—Risks Related to Our Common Stock—As a 'controlled company,' we qualify for some exemptions from the corporate governance and other requirements of the NYSE." While we are exempt from NYSE rules relating to board independence, we intend to maintain a board of directors that consists of at least a majority of directors who are independent under NYSE rules. In the event that we cease to be a "controlled company" and our shares of Class A common stock continue to be listed on the NYSE, we will be required to comply with these provisions within the applicable transition periods.

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

Board Committees

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

Audit Committee

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

Conflicts Committee

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

Nominating and Corporate Governance Committee

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

Executive Committee

The executive committee consists of Messrs. Kravis and Roberts. The purpose of the executive committee is to act, when necessary, in place of the full board of directors during periods in which the board is not in session. The executive committee is authorized and empowered to act as if it were the full board of directors in overseeing our business and affairs, except that it is not authorized or empowered to take actions that have been specifically delegated to other board committees or to take actions with respect to: (i) the declaration of dividends on our Class A common stock; (ii) a merger or consolidation of us with or into another entity; (iii) a sale, lease or exchange of all or substantially all of our assets; (iv) a liquidation or dissolution of us; (v) any action that must be submitted to a vote of the Class B Stockholder's members or our stockholders; or (vi) any action that may not be delegated to a board committee under our certificate of incorporation, our bylaws or the DGCL.

Code of Business Conduct and Ethics

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

Corporate Governance Guidelines

Our board of directors has a governance policy, which addresses matters such as the board of directors' responsibilities and duties, the board of directors' composition and compensation and director independence. The governance guidelines are available on our website at *www.kkr.com* under the "Investor Center" section.

Communications to the Board of Directors

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

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation Philosophy

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

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

Alignment of interests. Management equity ownership in the businesses in which we invest has been a guiding principle throughout our firm's history, and we apply that principle to ourselves: every employee of the firm is expected to have an equity interest in KKR. This equity ownership serves to align the interests of our employees with those of our stockholders. In addition, because we invest in and alongside our investment funds and have a carry pool from which we can allocate to our employees 40% or 43%, as applicable, of the carried interest that we generate through our business, we believe that our employees' interests are also aligned with those of our investors in the funds, vehicles and accounts that we manage, which in turn benefits our stockholders.

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

We refer to our two Co-Chief Executive Officers (Henry Kravis and George Roberts), our two Co-Presidents/Co-Chief Operating Officers (Joseph Bae and Scott Nuttall), our former Chief Financial Officer (William Janetschek) and our General Counsel (David Sorkin) as our "named executive officers." Mr. Janetschek retired from his position as of December 31, 2019. We believe that the elements of compensation discussed below for our named executive officers serve these primary objectives. We are not required to conduct say-on-pay or say-on-frequency votes under the Dodd-Frank Act. However, we intend periodically to review the elements of our compensation, and we may make changes to the compensation structure relating to one or more named executive officers based on the outcome of such reviews from time to time.

KKR Holdings

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

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

KKR Holdings, from time to time, receives distributions that are made on KKR Group Partnership Units that are held by it. To the extent such distributions are received on KKR Group Partnership Units that underlie any KKR Holdings units that have satisfied their respective vesting requirements, if any, at the time distributions are declared on the underlying KKR Group Partnership Units, such distributions will be allocated and further distributed to the named executive officers as and when received. To the extent that such distributions are made on KKR Group Partnership Units underlying any KKR Holdings units that have not satisfied all vesting requirements at the time distributions are declared on the underlying KKR Group Partnership Units, such distributions may be allocated or otherwise applied in such amounts and in such manner as our Co-Chief Executive Officers, acting through the general partner of KKR Holdings, may determine. See "—Compensation Elements—Year-End

Bonus Compensation" for a description of these grants. As of February 10, 2020, approximately 3.2 million KKR Holdings units remain unallocated.

In 2019, our named executive officers received distributions on KKR Holdings units, including distributions relating to tax liabilities, as well as dividends on shares of Class A common stock they own, and because these distributions and dividends are not considered to be compensation, they have not been reported in the Summary Compensation Table.

Compensation Elements

Base Salary

For 2019, each of our named executive officers was paid an annual salary of $300,000. We believe that the base salary of our named executive officers should typically not be the most significant component of total compensation. Our Co-Chief Executive Officers determined that this amount was a sufficient minimum base salary for our named executive officers and decided that it should be the same for all named executive officers. We are responsible for funding this base salary.

Year-End Bonus Compensation

Our Co-Chief Executive Officers did not receive any year-end bonus compensation in 2019. They have decided at this time not to receive any bonus from us or from KKR Holdings in excess of distributions payable with respect to their KKR Holdings units. Instead, they have decided that year-end bonus payments for 2019 should be made to our other employees in order to motivate and retain them for the benefit of the firm. See "—Other Compensation" below for certain incidental benefits provided by the firm.

In 2019, our Co-Presidents/Co-Chief Operating Officers and General Counsel were awarded additional year-end cash compensation as bonus payments that were determined by our Co-Chief Executive Officers. Our Co-Chief Executive Officers made their subjective determinations by assessing our overall performance and the contributions that our Co-Presidents/Co-Chief Operating Officers and General Counsel made to our development and success, as a firm, during the year. Certain factors that were considered when determining the size of their bonus payments include (i) their respective contributions and accomplishments in 2019 in terms of driving commercial results for the firm, leading and managing people, and living the firm's values; (ii) their respective performance and contributions relative to other senior employees at the firm; (iii) their respective performance and contributions in 2019 as compared to the prior year; and (iv) the overall financial performance of the firm in 2019 as compared to the prior year based on certain financial measures considered by management, including but not limited to after-tax distributable earnings. More specifically, in assessing Mr. Bae and Mr. Nuttall's contributions, our Co-Chief Executive Officers considered their services as Co-Presidents/Co-Chief Operating Officers and their day-to-day management of the firm's operations, as well as their joint leadership roles in executing and implementing KKR's strategy in its global private equity, real assets, credit, capital markets and capital raising businesses together with its corporate development and balance sheet initiatives. In assessing Mr. Sorkin's contributions, they considered his leadership and oversight of our global legal, compliance, enterprise risk and internal audit functions and his role with respect to the strategic initiatives undertaken by the firm. The size of the cash bonus payments to the named executive officers (other than Messrs. Kravis, Roberts and Janetschek who received none) were lower compared to the prior year, reflecting the firm's financial performance in 2019, in particular with respect to a year-over-year decrease in operating revenues, and an increase in the number of employees compared to 2018. No equity-based bonus compensation was granted to the named executive officers as part of their 2019 year-end bonus compensation, because it was decided that our senior principals would generally not receive any year-end equity-based bonus for 2019. In making these determinations, our Co-Chief Executive Officers consulted with certain of our senior employees and, with respect to the determinations for our General Counsel, considered the recommendations by our Co-Presidents/Co-Chief Operating Officers. We believe that the discretion permitted to our Co-Chief Executive Officers permits them to award bonus compensation in an amount they determine to be necessary to motivate and retain these named executive officers.

The cash bonus amounts paid to our Co-Presidents/Co-Chief Operating Officers and our General Counsel for 2019 are reflected in the Bonus column of the 2019 Summary Compensation Table below. Although no deferred equity bonus or additional equity compensation awards were made to our named executive officers in connection with 2019 year-end bonus compensation, these equity awards may become a component of our annual year-end bonus determination for our named executive officers in the future.

Carried Interest

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

The carried interest allocated to the carry pool is maintained and administered by KKR Associates Holdings L.P., which, similar to KKR Holdings, is not a subsidiary of ours. Allocations of carried interest, including any reserved carried interest, are determined by our Co-Chief Executive Officers acting through the general partner of KKR Associates Holdings L.P.

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

Participation in our carry pool for our employees, including our named executive officers, is subject only to service-based vesting with certain exceptions, including additional vesting upon death, disability or certain retirement events. In general, the vesting for carry pool allocations is annual over a four-year period (other than for our Co-Chief Executive Officers). Vesting serves as an employment retention mechanism and enhances the alignment of interests between a participant in our carry pool and the firm as well as the limited partners in our investment funds. Due to their status as co-founders of our firm, our Co-Chief Executive Officers are typically completely vested in their carry pool allocations upon grant.

Carry pool allocations after December 31, 2018, whether or not vested, are subject to forfeiture if the recipient violates his or her confidentiality and restrictive covenant agreement. See "—Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards—Terms of Confidentiality and Restrictive Covenant Agreements."

Other Compensation

Our Co-Chief Executive Officers are reimbursed by us for the use of a car and driver, and we pay for the compensation of certain personnel who administer personal matters for them. We believe that these benefits are appropriate in light of the time that they spend on our business, the limited compensation paid by us for their services and their unique status as co-founders of our firm. In addition, we also pay for certain tax preparation fees for our named executive officers and, starting in 2019, for financial planning services for certain of our named executive officers.

Minimum Retained Ownership

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

Compensation and Risk

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

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Summary Compensation Table

The following table presents summary information concerning compensation that was paid for services rendered by our named executive officers during the fiscal years ended December 31, 2017, 2018 and 2019.

In 2017, 2018 and 2019, our named executive officers received distributions based on their vested KKR Holdings units or dividends on shares of Class A common stock they hold. Because these distributions and dividends are not considered to be compensation, they are not reflected as compensation in the table below. There are certain contractual arrangements we entered into with KKR Holdings at the time of the KPE Transaction in October 2009 and thereafter, including a tax receivable agreement, which relate to payments to our named executive officers that are not compensatory and are described in "Certain Relationships and Related Transactions, and Director Independence."

Carried interest distributions to our named executive officers in respect of the carry pool for the years ended December 31, 2017, 2018 and 2019 are reflected in the All Other Compensation column in the 2019 Summary Compensation Table below.

2019 Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($) (2)	All Other Compensation ($) (3)	Total ($)
Henry R. Kravis	2019	300,000	—	—	39,822,617 (4)	40,122,617
Co-Chief Executive Officer	2018	300,000	—	—	56,217,088	56,517,088
	2017	300,000	—	44,650,000	68,484,271	113,434,271
George R. Roberts	2019	300,000	—	—	39,865,377 (5)	40,165,377
Co-Chief Executive Officer	2018	300,000	—	—	56,233,435	56,533,435
	2017	300,000	—	44,650,000	68,761,704	113,711,704
Joseph Y. Bae	2019	300,000	8,300,000	—	26,372,589 (6)	34,972,589
Co-President and Co-Chief Operating Officer	2018	300,000	9,000,000	5,872,442	21,168,222	36,340,664
	2017	300,000	7,385,000	121,302,000	14,919,102	143,906,102
Scott C. Nuttall	2019	300,000	8,300,000	—	26,612,129 (7)	35,212,129
Co-President and Co-Chief Operating Officer	2018	300,000	9,000,000	5,872,442	21,491,798	36,664,240
	2017	300,000	7,385,000	121,302,000	15,364,186	144,351,186
William J. Janetschek	2019	300,000	—	—	1,951,426 (8)	2,251,426
Former Chief Financial Officer	2018	300,000	2,950,000	1,257,647	9,378,133	13,885,780
	2017	300,000	2,747,500 (1)	967,419	6,655,362	10,670,281
David J. Sorkin	2019	300,000	2,800,000	—	3,361,433 (9)	6,461,433
General Counsel	2018	300,000	2,950,000	1,257,647	4,607,770	9,115,417
	2017	300,000	2,747,500 (1)	967,419	3,389,709	7,404,628

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

(2) Stock awards reflected in the table above for each year presented represent the value of the restricted stock units and KKR Holdings units granted in such reporting period. For the fiscal years ended December 31, 2017 and 2018, restricted stock units presented in such reporting periods relate to the equity portion of the prior year's year-end bonus compensation and in each case reflect the grant date fair value of restricted stock units. For the fiscal year ended December 31, 2017, amounts relating to KKR Holdings units represent the original grant date fair value of KKR Holdings units. Fair value of the restricted stock units and KKR Holdings units granted to our named executive officers and the incremental fair value relating to the modification of the KKR Holdings units are calculated in accordance with Accounting Standards Codification Topic 718, Compensation-Stock Compensation ("ASC Topic 718"). See Note 12 "Equity Based Compensation" to our consolidated financial statements included elsewhere in this report for additional information about the valuation assumptions with respect to all grants reflected in this column. These amounts reflect the aggregate grant date fair values (or incremental fair values) calculated under ASC Topic 718, and may not correspond to the actual value that will be recognized by our named executive officers.

(3) Carried interest is presented on the basis of cash received by our named executive officers in the respective fiscal year. We believe that presenting actual cash received by our named executive officers is a more representative disclosure of their compensation than presenting accrued carried interest, because carried interest is paid only if and when there are profitable realization events relating to the underlying investments. Carried interest also includes amounts retained and allocated for distribution to the respective named executive officer, but not yet distributed to the named executive officer, which could be used to fund potential future clawback obligations if any were to arise.

(4) Consists of $39,182,711 in cash payments of carried interest from the carry pool during 2019; $40,000 in fees for Mr. Kravis's service as a KKR-designated director on the board of directors of First Data Corporation prior to its merger with Fiserv, Inc., a KKR portfolio company, during 2019; $150,195 related to Mr. Kravis's use of a car and driver during 2019; $399,711 related to certain personnel who administer personal matters for Mr. Kravis during 2019; $25,000 related to financial planning services fees; and $25,000 related to tax preparation fees. SEC rules require that transportation and personnel expenses not directly and integrally related to our business be disclosed as compensation to Mr. Kravis. Because we do not separately track personnel expenses based on whether they are incurred for business or for personal reasons, 100% of the preceding costs have been reported for Mr. Kravis.

(5) Consists of $39,182,711 in cash payments of carried interest from the carry pool during 2019; $192,808 related to Mr. Roberts's use of a car and driver during 2019; $439,858 related to certain personnel who administer personal matters for Mr. Roberts during 2019; $25,000 related to financial planning services fees; and $25,000 related to tax preparation fees. SEC rules require that transportation and personnel expenses not directly and integrally related to our business be disclosed as compensation to Mr. Roberts. Because we do not separately track personnel expenses based on whether they are incurred for business or for personal reasons, 100% of the preceding costs have been reported for Mr. Roberts.

(6) Consists of $26,322,589 in cash payments of carried interest from the carry pool during 2019; $25,000 related to financial planning services fees; and $25,000 related to tax preparation fees.

(7) Consists of $26,522,129 in cash payments of carried interest from the carry pool during 2019; $40,000 in fees for Mr. Nuttall's service as a KKR-designated director on the board of directors of First Data Corporation prior to its merger with Fiserv, Inc., a KKR portfolio company, during 2019; $25,000 related to financial planning services fees; and $25,000 related to tax preparation fees.

(8) Consists of $1,926,426 in cash payments of carried interest from the carry pool during 2019 and $25,000 related to tax preparation fees.

(9) Consists of $3,311,433 in cash payments of carried interest from the carry pool during 2019; $25,000 related to financial planning services fees; and $25,000 related to tax preparation fees.

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

Terms of KKR Holdings Units

In general, KKR Holdings units vest over a three- to five-year period from their grant date, subject to continued service through each vesting date. Following this service-based vesting, certain KKR Holdings units may also be subject to transfer restrictions and/or minimum retained ownership requirements. Unvested KKR Holdings units are not entitled to receive any distributions that are declared and received on the underlying KKR Group Partnership Units. As of February 10, 2020, 270,941,316 outstanding KKR Holdings units have vested, constituting 93% of the KKR Holdings units outstanding. See "—KKR Holdings."

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

Because KKR Holdings is a partnership, all of the 290,381,345 KKR Holdings units have been legally allocated, but the allocation of 2,870,550 of these units has not been communicated to each respective principal as of December 31, 2019. The units whose allocation has not been communicated are subject to performance-based vesting conditions, which include: (i) whether the principal is in good standing and has adhered to our policies and rules; (ii) performance of assigned tasks and duties in an effective, efficient and diligent manner; (iii) contribution and commitment to the growth, development and profitability of KKR and our business; (iv) contribution and commitment to our management and general administration; (v) contribution and commitment to the culture, business principles, reputation and morale of KKR as a whole and the team or teams to which the principal has been assigned; and (vi) contribution and commitment to our recruiting, business development, public image and marketing efforts and the professional development of our personnel. These criteria are not sufficiently specific to constitute performance conditions for accounting purposes, and the achievement, or lack thereof, will be determined based upon the exercise of judgment by the general partner of KKR Holdings. Each principal will ultimately receive between zero and 100% of the units initially allocated. The allocation of these units has not yet been communicated to the award recipients as this was management's decision on how to best incentivize its principals. It is anticipated that additional service-based vesting conditions will be imposed at the time the allocation is initially communicated to the respective principals. We applied the guidance of ASC Topic 718 and concluded that these KKR Holdings units do not yet meet the criteria for recognition of compensation cost because neither the grant date nor the service inception date has occurred. In reaching a conclusion that the service inception date has not occurred, we considered (1) the fact that the vesting conditions are not sufficiently specific to constitute performance conditions for accounting purposes, (2) the significant judgment that can be exercised by the general partner of KKR Holdings in determining whether the vesting conditions are ultimately achieved and (3) the absence of communication to the principals of any information related to the number of units they were initially allocated. The allocation of these units will be communicated to the award recipients when the performance-based vesting conditions have been met, and currently there is no plan as to when the communication will occur. The determination as to whether the award recipients have satisfied the performance-based vesting conditions is made by the general partner of KKR Holdings, and is based on multiple factors primarily related to the award recipients' individual performance.

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

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

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

Terms of Restricted Stock Units

Restricted stock units are equity awards issuable under our 2019 Equity Incentive Plan, which after vesting, may be settled for shares of our Class A common stock on a one-for-one basis (or an amount of cash equal to the fair market value of such shares).

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

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

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

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

Terms of Restricted Holdings Units

In February 2020, KKR adopted restricted holdings units, a new form of equity award, under the 2019 Equity Incentive Plan. For a description of terms and conditions of the restricted holdings units, see "Part II. Item 9B. Other Information." Grants of restricted holdings units to KKR's named executive officers are subject to further approval by KKR's board of directors. KKR's independent directors are ineligible to receive restricted holdings units. As of the date of this report, no restricted holdings units have been issued.

Terms of Confidentiality and Restrictive Covenant Agreements

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

The restricted periods for our Co-Chief Executive Officers expire two years from termination for both the prohibitions on competition with us and the prohibitions on the solicitations of our clients and employees. In cases where the Co-Chief Executive Officer is terminated involuntarily and for reasons not constituting cause, such periods are reduced to one year from termination. The restricted periods for our other named executive officers expire (1) in the case of the prohibitions on competition with us, 12 months from termination and (2) in the case of the prohibitions on the solicitation of our clients and employees, 15 months from termination. These agreements also require that we, and our named executive officers, provide advance notice prior to termination of employment.

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

Outstanding Equity Awards at 2019 Fiscal Year-End

The following table sets forth information concerning unvested restricted stock units and KKR Holdings units for each of the named executive officers as of December 31, 2019.

	Stock Awards	
Name	Number of Shares or Units of Stock that Have Not Vested (#)	Market Value of Shares or Units of Stock that Have Not Vested ($) [(1)]
Henry R. Kravis	1,500,000 [(2)]	$ 43,755,000
George R. Roberts	1,500,000 [(2)]	$ 43,755,000
Joseph Y. Bae	8,040,228 [(3)]	$ 234,533,451
Scott C. Nuttall	8,146,240 [(4)]	$ 237,625,821
William J. Janetschek	283,328 [(5)]	$ 8,264,678
David J. Sorkin	283,328 [(6)]	$ 8,264,678

(1) These amounts are based on the closing market price of our Class A common stock on the last trading day of the year ended December 31, 2019, of $29.17 per share.

(2) Includes 1,500,000 KKR Holdings units granted to each of Messrs. Kravis and Roberts on November 2, 2017, which will vest in three equal annual installments, beginning on October 1, 2020.

(3) Includes (i) 67,033 KKR Holdings units granted on December 30, 2016, which will vest on April 1, 2020; (ii) 520,000 KKR Holdings units granted on February 25, 2016, which will vest in equal installments on May 1, 2020 and May 1, 2021; (iii) 3,637,500 KKR Holdings units granted on November 2, 2017, which will vest on October 1 of each year as follows: 27% in 2020, 33% in 2021 and 40% in 2022; (iv) 3,625,000 restricted stock units granted on November 2, 2017, of which (a) 1,125,000 units will vest on October 1 of each year as follows: 27% in 2020, 33% in 2021 and 40% in 2022 and (b) 2,500,000 units will vest upon the market price of our Class A common stock reaching and maintaining a market price of $40.00 per share for a period of ten consecutive trading days on or prior to December 31, 2022; and (v) 190,695 restricted stock units granted on February 21, 2018, which will vest in equal installments on April 1, 2020 and April 1, 2021.

(4) Includes (i) 53,045 KKR Holdings units granted on December 30, 2016, which will vest on April 1, 2020; (ii) 640,000 KKR Holdings units granted on February 25, 2016, which will vest in equal installments on May 1, 2020 and May 1, 2021; (iii) 3,637,500 KKR Holdings units granted on November 2, 2017, which will vest on October 1 of each year as follows: 27% in 2020, 33% in 2021 and 40% in 2022; (iv) 3,625,000 restricted stock units granted on November 2, 2017, of which (a) 1,125,000 units will vest on October 1 of each year as follows: 27% in 2020, 33% in 2021 and 40% in 2022 and (b) 2,500,000 units will vest upon the market price of our Class A common stock reaching and maintaining a market price of $40.00 per share for a period of ten consecutive trading days on or prior to December 31, 2022; and (v) 190,695 restricted stock units granted on February 21, 2018, which will vest in equal installments on April 1, 2020 and April 1, 2021.

(5) Includes (i) 220,000 KKR Holdings units granted on February 25, 2016, which will vest in equal installments on May 1, 2020 and May 1, 2021; (ii) 22,488 restricted stock units granted on February 21, 2017, which will vest on April 1, 2020; and (iii) 40,840 restricted stock units granted on February 21, 2018, which will vest in equal installments on April 1, 2020 and April 1, 2021.

(6) Includes (i) 220,000 KKR Holdings units granted on February 25, 2016, which will vest in equal installments on May 1, 2020 and May 1, 2021; (ii) 22,488 restricted stock units granted on February 21, 2017, which will vest on April 1, 2020; and (iii) 40,840 restricted stock units granted on February 21, 2018, which will vest in equal installments on April 1, 2020 and April 1, 2021.

Option Exercises and Stock Vested in 2019

The following table sets forth information concerning the vesting of KKR Holdings units and restricted stock units held by each of our named executive officers during the year ended December 31, 2019.

	Stock Awards		
Name	**Number of Shares Acquired on Vesting (#) (1)**		**Value Realized on Vesting ($) (2)**
Henry R. Kravis	500,000	$	13,030,000
George R. Roberts	500,000	$	13,030,000
Joseph Y. Bae	1,427,476	$	36,415,921
Scott C. Nuttall	1,469,541	$	37,461,549
William J. Janetschek	172,150	$	4,210,080
David J. Sorkin	172,840	$	4,226,729

(1) The amounts reflected in this column represent KKR Holdings units and shares of Class A common stock delivered upon vesting, a portion of which are subject to one- and two-year transfer restrictions upon vesting. See "—Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards—Terms of KKR Holdings Units" and "—Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards—Terms of Restricted Stock Units" for additional terms, including with respect to the transfer of certain restrictions from the restricted stock units to employees' KKR Holdings units.

(2) These amounts are based on the closing market price of our Class A common stock on each respective vesting date.

Pension Benefits for 2019

We provided no pension benefits during the fiscal year ended December 31, 2019.

Nonqualified Deferred Compensation for 2019

We provided no defined contribution plan for the deferral of compensation on a basis that is not tax-qualified during the fiscal year ended December 31, 2019.

Potential Payments Upon Termination or Change in Control

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

An employee who retires after the first date on which his or her age plus years of service to KKR equals 80 ("qualified retirement") will continue to vest in his or her unvested KKR Holdings units and restricted stock units for an additional two years following retirement, subject to compliance, if applicable, with the requirement that the holder not violate the terms and conditions of his or her confidentiality and restrictive covenants during the period in which such KKR Holdings unit or restricted stock unit, if applicable, remains transfer restricted over one- and two-year periods.

Upon death or permanent disability, a holder of KKR Holdings units or restricted stock units becomes immediately vested in all unvested KKR Holdings units and restricted stock units, respectively, which become permitted to be exchanged after the scheduled vesting dates or will be settled on the scheduled vesting dates, respectively. In addition, upon a change in control of KKR, a holder of KKR Holdings units and restricted stock units becomes immediately vested in all unvested KKR Holdings units and restricted stock units, respectively, which become permitted to be exchanged after the scheduled vesting dates or will be settled on the scheduled vesting dates, respectively. The values of unvested KKR Holdings units and restricted stock units held by the named executive officers as of December 31, 2019 are set forth above in "Outstanding Equity Awards at 2019 Fiscal Year-End."

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

Pay Ratio Disclosure

For the fiscal year ended December 31, 2019:

- the median of the annual total compensation of all employees of our company (other than Messrs. Kravis and Roberts, who are our Co-Chief Executive Officers) was $277,500;
- the annual total compensation of Messrs. Kravis and Roberts were $40,122,617 and $40,165,377, respectively; and
- the ratio of the annual total compensation of our Co-Chief Executive Officers to the median of the annual total compensation of all other employees was 145 to 1.

To identify the median employee for the purpose of providing the information above, we examined the compensation of all our employees (other than our Co-Chief Executive Officers) as of December 31, 2019 using, based on our payroll records, a consistently applied compensation measure consisting of such employees' annual salary, annual cash bonus, actual overtime, carried interest payouts and equity granted. Employees on unpaid leave of absence, employees who gave notice of departure and were not part of the regular year-end compensation process, and any employee who joined us in connection with an acquisition consummated during the year (there was none in 2019) were excluded from the calculation. Compensation of employees who were employed for less than the full year of 2019 were annualized, if they were part of the regular year-end compensation process. We reviewed all compensation in U.S. dollars, using the relevant exchange rate for any compensation paid in other currencies. After identifying the median employee, we calculated annual total compensation for such employee using the same methodology we use for our principal executive officers as set forth in "—Summary Compensation Table—2019 Summary Compensation Table." As noted in "—Compensation Elements—Year-end Bonus Compensation," Messrs. Kravis and Roberts did not receive any year-end bonus compensation in 2019, and the distributions and dividends payable with respect to their vested KKR Holdings units and shares of Class A common stock they hold are not considered compensation and accordingly are not included in the pay ratio calculation above.

Director Compensation

We limit compensation for service on our board of directors to the independent directors. Each independent director receives (1) an annual cash retainer of $90,000, (2) an additional annual cash retainer of $15,000 if such independent director is a member of the nominating and corporate governance committee, (3) an additional annual cash retainer of $25,000 if such independent director is a member of the audit committee and an additional annual cash retainer of $25,000 (in addition to the annual cash retainer as a member of the audit committee) if such independent director serves as the chairman of the audit committee, and (4) an additional annual cash retainer of $10,000 if such independent director is a member of the conflicts committee and an additional annual cash retainer of $15,000 (in addition to the annual cash retainer as a member of the conflicts committee) if such independent director serves as the chairman of the conflicts committee. Cash retainers are pro-rated if, during the fiscal year, a director joins or resigns from the board of directors, a director joins or resigns from a committee or the amount of a retainer is increased or decreased. In addition, on October 30, 2019, 5,205 restricted stock units were granted to each independent director pursuant to our 2019 Equity Incentive Plan.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) [1]	Total ($)
Mary N. Dillon	92,833	147,406	240,239
David C. Drummond	92,833	147,406	240,239
Joseph A. Grundfest	140,000	147,406	287,406
John B. Hess	90,000	147,406	237,406
Xavier B. Niel	90,000	147,406	237,406
Patricia F. Russo	92,833	147,406	240,239
Thomas M. Schoewe	117,833	147,406	265,239
Robert W. Scully	137,083	147,406	284,489

(1) Represents the aggregate grant date fair value of restricted stock units granted to each of the independent directors during the year ended December 31, 2019 as calculated in accordance with ASC Topic 718. See Note 12 "Equity Based Compensation" to our consolidated financial statements included elsewhere in this report for additional information about the valuation assumptions with respect to all grants reflected in this column. These amounts reflect the aggregate grant date fair values calculated under ASC Topic 718 and may not correspond to the actual value that will be recognized by the independent directors.

The following table details grants of restricted stock units to each independent director in the year ended December 31, 2019. The table includes the grant date and grant date fair value of 2019 restricted stock units and the aggregate number of unvested restricted stock units as of December 31, 2019 owned by each independent director who served as a director during the year ended December 31, 2019:

Name	Grant Date [1]	Stock Awards (#)	Grant Date Fair Value ($) [2]	Total Number of Unvested Restricted Equity Awards on December 31, 2019 (#)
Mary N. Dillon	10/30/2019	5,205	147,406	5,205
David C. Drummond	10/30/2019	5,205	147,406	5,205
Joseph A. Grundfest	10/30/2019	5,205	147,406	5,205
John B. Hess	10/30/2019	5,205	147,406	5,205
Xavier B. Niel	10/30/2019	5,205	147,406	5,205
Patricia F. Russo	10/30/2019	5,205	147,406	5,205
Thomas M. Schoewe	10/30/2019	5,205	147,406	5,205
Robert W. Scully	10/30/2019	5,205	147,406	5,205

(1) The restricted stock units were granted on October 30, 2019 and will vest on October 1, 2020, subject to the grantee's continued service through the vesting date.

(2) This column represents the grant date fair value of restricted stock units granted to each of the independent directors during the year ended December 31, 2019 as calculated in accordance with ASC Topic 718. These amounts reflect the aggregate grant date fair values calculated under ASC Topic 718 and may not correspond to the actual value that will be recognized by the independent directors.

KKR & Co. Inc. Equity Incentive Plan

In connection with the Conversion, we amended and restated the KKR & Co. L.P. 2010 Equity Incentive Plan by adopting the Amended and Restated KKR & Co. Inc. 2010 Equity Incentive Plan, which we refer to as our 2010 Equity Incentive Plan. In addition, on March 29, 2019, the KKR & Co. Inc. 2019 Equity Incentive Plan, which we refer to as our 2019 Equity Incentive Plan, became effective. Following the effectiveness of our 2019 Equity Incentive Plan, we do not make any further grants under our 2010 Equity Incentive Plan, and our 2019 Equity Incentive Plan became our only plan for providing new equity-based awards. Our 2019 Equity Incentive Plan has a term of 10 years from the effective date. Outstanding awards under our 2010 Equity Incentive Plan remain outstanding, unchanged and subject to the terms of our 2010 Equity Incentive Plan and their respective equity award agreements, until the vesting, expiration or lapse of such awards in accordance with their terms.

Administration

Our board of directors or a committee or subcommittee thereof administers or will administer, as applicable, our Equity Incentive Plans (the "Administrator"). The Administrator has the authority to make all decisions, determinations and interpretations with respect to the administration of our Equity Incentive Plans, including determining who will receive awards thereunder, the number of shares of Class A common stock underlying the awards and the terms and conditions of the awards, and is permitted, subject to applicable law, to delegate all or any part of its responsibilities and powers to any employee or employees selected by it in accordance with the terms of the plan. The board of directors authorized its executive committee (consisting of Messrs. Kravis and Roberts) to act as the Administrator under each plan, provided that (i) the Executive Committee is not authorized to make grants with respect to the executive officers without approval of the board of directors and (ii) the board of directors reserved the power and authority to act as the Administrator and to modify the power and authority of the Executive Committee under each plan.

Class A Common Stock Subject to the Plan

As of January 1, 2020, 123,295,864 shares of Class A common stock were available for issuance in respect of outstanding awards and the grant of future awards, representing 15% of the aggregate number of aggregate number of the shares of Class A common stock and KKR Group Partnership Units (excluding KKR Group Partnership Units held by KKR & Co. Inc. or its wholly-owned subsidiaries) (which is referred to as "Diluted Class A Shares" in this report) outstanding at the close of business on December 31, 2019, minus the number of shares underlying any outstanding equity awards granted under our 2019 Equity Incentive Plan that have not yet been delivered upon vesting. Under the 2019 Equity Incentive Plan, the aggregate number of shares of Class A common stock available under the plan will be increased, on the first day of each fiscal year, by a number of shares of Class A common stock equal to the positive difference, if any, between (x) 15% of the number of Diluted Class A Shares outstanding at the close of business on the last day of the immediately preceding fiscal year minus (y) the number of shares of Class A common stock available for issuance in respect of outstanding awards and the grant of future awards, in each case, under our 2019 Equity Incentive Plan as of the last day of such year, unless the Administrator in its sole discretion should decide to increase the number of shares of Class A common stock available under the plan by a lesser amount on any such date. As a result, on the first day of each fiscal year, the number of shares of Class A common stock available for issuance of future awards under our 2019 Equity Incentive Plan will be adjusted upwards to 15% of the number of Diluted Class A Shares outstanding at the close of business on the last day of the immediately preceding fiscal year, minus the number of shares underlying any outstanding equity awards granted under our 2019 Equity Incentive Plan that have not yet been delivered upon vesting. Therefore, we expect that the number of shares of Class A common stock available for issuance of future awards under our 2019 Equity Incentive Plan will increase at the beginning of each fiscal year compared to the end of the immediately preceding fiscal year if, during the immediately preceding year, there has been (i) any increase in the aggregate number of shares of Class A common stock and KKR Group Partnership Units outstanding or (ii) any delivery of underlying shares upon vesting of outstanding equity awards under our 2019 Equity Incentive Plan.

Restricted Stock Units and Other Equity-Based Awards

The Administrator may grant or sell awards of restricted stock units, Class A common stock, restricted Class A common stock, deferred restricted Class A common stock, phantom restricted Class common stock, or any other awards that are valued in whole or in part by reference to, or are otherwise based on the fair market value of, the Class A common stock. Any of these or other equity-based awards may be in such form, and dependent on such conditions, as the Administrator determines, including the right to receive, or vest with respect to, one or more shares of Class A common stock (or the equivalent cash value of such shares) upon the completion of a specified period of service, the occurrence of an event and/or the attainment of performance objectives. The Administrator may determine whether any such equity-based awards will be payable in cash, shares of Class A common stock or other assets or a combination of cash, Class A common stock and other assets.

Options and Stock Appreciation Rights

The Administrator may award non-qualified stock options and stock appreciation rights. Options and stock appreciation rights granted under our Equity Incentive Plans will become vested and exercisable at such times and upon such terms and conditions as may be determined by the Administrator at the time of grant, but no option or stock appreciation right will be exercisable for a period of more than ten years after it is granted. The exercise price per share will be determined by the Administrator, provided that options and stock appreciation rights granted to participants who are U.S. taxpayers will not be granted with an exercise price less than 100% of the fair market value per share of the Class A common stock on the date of grant. To the extent permitted by the Administrator, the exercise price of an option may be paid in cash or its equivalent, in shares of Class A common stock having a fair market value equal to the aggregate exercise price and satisfying such other requirements as may be imposed by the Administrator, partly in cash and partly in shares of Class A common stock or net settlement in shares of Class A common stock. As determined by the Administrator, stock appreciation rights may be settled in shares of Class A common stock, cash or any combination thereof.

Compensation Committee Interlocks and Insider Participation

Because we are a "controlled company" within the meaning of the corporate governance standards of the NYSE, our board of directors is not required by NYSE rules to establish a compensation committee. Our founders, Messrs. Kravis and Roberts, serve as Co-Chairmen of the board of directors and participated in discussions regarding executive compensation. For a description of certain transactions between us and our founders, see "Certain Relationships and Related Transactions, and Director Independence."

Compensation Committee Report

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

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

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

The following table sets forth the beneficial ownership of our Class A common stock and KKR Group Partnership Units that are, together with shares of our Class C common stock, exchangeable for shares of our Class A common stock by:

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

The numbers of shares of Class A common stock and KKR Group Partnership Units and shares of Class C common stock outstanding and the percentage of beneficial ownership are based on 558,046,130 shares of Class A common stock issued and outstanding and 290,381,345 KKR Group Partnership Units that, together with shares of our Class C common stock, are exchangeable for shares of our Class A common stock as of February 10, 2020. Beneficial ownership is in each case determined in accordance with the rules of the SEC, and includes equity securities of which that person has the right to acquire beneficial ownership within 60 days of February 10, 2020. Under these rules, more than one person may be deemed a beneficial owner of the same securities and a person may be deemed a beneficial owner of securities as to which he has no economic interest.

	Class A Common Stock Beneficially Owned (1)		KKR Group Partnership Units and Class C Common Stock Beneficially Owned (1)(2)		Percentage of Combined Class A and Class C Beneficial
Name (3)	Number	Percent	Number	Percent	Ownership (4)
KKR Holdings (5)	2,677	*	290,381,345	100.0%	34.2%
ValueAct Capital MFB Holdings, L.P. (6)	48,100,000	8.6%	—	—	5.7
The Vanguard Group Inc. (7)	47,846,307	8.6	—	—	5.6
Vulcan Value Partners, LLC (8)	30,115,654	5.4	—	—	3.6
Henry R. Kravis (5)(9)(10)	14,965,126	2.7	290,381,345	100.0	36.0
George R. Roberts (5)(9)(10)	12,858,598	2.3	290,381,345	100.0	35.7
Joseph Y. Bae (11)	1,463,122	*	8,839,897	3.0	1.2
Scott C. Nuttall (11)	1,641,410	*	12,053,794	4.2	1.6
Mary N. Dillon	7,020	*	—	—	*
David C. Drummond	38,878	*	—	—	*
Joseph A. Grundfest	73,494	*	—	—	*
John B. Hess	147,094	*	—	—	*
Xavier B. Niel	9,908	*	—	—	*
Patricia F. Russo	66,494	*	—	—	*
Thomas M. Schoewe	74,094	*	—	—	*
Robert W. Scully	128,494	*	—	—	*
William J. Janetschek (11)	80,895	*	3,130,000	1.1	*
David J. Sorkin (11)	42,908	*	3,203,593	1.1	*
Directors and executive officers as a group (14 persons)	26,927,691	4.8%	290,381,345	100.0%	37.4%

* Less than 1.0%.

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

(2) On any matters that may be submitted to a vote of the holders of Class A common stock, our Class C common stock provides its holders with a number of votes that is equal to the aggregate number of KKR Group Partnership Units that such holders hold and entitle such holders to participate in the vote on the same basis as the holders of Class A common stock.

(3) The address of each director and executive officer, except Mr. Roberts, is c/o Kohlberg Kravis Roberts & Co. L.P., 9 West 57th Street, Suite 4200, New York, New York 10019. The address of Mr. Roberts is c/o Kohlberg Kravis Roberts & Co. L.P., 2800 Sand Hill Road, Suite 200, Menlo Park, California 94025.

(4) This column assumes the exchange of KKR Group Partnership Units and Class C common stock into shares of Class A common stock and a number of outstanding shares of Class A common stock calculated in accordance with Rule 13d-3(d)(1) of the Exchange Act.

(5) KKR Holdings owns, beneficially or of record, an aggregate of 2,677 shares of Class A common stock and 290,381,345 exchangeable KKR Group Partnership Units and shares of Class C common stock. Our principals hold interests in KKR Holdings that will entitle them to participate in the value of the KKR Group Partnership Units held by KKR Holdings. KKR Holdings is a limited partnership that is controlled by KKR Holdings GP Limited, its sole general partner, which has investment control over all KKR Group Partnership Units, shares of Class C common stock and shares of Class A common stock held by KKR Holdings and voting control over all shares of Class A common stock and Class C common stock held by KKR Holdings. Messrs. Kravis and Roberts, by virtue of their rights under the organizational documents of KKR Holdings GP Limited (the general partner of KKR Holdings), may be deemed to share dispositive and/or voting power with respect to the KKR Group Partnership Units, shares of Class A common stock and shares of Class C common stock held by KKR Holdings. Each of Messrs. Kravis and Roberts disclaims beneficial ownership of the securities that may be deemed to be beneficially owned by him, except to the extent of his own pecuniary interest therein. Mr. Kravis disclaims beneficial ownership of the securities that may be deemed to be beneficially owned by him, except with respect to 72,814,740 KKR Group Partnership Units in which he and certain related entities he controls have a pecuniary interest. Mr. Roberts disclaims beneficial ownership of the securities that may be deemed to be beneficially owned by him, except with respect to 80,277,805 KKR Group Partnership Units in which he and certain related entities he controls have a pecuniary interest. The address of KKR Holdings is 9 West 57th Street, Suite 4200, New York, New York 10019.

(6) Based on a Schedule 13D/A filed with the SEC on September 17, 2019, shares of Class A common stock reported as beneficially owned by ValueAct Capital MFB Holdings, L.P. are also reported as indirectly beneficially owned by (i) ValueAct Capital Master Fund, L.P. as sole limited partner of ValueAct Capital MFB Holdings, L.P., (ii) VA Partners I, LLC as general partner of ValueAct Capital MFB Holdings, L.P. and ValueAct Capital Master Fund, L.P., (iii) ValueAct Capital Management, L.P. as the manager of ValueAct Capital Master Fund, L.P., (iv) ValueAct Capital Management, LLC as general partner of ValueAct Capital Management, L.P., (v) ValueAct Holdings, L.P. as the sole owner of the limited partnership interests of ValueAct Capital Management, L.P. and the membership interests of ValueAct Capital Management, LLC and as the majority owner of the membership interests of VA Partners I, LLC and (vi) ValueAct Holdings GP, LLC as general partner of ValueAct Holdings, L.P. ValueAct Capital MFB Holdings, L.P. is reported as having shared power to vote or to direct the vote, and shared power to dispose or direct the disposition of, such shares of Class A common stock, with VA Partners I, LLC, ValueAct Capital Master Fund, L.P., ValueAct Capital Management, L.P., ValueAct Capital Management, LLC, ValueAct Holdings, L.P. and ValueAct Holdings GP, LLC. The address of these beneficial owners is One Letterman Drive, Building D, Fourth Floor, San Francisco, California 94129.

(7) Based on a Schedule 13G/A filed with the SEC on February 12, 2020, as of December 31, 2019, The Vanguard Group reports it is the beneficial owner of 47,846,307 shares of Class A common stock, with sole voting power over 284,349 shares of Class A common stock, sole dispositive power over 47,489,330 shares of Class A common stock, shared voting power over 128,522 shares of Class A common stock and shared dispositive power over 356,977 shares of Class A common stock. The address of The Vanguard Group is 100 Vanguard Blvd., Malvern, Pennsylvania 19355.

(8) Based on a Schedule 13G filed with the SEC on February 14, 2020, as of December 31, 2019, Vulcan Value Partners, LLC and C.T. Fitzpatrick may be deemed to beneficially own and have the sole voting power over 29,682,559 shares of Class A common stock and sole dispositive power over 30,115,654 shares of Class A common stock. The address of these beneficial owners is Three Protective Center, 2801 Highway 280 South, Suite 300, Birmingham, Alabama 35223. Mr. Fitzpatrick and/or members of his immediate family own 397,347 shares of Class A common stock for his or their own accounts, in a managed account over which Vulcan Value Partners, LLC serves as the investment adviser. Vulcan Value Partners, LLC exercises voting and dispositive power over such account.

(9) KKR MIF Fund Holdings L.P. owns, beneficially or of record, an aggregate of 1,028,156 shares of Class A common stock. The sole general partner of KKR MIF Fund Holdings L.P. is KKR MIF Carry Holdings L.P. The sole general partner of KKR MIF Carry Holdings L.P. is KKR MIF Carry Limited. Each of KKR MIF Carry Holdings L.P. (as the sole general partner of KKR MIF Fund Holdings L.P.); KKR MIF Carry Limited (as the sole general partner of KKR MIF Carry Holdings L.P.); KKR Index Fund Investments L.P. (as the sole shareholder of KKR MIF Carry Limited); KKR IFI GP L.P. (as the sole general partner of KKR Index Fund Investments L.P.); KKR IFI Limited (as the sole general partner of KKR IFI GP L.P.); KKR Group Partnership L.P. (as the sole shareholder of KKR IFI Limited); KKR Group Holdings Corp. (as the general partner of KKR Group Partnership L.P.); KKR & Co. Inc. (as the sole shareholder of KKR Group Holdings Corp.); and KKR Management LLP (as the Class B common stockholder of KKR & Co. Inc.) may be deemed to be the beneficial owner of the securities. Messrs. Kravis and Roberts are the founding partners of KKR Management LLP and may be deemed to share dispositive power with respect to the shares of Class A common stock held by KKR MIF Fund Holdings L.P. Each of Messrs. Kravis and Roberts disclaims beneficial ownership of the securities.

(10) KKR Reference Fund Investments L.P. owns, beneficially or of record, an aggregate of 3,639,010 shares of Class A common stock. The sole general partner of KKR Reference Fund Investments L.P. is KKR IFI GP L.P. Each of KKR IFI GP L.P. (as the sole general partner of KKR Reference Fund Investments L.P.); KKR IFI Limited (as the sole general partner of KKR IFI GP L.P.); KKR Group Partnership L.P. (as the sole shareholder of KKR IFI Limited); KKR Group Holdings Corp. (as the general partner of KKR Group Partnership L.P.); KKR & Co. Inc. (as the sole shareholder of KKR Group Holdings Corp.); and KKR Management LLP (as the Class B common stockholder of KKR & Co. Inc.) may be deemed to be the beneficial owner of the securities. Messrs. Kravis and Roberts are the founding partners of KKR Management LLP and may be deemed to share dispositive power with respect to the shares of Class A common stock held by KKR MIF Fund Holdings L.P. Each of Messrs. Kravis and Roberts disclaims beneficial ownership of the securities

(11) The shares of Class A common stock above for Messrs. Bae, Nuttall, Janetschek and Sorkin include 95,348, 95,348, 42,908 and 42,908 restricted stock units, respectively, that will vest within 60 days of February 10, 2020.

Securities Authorized for Issuance under Equity Compensation Plans

The table set forth below provides information concerning the awards that may be issued under our Equity Incentive Plans as of December 31, 2019.

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (1)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in the first column) (2)
Equity Compensation Plans Approved by Security Holders	4,262,474	—	120,508,317
Equity Compensation Plans Not Approved by Security Holders	—	—	—
Total	4,262,474	—	120,508,317

(1) Reflects the aggregate number of restricted stock units granted under our Equity Incentive Plans and outstanding as of December 31, 2019.

(2) The aggregate number of shares of Class A common stock available under our 2019 Equity Incentive Plan is increased, on the first day of each fiscal year, by a number of shares of Class A common stock equal to the positive difference, if any, between (x) 15% of the number of Diluted Class A Shares outstanding at the close of business on the last day of the immediately preceding fiscal year minus (y) the number of shares of Class A common stock available for issuance in respect of outstanding awards and the grant of future awards, in each case, under our 2019 Equity Incentive Plan as of the last day of such year, unless the Administrator in its sole discretion should decide to increase the number of shares of Class A common stock available under the plan by a lesser amount on any such date. We have filed registration statements on Form S-8 under the Securities Act to register shares of Class A common stock covered by our Equity Incentive Plans. Accordingly, upon issuance pursuant to our Equity Incentive Plans, these shares of Class A common stock will be available for sale in the open market.

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

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

Exchange Agreement

We have entered into an exchange agreement with KKR Holdings, the entity through which certain of our employees, including Messrs. Kravis, Roberts, Bae, Nuttall, Lewin and Sorkin, hold their KKR Group Partnership Units. Pursuant to the exchange agreement, KKR Holdings or certain transferees of its KKR Group Partnership Units may, on a quarterly basis (subject to the terms of the exchange agreement), exchange KKR Group Partnership Units held by them (together with corresponding shares of Class C common stock) for shares of our Class A common stock on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. At the election of certain of our intermediate holding companies that are partners of the KKR Group Partnerships, the intermediate holding companies may settle exchanges of KKR Group Partnership Units with cash in an amount equal to the fair market value of the shares of Class A common stock that would otherwise be deliverable in such exchanges. To the extent that KKR Group Partnership Units held by KKR Holdings or its transferees are exchanged for shares of our Class A common stock, our interests in the KKR Group Partnerships will be correspondingly increased. Any shares of Class A common stock received upon such exchange will be subject to any restrictions that were applicable to the exchanged KKR Group Partnership Units, including any applicable transfer restrictions. During the year ended December 31, 2019, 8,699,894 KKR Group Partnership Units were exchanged for shares of our Class A common stock pursuant to this agreement.

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

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

Registration Rights Agreement

In connection with our NYSE listing, we entered into a registration rights agreement with KKR Holdings pursuant to which we granted KKR Holdings, its affiliates and transferees of its KKR Group Partnership Units the right, under certain circumstances and subject to certain restrictions, to require us to register under the Securities Act our Class A common stock (and other securities convertible into or exchangeable or exercisable for shares of our Class A common stock) held or acquired by them. Under the registration rights agreement, holders of registration rights will have the right to request us to register shares of our Class A common stock received upon the exchange of their KKR Holdings units and the sale of such shares and also have the right to require us to make available shelf registration statements permitting sales of shares of Class A common stock into the market from time to time over an extended period. In addition, holders of registration rights will have the ability to exercise certain piggyback registration rights in connection with registered offerings requested by other holders of registration rights or initiated by us. On October 1, 2010, the registration statement we filed pursuant to this agreement was declared effective, and related post-effective amendments were declared effective on April 14, 2011, September 21, 2011 and July 10, 2018. As of December 31, 2019, 290,381,345 shares of Class A common stock remain unissued under that registration statement.

Tax Receivable Agreement

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

We have entered into a tax receivable agreement with KKR Holdings, which requires us to pay to KKR Holdings, or to current and former principals who have exchanged KKR Holdings units for shares of Class A common stock as transferees of KKR Group Partnership Units, 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that we realize as a result of the increase in tax basis described above, as well as 85% of the amount of any such savings we actually realize as a result of increases in tax basis that arise due to future payments under the agreement. We expect to benefit from the remaining 15% of cash savings, if any, in income tax that we realize. A termination of the agreement or a change of control could give rise to similar payments based on tax savings that we would be deemed to realize in connection with such events.

These payment obligations are obligations of KKR & Co. Inc. and certain of its intermediate holding companies and not of the KKR Group Partnership. Payments made under the tax receivable agreement are required to be made within 90 days of the filing of our tax returns, which may result in a timing difference between the tax savings received by KKR and the cash payments made to the exchanging holders of KKR Group Partnership Units. There is no tax receivable agreement in place for any exchange of KKR Group Partnership Units underlying restricted holdings units granted under the 2019 Equity Incentive Plan, and therefore we will receive 100% of any tax benefits arising from such exchange.

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

Effective July 1, 2018, we amended the tax receivable agreement to reflect the Conversion. The amendment also provides that, in the event the maximum U.S. federal corporate income tax rate is increased to a rate higher than 21.0% within the five-year period following the Conversion, for exchanges pursuant to the exchange agreement that take place within that five-year period (other than exchanges following the death of an individual), payments of cash tax savings realized as a result of such exchanges shall be calculated by applying a U.S. federal corporate income tax rate not to exceed 21.0%. The amendment also clarifies that the tax benefit payments with respect to exchanges completed at any time prior to the Conversion will be calculated without taking into account the step-up in tax basis in our underlying assets that we generated in 2018 as a result of the Conversion.

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

- the timing of exchanges—for instance, the increase in any tax deductions will vary depending on the fair market value, which may fluctuate over time, of the KKR Group Partnership Units, which will depend on the fair market value of the depreciable or amortizable assets of the KKR Group Partnership at the time of the transaction;

- the price of our Class A common stock at the time of the exchange—the increase in any tax deductions, as well as the tax basis increase in other assets, of the KKR Group Partnership is directly proportional to the price of our Class A common stock at the time of the exchange; and

- the amount of tax, if any, we are required to pay aside from any tax benefit from the exchanges, and the timing of any such payment—if we do not have taxable income aside from any tax benefit from the exchanges, we will not be required to make payments under the tax receivable agreement for that taxable year because no tax savings will have been actually realized.

We expect that as a result of the amount of the increases in the tax basis of the tangible and intangible assets of the KKR Group Partnership, assuming no material changes in the relevant tax law and that we earn sufficient taxable income to realize the full tax benefit of the increased amortization of our assets, future payments under the tax receivable agreement will be substantial. The payments under the tax receivable agreement are not conditioned upon our principals' continued ownership of us and are required to be made within 125 days of the filing of our tax returns. For the year ended December 31, 2019, no payments were made to our principals, including our executive officers, or KKR Holdings. The independent directors of our board of directors are not eligible to receive payments under the tax receivable agreement.

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

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

Payments under the tax receivable agreement will be based upon the tax reporting positions that we will determine. We are not aware of any issue that would cause the IRS to challenge a tax basis increase. However, neither KKR Holdings nor its transferees will reimburse us for any payments previously made under the tax receivable agreement if such tax basis increase, or the tax benefits we claim arising from such increase, is successfully challenged by the IRS. As a result, in certain circumstances payments to KKR Holdings or its transferees under the tax receivable agreement could be in excess of our cash tax savings. Our ability to achieve benefits from any tax basis increase, and the payments to be made under this agreement, will depend upon a number of factors, as discussed above, including the timing and amount of our future income. See Item 1A. "Risk Factors—Risks Related to Our Organizational Structure—We will be required to pay our principals for most of the benefits relating to our use of tax attributes we receive from prior and future exchanges of our Class A common stock for KKR Group Partnership Units and related transactions, and the timing and value of these tax attributes differ from those of our restricted stock units."

KKR Group Partnership Agreement

We indirectly control the general partner of the KKR Group Partnership and, through the KKR Group Partnership and its subsidiaries, the KKR business.

Pursuant to the limited partnership agreement of the KKR Group Partnership, we, as the controlling general partner of the KKR Group Partnership, have the indirect right to determine when distributions will be made to the holders of KKR Group Partnership Units and the amount of any such distributions.

On March 17, 2016, in connection with the issuance of the 6.75% Series A preferred units of KKR & Co. L.P. and on June 20, 2016, in connection with the issuance of the 6.50% Series B preferred units of KKR & Co. L.P., the limited partnership agreements of the KKR Group Partnerships were amended to provide for preferred units with economic terms designed to mirror those of the Series A preferred units and Series B preferred units. Following the Conversion, the Series A preferred units and Series B preferred units of KKR & Co. L.P. became Series A Preferred Stock and Series B Preferred Stock of KKR & Co. Inc., respectively.

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

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

Firm Use of Private Aircraft

Certain of our senior employees, including Messrs. Kravis and Roberts, own aircraft that we use for business purposes in the ordinary course of our operations. These senior employees paid for the purchase of these aircraft with their personal funds and bear all operating, personnel and maintenance costs associated with their operation. The hourly rates that we pay for the use of these aircraft are based on current market rates for chartering private aircraft of the same type. We incurred $3.8 million for the use of these aircraft during the year ended December 31, 2019, of which substantially all was paid to entities collectively controlled by Messrs. Kravis and Roberts.

Side-By-Side and Other Investments

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

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

In addition, certain of our current and former employees and certain other qualifying personnel are permitted to invest, and have invested, their own capital in our funds, in side-by-side investments with our funds and the firm, as well as in funds managed by our hedge fund partnerships. Side-by-side investments are investments generally made on the same terms and conditions as those available to the applicable fund or the firm and, they, together with their investments in our funds or the funds managed by our hedge fund partnerships, are not generally subject to management fees or a carried interest. The cash invested by our current and former employees and certain other qualifying personnel and their investment vehicles aggregated to $433 million for the year ended December 31, 2019, of which $46.6 million, $92.1 million, $22.7 million, $10.4 million, $4.0 million, $2.7 million and $1.3 million was invested by Messrs. Kravis, Roberts, Bae, Nuttall, Janetschek, Lewin and Sorkin and their investment vehicles, respectively. These investments are not included in the accompanying consolidated financial statements. In addition, our funds invested $3.0 million in 2019 from the commitments of certain investment vehicles associated with Mr. Hess. Such investments associated with Mr. Hess were made on the same terms and conditions as for other fund investors including management fees and/or a carried interest applicable to the relevant fund.

Indemnification of Directors, Officers and Others

Under our certificate of incorporation, in most circumstances we will indemnify the following persons, to the fullest extent permitted by law, from and against all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts: (a) the Class B Stockholder; (b) KKR Management LLC in its capacity as the former general partner of KKR & Co. L.P. (the "Former Managing Partner"); (c) any person who is or was an affiliate of the Class B Stockholder or the Former Managing Partner; (d) any person who is or was a member, partner, Tax Matters Partner (as defined in the Code, as in effect prior to 2018), Partnership Representative (as defined in the Code), officer, director, employee, agent, fiduciary or trustee of us or our subsidiaries, the KKR Group Partnership, the Class B Stockholder or any Former Managing Partner or any affiliate of us or our subsidiaries, the Class B Stockholder or the Former Managing Partner; (e) any person who is or was serving at our request or any Former Managing Partner or any affiliate of us or any Former Managing Partner as an officer, director, employee, member, partner, Tax Matters Partner, Partnership Representative, agent, fiduciary or trustee of another person (provided that a person shall not be an indemnitee by reason of providing, on a fee-for-services basis or similar arms-length compensatory basis, agency, advisory, consulting, trustee, fiduciary or custodial services); or (f) any person designated by us as an indemnitee as permitted by applicable law.

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

In addition, we have entered into indemnification agreements with KKR Management LLP, which formerly was KKR Management LLC, and each of our directors. Each indemnification agreement provides that the indemnitee, subject to the limitations set forth in each indemnification agreement, will be indemnified and held harmless by us on an after-tax basis from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all threatened, pending or completed claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, and whether formal or informal and including appeals, in which the indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as an indemnitee or by reason of any action alleged to have been taken or omitted in such capacity, whether arising from alleged acts or omissions to act occurring on, before or after the date of such indemnification agreement. Each indemnification agreement provides that the indemnitee shall not be indemnified and held harmless if there has been a final and non-appealable judgment entered by an arbitral tribunal or court of competent jurisdiction determining that, in respect of the matter for which the indemnitee is seeking indemnification pursuant to the indemnification agreement, the indemnitee acted in bad faith or engaged in fraud or willful misconduct.

Guarantee of Contingent Obligations to Fund Partners; Indemnification

The partnership documents governing KKR's carry-paying investment funds and vehicles generally include a "clawback" provision that, if triggered, may give rise to a contingent obligation requiring the general partner to return amounts to the fund for distribution to the fund investors at the end of the life of the fund. Under a clawback obligation, upon the liquidation of a fund, the general partner is required to return, typically on an after-tax basis, previously distributed carry to the extent that, due to the diminished performance of later investments, the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, including the effects of any performance thresholds. As of December 31, 2019, $36.9 million of carried interest was subject to this clawback obligation, assuming that all applicable carry-paying funds were liquidated at their December 31, 2019 fair values. Had the investments in such funds been liquidated at zero value, the clawback obligation would have been approximately $2.5 billion. Carried interest is recognized in the consolidated statements of operations based on the contractual conditions set forth in the agreements governing the fund as if the fund were terminated and liquidated at the reporting date and the fund's investments were realized at the then estimated fair values. Amounts earned pursuant to carried interest are earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment amounts earned decrease or turn negative in subsequent periods, recognized carried interest will be reversed and to the extent that the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, a clawback obligation would be recorded. For funds that are consolidated, this clawback obligation, if any, is reflected as an increase in noncontrolling interests in the consolidated statements of financial condition. For funds that are not consolidated, this clawback obligation, if any, is reflected as a reduction of KKR's investment balance as this is where carried interest is initially recorded.

Facilities

Certain trusts, whose beneficiaries include children of Mr. Kravis and Mr. Roberts, and certain other senior employees who are not executive officers of the Company, are partners in a real-estate based partnership that maintains an ownership interest in our Menlo Park location. Payments made from us to this partnership aggregated $8.1 million for the year ended December 31, 2019.

Confidentiality and Restrictive Covenant Agreements

Our employees have entered into confidentiality and restrictive covenant agreements that include prohibitions on our employees competing with us or soliciting clients or employees of our firm during a restricted period following their departure from the firm. For further information on these agreements, see "Executive Compensation—Narrative Disclosure to Summary

Compensation Table and Grants of Plan-Based Awards in 2019—Terms of Confidentiality and Restrictive Covenant Agreements."

Other Transactions with Related Persons

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

Statement of Policy Regarding Transactions with Related Persons

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

Director Independence

See Item 10. "Directors, Executive Officers and Corporate Governance—Independence and Composition of the Board of Directors" for information on director independence.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table summarizes the aggregate fees for professional services provided by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu Limited or their respective affiliates (collectively, the "Deloitte Entities") for the years ended December 31, 2019 and 2018.

	For the Year Ended December 31, 2019	
	KKR	Completed Transactions
	($ in thousands)	
Audit Fees	$ 27,849 (1)	$ —
Audit-Related Fees	$ 10,746 (2)	$ 7,704 (4)
Tax Fees	$ 42,807 (3)	$ 7,965 (4)
All Other Fees	$ 79	$ —

	For the Year Ended December 31, 2018	
	KKR	Completed Transactions
	($ in thousands)	
Audit Fees	$ 27,283 (1)	$ —
Audit-Related Fees	$ 12,943 (2)	$ 22,774 (4)
Tax Fees	$ 43,688 (3)	$ 9,401 (4)
All Other Fees	$ —	$ —

(1) Audit Fees consisted of estimated fees for each audit year for (a) the audits of our consolidated financial statements in our Annual Report on Form 10-K and services related to, or required by, statute or regulation; (b) reviews of the interim condensed consolidated financial statements included in our quarterly reports on Form 10-Q; (c) comfort letters, consents and other services related to SEC and other regulatory filings; and (d) audit services provided to certain KKR funds which are not consolidated and other corporate entities.

(2) Audit-Related Fees primarily included merger, acquisition, and investment due diligence services for strategic acquisitions or investments in target companies for in-process transactions and transactions not completed.

(3) Tax Fees consisted of fees for services rendered for tax compliance, planning and advisory services as well as tax fees for merger, acquisition, and investment structuring services for strategic acquisitions or investments in target companies for in-process transactions and transactions not completed.

(4) Audit-Related Fees and Tax Fees included merger, acquisition, and investment due diligence services for strategic acquisitions or investments in portfolio companies that have been completed. In addition, the Deloitte Entities provided audit, audit-related, tax and other services to the portfolio companies, which are approved directly by the portfolio company's management and are not included in the amounts presented here.

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

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

1. Financial Statements

See Item 8 above.

2. Financial Statement Schedules:

See Schedule II - Valuation and Qualifying Accounts - Years Ended December 31, 2019, 2018 and 2017 of this Annual Report on Form 10-K. The other schedules are omitted as they are not applicable or the amounts involved are not material.

3. Exhibits:

2.1	Plan of Conversion (incorporated by reference to Exhibit 2.1 of KKR & Co. Inc. Quarterly Report on Form 10-Q filed on May 8, 2018).
3.1	Certificate of Incorporation of KKR & Co. Inc. (incorporated herein by reference to Exhibit 3.2 KKR & Co. Inc. Quarterly Report on Form 10-Q filed on May 8, 2018).
3.2	Bylaws of KKR & Co. Inc. (incorporated herein by reference to Exhibit 3.3 of KKR & Co. Inc. Quarterly Report on Form 10-Q filed on May 8, 2018).
4.1	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.
4.2	Form of 6.75% Series A Preferred Stock Certificate (included in Exhibit 2.1 to the KKR & Co. Inc. Quarter Report on Form 10-Q filed on May 8, 2018).
4.3	Form of 6.50% Series B Preferred Stock Certificate (included in Exhibit 2.1 to the KKR & Co. Inc. Quarter Report on Form 10-Q filed on May 8, 2018).
4.4	Indenture dated as of February 1, 2013 among KKR Group Finance Co. II LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the KKR & Co. Inc. Current Report on Form 8-K filed on February 1, 2013).
4.5	First Supplemental Indenture dated as of February 1, 2013 among KKR Group Finance Co. II LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on February 1, 2013).
4.6	Second Supplemental Indenture dated as of August 5, 2014 among KKR Group Finance Co. II LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR International Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on August 7, 2014).
4.7	Form of 5.500% Senior Note due 2043 (included in Exhibit 4.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on February 1, 2013).
4.8	Indenture dated as of May 29, 2014 among KKR Group Finance Co. III LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.1 to the KKR & Co. Inc. Current Report on Form 8-K filed on May 29, 2014).

4.9	First Supplemental Indenture dated as of May 29, 2014 among KKR Group Finance Co. III LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on May 29, 2014).
4.10	Second Supplemental Indenture dated as of August 5, 2014 among KKR Group Finance Co. III LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR International Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.3 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on August 7, 2014).
4.11	Form of 5.125% Senior Note due 2044 (included in Exhibit 4.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on May 29, 2014).
4.12	Indenture dated as of March 23, 2018 among KKR Group Finance Co. IV LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR International Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the KKR & Co. Inc. Current Report on Form 8-K filed on March 23, 2018).
4.13	First Supplemental Indenture dated as of March 23, 2018 among KKR Group Finance Co. IV LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR International Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on March 23, 2018).
4.14	Form of 0.509% Senior Note due 2023 (included in Exhibit 4.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on March 23, 2018).
4.15	Form of 0.764% Senior Note due 2025 (included in Exhibit 4.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on March 23, 2018).
4.16	Form of 1.595% Senior Notes due 2038 (included in Exhibit 4.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on March 23, 2018).
4.17	Indenture dated as of May 22, 2019 among KKR Group Finance Co. V LLC, KKR & Co. Inc., KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR International Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the KKR & Co. Inc. Current Report on Form 8-K filed on May 22, 2019).
4.18	First Supplemental Indenture dated as of May 22, 2019 among KKR Group Finance Co. V LLC, KKR & Co. Inc., KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR International Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on May 22, 2019).
4.19	Form of 1.625% Senior Note due 2029 (included in Exhibit 4.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on May 22, 2019).
4.20	Indenture dated as of July 1, 2019 among KKR Group Finance Co. VI LLC, KKR & Co. Inc., KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR International Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the KKR & Co. Inc. Current Report on Form 8-K filed on July 1, 2019).
4.21	First Supplemental Indenture dated as of July 1, 2019 among KKR Group Finance Co. VI LLC, KKR & Co. Inc., KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR International Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on July 1, 2019).

4.22	Form of 3.750% Senior Note due 2029 (included in Exhibit 4.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on July 1, 2019).
4.23	Indenture, dated as of November 15, 2011, between the KKR Financial Holdings LLC and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on November 15, 2011).
4.24	Indenture, dated as of March 30, 2017, between KKR Financial Holdings LLC and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on March 30, 2017).
4.25	First Supplemental Indenture, dated as of March 30, 2017, between KKR Financial Holdings LLC and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on March 30, 2017).
4.26	Second Supplemental Indenture dated as of November 17, 2017 among KKR Financial Holdings LLC and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.3 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on November 11, 2017).
4.27	Form of 5.50% Senior Note due 2032 of KKR Financial Holdings LLC (included in Exhibit 4.2 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on March 30, 2017).
10.1	Third Amended and Restated Limited Partnership Agreement of KKR Group Partnership L.P. dated January 1, 2020 (incorporated by reference to Exhibit 10.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on January 2, 2020).
10.2	Registration Rights Agreement dated July 14, 2010, by and among KKR & Co. L.P., KKR Holdings L.P. and the persons from time to time party thereto (incorporated by reference to Exhibit 10.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on July 20, 2010).
10.3 *	Amended and Restated KKR & Co. Inc. 2010 Equity Incentive Plan (incorporated by reference to Exhibit 4.4 to the KKR & Co. Inc. Post-Effective Amendment No. 1 to Form S-8 filed on July 2, 2018).
10.4 *	KKR & Co. Inc. 2019 Equity Incentive Plan (incorporated herein by reference to Appendix A to the KKR & Co. Inc. definitive proxy statement filed on December 14, 2018).
10.5	Tax Receivable Agreement, dated as of July 14, 2010, among KKR Holdings L.P., KKR Management Holdings Corp., KKR & Co. L.P., KKR Management Holdings, L.P., and other persons who executed a joinder thereto (incorporated by reference to Exhibit 10.3 to the KKR & Co. Inc. Current Report on Form 8-K filed on July 20, 2010).
10.6	Amendment to Tax Receivable Agreement, dated as of May 3, 2018, among KKR Holdings L.P., KKR Management Holdings Corp., KKR & Co. L.P., KKR Management Holdings L.P. and KKR Group Holdings Corp. (incorporated by reference to Exhibit 10.1 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on May 8, 2018).
10.7	Third Amended and Restated Exchange Agreement, dated as of January 1, 2020, among KKR Group Partnership L.P., KKR Holdings L.P. KKR & Co. Inc. and KKR Group Holdings Corp. (incorporated by reference to Exhibit 10.3 to the KKR & Co. Inc. Current Report on Form 8-K filed on January 2, 2020).
10.8	Amended and Restated Credit Agreement, dated as of December 7, 2018, among Kohlberg Kravis Roberts & Co. L.P., KKR Fund Holdings L.P., KKR Management Holdings L.P. and KKR International Holdings L.P., the other borrowers from time to time party thereto, the guarantors from time to time party thereto, the lending institutions from time to time party thereto and HSBC Bank USA, National Association, as Administrative Agent (incorporated by reference to Exhibit 10.1 to the KKR & Co. Inc. Current Report on Form 8-K filed on December 7, 2018).

10.9 †	364-Day Revolving Credit Agreement, dated as of June 27, 2019, among KKR Capital Markets Holdings L.P., certain subsidiaries of KKR Capital Markets Holdings L.P., each of the Lenders (as defined therein), and Mizuho Bank, Ltd., as administrative agent (incorporated by reference to Exhibit 10.1 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on August 2, 2019).
10.10 ††	First Amendment, dated as of June 29, 2017, to Second Amended and Restated 5-Year Revolving Credit Agreement, dated as of March 30, 2016, among KKR Capital Markets Holdings L.P., certain subsidiaries of KKR Capital Markets Holdings L.P., the Majority Lenders (as defined therein), and Mizuho Bank, Ltd., as administrative agent (incorporated by reference to Exhibit 10.2 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on August 4, 2017).
10.11	Second Amendment, dated as of November 14, 2018, to the Second Amended and Restated 5-Year Revolving Credit Agreement, dated as of March 30, 2016, among KKR Capital Markets Holdings L.P., certain subsidiaries of KKR Capital Markets Holdings L.P., the Majority Lenders (as defined therein), and Mizuho Bank, Ltd., as administrative agent (incorporated by reference to Exhibit 10.14 to the KKR & Co. Inc. Annual Report on Form 10-K filed on February 15, 2019).
10.12 *	Form of Indemnification Agreement for Directors of KKR & Co. Inc. (incorporated by reference to Exhibit 10.7 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on May 8, 2018).
10.13	Indemnification Agreement, dated as of May 3, 2018, between KKR & Co. L.P. and KKR Management LLP, formerly KKR Management LLC (incorporated by reference to Exhibit 10.6 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on May 8, 2018).
10.14 *	Independent Director Compensation Program (incorporated by reference to Exhibit 10.1 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on November 5, 2019).
10.15 *	Form of Public Company Holdings Unit Award Agreement of KKR & Co. L.P. (Executive Officers) (incorporated by reference to Exhibit 10.17 of the KKR & Co. Inc. Annual Report on Form 10-K filed on February 27, 2015).
10.16 *	Form of Public Company Holdings Unit Award Agreement of KKR & Co. L.P. (Executive Officers) (incorporated by reference to Exhibit 10.19 of the KKR & Co. Inc. Annual Report on Form 10-K filed on February 26, 2016).
10.17 *	Form of Public Company Holdings Unit Award Agreement of KKR & Co. L.P. (Executive Officers) (incorporated by reference to Exhibit 10.18 of the KKR & Co. Inc. Annual Report on Form 10-K filed on February 24, 2017).
10.18 *	Form of Grant Certificate (Executive Officers) (incorporated by reference to Exhibit 10.19 of the KKR & Co. Inc. Annual Report on Form 10-K filed on February 24, 2017).
10.19 *	Form of Grant Certificate (Executive Officers) (incorporated by reference to Exhibit 10.23 of the KKR & Co. Inc. Annual Report on Form 10-K filed on February 23, 2018).
10.20 *	Form of Public Company Holdings Unit Award Agreement of KKR & Co. L.P. (Executive Officers) (Market Price Vesting) (incorporated by reference to Exhibit 10.24 of the KKR & Co. Inc. Annual Report on Form 10-K filed on February 23, 2018).
10.21 *	Form of Public Company Holdings Unit Award Agreement of KKR & Co. L.P. (Executive Officers) (Service Vesting) (incorporated by reference to Exhibit 10.25 of the KKR & Co. Inc. Annual Report on Form 10-K filed on February 23, 2018).
10.22 *	Form of Public Company Equity Unit Award Agreement of KKR & Co. Inc. (Directors) (incorporated by reference to Exhibit 10.3 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on November 2, 2018).

10.23 *	Form of Public Company Holdings Unit Award Agreement of KKR & Co. Inc. (Executive Officers) (incorporated by reference to Exhibit 10.4 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on November 2, 2018).
10.24 *	Form of Restricted Stock Unit Agreement of KKR & Co. Inc. (Directors) (incorporated by reference to Exhibit 10.2 to the KKR & Co. Inc. Quarterly Report on For m10-Q filed on May 3, 2019).
10.25 *	Form of Restricted Stock Unit Agreement of KKR & Co. Inc. (Executive Officers) (incorporated by reference to Exhibit 10.3 to the KKR & Co. Inc. Quarterly Report on For m10-Q filed on May 3, 2019).
10.26 *	Form of Restricted Stock Unit Agreement of KKR & Co. Inc. (Directors).
10.27 *	Form of Restricted Stock Unit Agreement of KKR & Co. Inc. (Executive Officers).
10.28 *	Form of Restricted Holdings Unit Agreement of KKR & Co. Inc. (Executive Officers).
10.29 *	Form of Compensation Agreement for 2019 (Executive Officers).
21.1	Subsidiaries of the Registrant.
23.1	Consent of Independent Registered Public Accounting Firm Relating to the Financial Statements of KKR & Co. Inc.
31.1	Certification of Co-Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Co-Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.3	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.3	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Interactive data files pursuant to Rule 405 of Regulation S-T, formatted in Inline XBRL: (i) the Consolidated Statements of Financial Condition as of December 31, 2019 and December 31, 2018, (ii) the Consolidated Statements of Operations for the years ended December 31, 2019, 2018 and 2017, (iii) the Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2019, 2018 and 2017, (iv) the Consolidated Statements of Changes in Equity for the years ended December 31, 2019, 2018 and 2017 (v) the Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017, and (vi) the Notes to the Consolidated Financial Statements.
104	Cover page interactive data file, formatted in Inline XBRL and contained in Exhibit 101.

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

† Certain information contained in this agreement has been omitted because it is not material and would likely cause competitive harm to the registrant if publicly disclosed.

†† Certain information contained in this agreement has been omitted in accordance with a request for confidential treatment that the registrant has submitted to the SEC. Omitted information has been filed separately with the SEC.

The registrant hereby agrees to furnish to the SEC at its request copies of long-term debt instruments defining the rights of holders of outstanding long-term debt that are not required to be filed herewith.

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

SCHEDULE

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
Valuation Allowance for Deferred Tax Assets

(in thousands)

Year Ended:	Balance at Beginning of Period	Tax Valuation Allowance Charged to Income Tax Provision	Tax Valuation Allowance Credited to Income Tax Provision	Balance at End of Period
December 31, 2017	$ 9,768	$ 2,104	$ —	$ 11,872
December 31, 2018	$ 11,872	$ —	$ 11,872 (1)	$ —
December 31, 2019	$ —	$ —	$ —	$ —

(1) The valuation allowance related to a deferred tax asset for foreign tax credit carryovers is no longer applicable because KKR elected to deduct its foreign tax credit carryovers in lieu of taking a tax credit.

ITEM 16. FORM 10-K SUMMARY

None.

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SIGNATURES

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

Date: February 14, 2020

KKR & CO. INC.

	/s/ ROBERT H. LEWIN
Name:	Robert H. Lewin
Title:	Chief Financial Officer

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

Signature	Title	Date
/s/ HENRY R. KRAVIS Henry R. Kravis	Co-Chairman and Co-Chief Executive Officer (principal executive officer)	February 14, 2020
/s/ GEORGE R. ROBERTS George R. Roberts	Co-Chairman and Co-Chief Executive Officer (principal executive officer)	February 14, 2020
/s/ JOSEPH Y. BAE Joseph Y. Bae	Director, Co-President and Co-Chief Operating Officer	February 14, 2020
/s/ SCOTT C. NUTTALL Scott C. Nuttall	Director, Co-President and Co-Chief Operating Officer	February 14, 2020
/s/ MARY N. DILLON Mary N. Dillon	Director	February 14, 2020
/s/ DAVID C. DRUMMOND David C. Drummond	Director	February 14, 2020
/s/ JOSEPH A. GRUNDFEST Joseph A. Grundfest	Director	February 14, 2020
/s/ JOHN. B. HESS John. B. Hess	Director	February 14, 2020
/s/ XAVIER B. NIEL Xavier B. Niel	Director	February 14, 2020
/s/ PATRICK F. RUSSO Patricia F. Russo	Director	February 14, 2020
/s/ THOMAS M. SCHOEWE Thomas M. Schoewe	Director	February 14, 2020
/s/ ROBERT W. SCULLY Robert W. Scully	Director	February 14, 2020
/s/ ROBERT H. LEWIN Robert H. Lewin	Chief Financial Officer (principal financial and accounting officer)	February 14, 2020

EXHIBIT 4.1

DESCRIPTION OF SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

General

The following description summarizes the most important terms of our securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended. This summary does not purport to be complete and is qualified in its entirety by the provisions of our certificate of incorporation and bylaws, copies of which have been filed by us with the Securities and Exchange Commission. For a complete description of our these securities, you should refer to our certificate of incorporation, our bylaws and applicable provisions of Delaware law. As used in this section, “we,” “us” and “our” mean KKR & Co. Inc., a Delaware corporation, and its successors, but not any of its subsidiaries.

Our authorized capital stock consists of 5,000,000,000 shares, all with a par value of $0.01 per share, of which:

- 3,500,000,000 are designated as Class A common stock;
- 1 is designated as Class B common stock;
- 499,999,999 are designated as Class C common stock; and
- 1,000,000,000 are designated as preferred stock, of which (x) 13,800,000 shares are designated as “6.75% Series A Preferred Stock” (“Series A Preferred Stock”) and (y) 6,200,000 shares are designated as “6.50% Series B Preferred Stock” (“Series B Preferred Stock”).

Common Stock

Our common stock consists of Class A common stock, Class B common stock and Class C common stock.

Economic Rights

Dividends. Subject to preferences that apply to shares of Series A Preferred Stock and Series B Preferred Stock and any other shares of preferred stock outstanding at the time, the holders of our Class A common stock are entitled to receive dividends out of funds legally available if our board of directors, in its discretion, determines to issue dividends and then only at the times and in the amounts that our board of directors may determine. The holder of our Class B common stock (the “Class B Stockholder”) and the holder of our Class C common stock do not have any rights to receive dividends.

Liquidation. If we become subject to an event giving rise to our dissolution, liquidation or winding up, the assets legally available for distribution to our stockholders would be distributable ratably among the holders of our Class A common stock and any participating preferred stock outstanding at that time ranking on a parity with our Class A common stock with respect to such distribution, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights of and the payment of liquidation preferences, if any, on any outstanding shares of our Series A Preferred Stock, Series B Preferred Stock and any other outstanding shares of preferred stock. The Class B Stockholder and the holder of our Class C common stock do not have any rights to receive distributions upon our dissolution, liquidation or winding up.

Voting Rights

Our certificate of incorporation provides for holders of our Class A common stock and our Class C common stock, voting together as a single class, to have the right to vote on the following matters:

- any increase in the number of authorized shares of Class B common stock;

- a sale of all or substantially all of our and our subsidiaries' assets, taken as a whole, in a single transaction or series of related transactions (except (i) for the sole purpose of changing our legal form into another limited liability entity and where the governing instruments of the new entity provide our stockholders with substantially the same rights and obligations and (ii) mortgages, pledges, hypothecations or grants of a security interest by the Class B Stockholder in all or substantially all of our assets (including for the benefit of affiliates of the Class B Stockholder));

- merger, consolidation or other business combination (except for the sole purpose of changing our legal form into another limited liability entity and where the governing instruments of the new entity provide our stockholders with substantially the same rights and obligations); and

- any amendment to our certificate of incorporation that would have a material adverse effect on the rights or preferences of our Class A common stock relative to the other classes of our stock.

In addition, holders of our Class C common stock will be entitled to vote separately as a class on any amendment to our certificate of incorporation that changes certain terms of the Class C common stock or is inconsistent with such terms, changes the par value of the shares of Class C common stock or adversely affects the rights or preferences of the Class C common stock.

In addition, Delaware law would permit holders of our Class A common stock to vote as a separate class on an amendment to our certificate of incorporation that would:

- change the par value of our Class A common stock; or

- alter or change the powers, preferences, or special rights of the Class A common stock in a way that would adversely affect the holders of our Class A common stock.

The Class B common stock is entitled to vote on any matter that is submitted to a vote of our stockholders generally.

Our certificate of incorporation provides that the number of authorized shares of any class of stock, including our Class A common stock, may be increased or decreased (but not below the number of shares of such class then outstanding) solely with the approval of the Class B Stockholder and, in the case of any increase in the number of authorized shares of our Class B common stock, the holders of a majority in voting power of the Class A common stock and Class C common stock, voting together as a single class. As a result, the Class B Stockholder can approve an increase or decrease in the number of authorized shares of Class A common stock and Class C common stock without a separate vote of the holders of the applicable class of common stock. This could allow us to increase and issue additional shares of Class A common stock and/or Class C common stock beyond what is currently authorized in our certificate of incorporation without the consent of the holders of the applicable class of common stock.

Except as described below under "Anti-Takeover Provisions—Loss of voting rights," each record holder of Class A common stock will be entitled to a number of votes equal to the number of shares of Class A common stock held with respect to any matter on which the Class A common stock is entitled to vote. In addition, so long as the ratio at which KKR Group Partnership Units (as defined below) are exchangeable for our Class A common stock remains on a one-for-one basis, holders of our Class C common stock shall vote together with holders of our Class A common stock as a single class and on an equivalent basis. If the ratio at which KKR Group Partnership Units are exchangeable for our Class A common stock changes from a one-for-one basis, the number of votes to which the holders of the Class C common stock are entitled will be adjusted accordingly. Additional classes of common stock having special voting rights could also be issued.

No Preemptive or Similar Rights

Our Class A common stock, Class B common stock and Class C common stock are not entitled to preemptive rights, and, except in the case of impermissible transfers of the Class B common stock, which would result in our redemption of such Class B common stock, are not subject to conversion, redemption or sinking fund provisions.

Transferability

The Class B Stockholder may transfer all or any part of the Class B common stock held by it with the written approval of our board of directors and a majority of the controlling interest of the Class B Stockholder without first obtaining approval of any other stockholder so long as the transferee assumes the rights and duties of the Class B Stockholder under our certificate of incorporation, agrees to be bound by the provisions of our certificate of incorporation and furnishes an opinion of counsel regarding limited liability matters. The foregoing limitations do not preclude the members of the Class B Stockholder from selling or transferring all or part of their limited liability company interests in the Class B Stockholder at any time.

Exchange

Units held by KKR Holdings L.P. (the "KKR Group Partnership Units") in KKR Group Partnership L.P. (the "KKR Group Partnership") are exchangeable for our Class A common stock on a one-for-one basis, subject to customary adjustments for splits, stock dividends and reclassifications and compliance with applicable lock-up, vesting and transfer restrictions. When a KKR Group Partnership Unit is exchanged for a share of Class A common stock, the corresponding share of Class C common stock shall automatically be cancelled and retired with no consideration being paid or issued with respect thereto.

Limited Call Right

If at any time:

(i) less than 10% of the then issued and outstanding shares of any class (other than Class B common stock, Class C common stock and preferred stock) are held by persons other than the Class B Stockholder and its affiliates; or

(ii) we are subjected to registration under the provisions of the U.S. Investment Company Act of 1940, as amended,

we will have the right, which we may assign in whole or in part to the Class B Stockholder or any of its affiliates, to acquire all, but not less than all, of the remaining shares of the class held by unaffiliated persons.

As a result of our right to purchase outstanding shares of common stock, a stockholder may have their shares purchased at an undesirable time or price.

Preferred Stock

Our board of directors is authorized, subject to limitations prescribed by Delaware law, to issue preferred stock in one or more series, to establish from time to time the number of shares to be included in each series, and to fix the designation, powers (including voting powers), preferences and rights of the shares of each series and any of its qualifications, limitations or restrictions, in each case without further vote or action by our stockholders (except as may be required by the terms of any preferred stock then outstanding). Our board of directors can also increase or decrease the number of shares of any series of preferred stock (other than the Series A Preferred Stock and Series B Preferred Stock or, so long as any shares of Series A Preferred Stock or Series B Preferred Stock remain outstanding, increases in the authorized number of shares of Series A senior stock or Series B senior stock (as each is defined below), respectively), but not below the number of shares of that series then outstanding, without any further vote or action by our stockholders. Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the proportion of voting power held by, or other relative rights of, the holders of our Class A common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in our control of our company and might adversely affect the market price of the Class A common stock or the proportion of voting power held by, or other relative rights of, the holders of the Class A common stock.

Series A Preferred Stock

In March 2016, KKR & Co. L.P. issued 13,800,000 6.75% Series A Preferred Units ("Series A Preferred Units"). In connection with our conversion on July 1, 2018 from a Delaware limited partnership named KKR & Co. L.P. into a Delaware corporation named KKR & Co. Inc. (the "Conversion"), each Series A Preferred Unit outstanding immediately prior to the Conversion converted into one issued and outstanding, fully paid and nonassessable share of Series A Preferred Stock.

Economic rights. Dividends on the Series A Preferred Stock are payable when, as and if declared by our board of directors out of funds legally available, at a rate per annum equal to 6.75% of the $25.00 liquidation preference per share. Dividends on the Series A Preferred Stock are payable quarterly on March 15, June 15, September 15 and December 15 of each year, when, as and if declared our board of directors.

Dividends on the Series A Preferred Stock are non-cumulative.

Ranking. Shares of the Series A Preferred Stock rank senior to our common stock and equally with shares of our Series B Preferred Stock and any of our other equity securities, including any other preferred stock, that we may issue in the future, whose terms provide that such securities will rank equally with the Series A Preferred Stock respect to payment of dividends and distribution of our assets upon our liquidation, dissolution or winding up ("Series A parity stock"). Shares of the Series A Preferred Stock include the same provisions with respect to restrictions on declaration and payment of dividends as the Series B Preferred Stock. Holders of the Series A Preferred Stock do not have preemptive or subscription rights.

Shares of the Series A Preferred Stock rank junior to (i) all of our existing and future indebtedness and (ii) any of our equity securities, including preferred stock, that we may issue in the future, whose terms provide that such securities will rank senior to the Series A Preferred Stock with respect to payment of dividends and distribution of our assets upon our liquidation, dissolution or winding up (such equity securities, "Series A senior stock"). We currently have no Series A senior stock outstanding. While any shares of Series A Preferred Stock are outstanding, we may not authorize or create any class or series of Series A senior stock without the approval of two-thirds of the votes entitled to be cast by the holders of outstanding Series A Preferred Stock and all other series of Series A voting preferred stock (defined below), acting as a single class. See "—Voting rights" below for a discussion of the voting rights applicable if we seek to create any class or series of Series A senior stock.

Maturity. The Series A Preferred Stock does not have a maturity date, and we are not required to redeem or repurchase the Series A Preferred Stock.

Optional redemption. We may not redeem the Series A Preferred Stock prior to June 15, 2021 except as provided below under "—Change of control redemption." At any time or from time to time on or after June 15, 2021, we may, at our option, redeem the Series A Preferred Stock, in whole or in part, at a price of $25.00 per share of Series A Preferred Stock plus declared and unpaid dividends, if any, to, but excluding, the redemption date, without payment of any undeclared dividends.

Holders of the Series A Preferred Stock will have no right to require the redemption of the Series A Preferred Stock.

Change of control redemption. If a change of control event occurs prior to June 15, 2021, we may, at our option, redeem the Series A Preferred Stock, in whole but not in part, at a price of $25.25 per share of Series A Preferred Stock, plus declared and unpaid dividends to, but excluding, the redemption date, without payment of any undeclared dividends.

If we do not give a redemption notice within the time periods specified in our certificate of incorporation following a change of control event (whether before, on or after June 15, 2021), the dividend rate per annum on the Series A Preferred Stock will increase by 5.00%.

A change of control event would occur if a change of control is accompanied by the lowering of the rating on certain series of our senior notes that are guaranteed by us and the KKR Group Partnership (or, if no such series of our senior notes are outstanding, our long-term issuer rating) in respect of such change of control and any series of such senior notes or our long-term issuer rating, as applicable, is rated below investment grade.

The change of control redemption feature of the Series A Preferred Stock may, in certain circumstances, make more difficult or discourage a sale or takeover of us or the KKR Group Partnership and, thus, the removal of incumbent management. We have no present intention to engage in a transaction involving a change of control, although it is possible that we could decide to do so in the future.

Voting rights. Except as indicated below, the holders of the Series A Preferred Stock will have no voting rights.

Whenever six quarterly dividends (whether or not consecutive) payable on the Series A Preferred Stock have not been declared and paid, the number of directors on our board of directors will be increased by two and the holders of the Series A Preferred Stock, voting together as a single class with the holders of the Series B Preferred Stock and any other series of Series A parity stock then outstanding upon which like voting rights have been conferred and are exercisable (any such other series, together with the Series B Preferred Stock, the "Series A voting preferred stock"), will have the right to elect these two additional directors at a meeting of the holders of the Series A Preferred Stock and such Series A voting preferred stock. These voting rights will continue until four consecutive quarterly dividends have been declared and paid on the Series A Preferred Stock.

The approval of two-thirds of the votes entitled to be cast by the holders of outstanding Series A Preferred Stock and all series of Series A voting preferred units, acting as a single class, either at a meeting of stockholders or by written consent, is required in order:

(i) to amend, alter or repeal any provision of our certificate of incorporation relating to the Series A Preferred Stock or series of Series A voting preferred stock so as to materially and adversely affect the voting powers, rights or preferences of the holders of the Series A Preferred Stock or series of Series A voting preferred stock, or

(ii) to authorize, create or increase the authorized amount of, any class or series of preferred stock having rights senior to the Series A Preferred Stock with respect to the payment of distributions or amounts upon liquidation, dissolution or winding up,

provided that in the case of clause (i) above, if such amendment materially and adversely affects the rights, preferences, privileges or voting powers of one or more but not all of the classes or series of Series A voting preferred stock (including the Series A Preferred Stock for this purpose), only the consent of the holders of at least two-thirds of the outstanding shares of the classes or series so affected, voting as a class, is required in lieu of (or, if such consent is required by law, in addition to) the consent of the holders of two-thirds of the Series A voting preferred stock (including the Series A Preferred Stock for this purpose) as a class.

However, we may create additional series or classes of Series A parity stock and any equity securities that rank junior to our Series A Preferred Stock and issue additional series of such stock without the consent of any holder of the Series A Preferred Stock.

In addition, if at any time any person or group (other than the Class B Stockholder and its affiliates, or a direct or subsequently approved transferee of the Class B Stockholder or its affiliates) acquires, in the aggregate, beneficial ownership of 20% or more of the Series A Preferred Stock then outstanding, that person or group will lose voting rights on all of its stock and the stock may not be voted on any matter and will not be considered to be outstanding when calculating required votes or for other similar purposes. See "Anti-Takeover Provisions—Loss of voting rights."

Amount payable in liquidation. Upon any voluntary or involuntary liquidation, dissolution or winding up of us, each holder of the Series A Preferred Stock will be entitled to a payment equal to the sum of the $25.00

liquidation preference per share of Series A Preferred Stock and declared and unpaid dividends, if any, to, but excluding the date of the liquidation, dissolution or winding up. Such payment will be made out of our assets available for distribution (to the extent available) to the holders of the Series A Preferred Stock following the satisfaction of all claims ranking senior to the Series A Preferred Stock.

No conversion rights. The shares of Series A Preferred Stock are not convertible into any class of common stock or any other class or series of our capital stock or any other security.

Series A GP Mirror Units. In connection with the Series A Preferred Stock, we hold a series of preferred units issued by the KKR Group Partnership (the "Series A GP Mirror Units"), with economic terms designed to mirror those of the Series A Preferred Stock. The terms of the Series A GP Mirror Units provide that unless distributions have been declared and paid or declared and set apart for payment on all Series A GP Mirror Units issued by the KKR Group Partnership for the then-current quarterly dividend period, then during such quarterly dividend period only, the KKR Group Partnership may not repurchase its common units or any junior units and may not declare or pay or set apart payment for distributions on its junior units, other than distributions paid in junior units or options, warrants or rights to subscribe for or purchase junior units. The terms of the Series A GP Mirror Units also provide that, in the event that the KKR Group Partnership liquidates, dissolves or winds up, the KKR Group Partnership may not declare or pay or set apart payment on its common units or any other units ranking junior to the Series A GP Mirror Units unless the outstanding liquidation preference on all outstanding Series A GP Mirror Units have been repaid via redemption or otherwise. The foregoing is subject to certain exceptions, including, (i) in the case of a merger or consolidation of the KKR Group Partnerships in a transaction whereby the surviving person, if not the KKR Group Partnership immediately prior to such transaction, expressly assumes all of the obligations under the Series A GP Mirror Units and satisfies certain other conditions, (ii) the KKR Group Partnership being sold or disposed of does not constitute a "significant subsidiary" under Rule 1-02(w) of Regulation S-X promulgated by the Securities and Exchange Commission or (iii) the Series A Preferred Stock have been fully redeemed. The Series B GP Mirror Units (as defined below) rank equally with the Series A GP Mirror Units.

Series B Preferred Stock

In June 2016, KKR & Co. L.P. issued 6,200,000 6.50% Series B Preferred Units ("Series B Preferred Units"). In connection with the Conversion, each Series B Preferred Unit outstanding immediately prior to the Conversion converted into one issued and outstanding, fully paid and nonassessable share of Series B Preferred Stock.

Economic rights. Dividends on the Series B Preferred Stock are payable when, as and if declared by our board of directors out of funds legally available, at a rate per annum equal to 6.50% of the $25.00 liquidation preference per share. Dividends on the Series B Preferred Stock are payable quarterly on March 15, June 15, September 15 and December 15 of each year, when, as and if declared our board of directors.

Dividends on the Series B Preferred Stock are non-cumulative.

Ranking. Shares of the Series B Preferred Stock rank senior to our Class A common stock and equally with shares of our Series A Preferred Stock and any of our other equity securities, including any other preferred stock, that we may issue in the future, whose terms provide that such securities will rank equally with the Series B Preferred Stock respect to payment of dividends and distribution of our assets upon our liquidation, dissolution or winding up ("Series B parity stock"). Shares of the Series B Preferred Stock include the same provisions with respect to restrictions on declaration and payment of dividends as the Series A Preferred Stock. Holders of the Series B Preferred Stock do not have preemptive or subscription rights.

Shares of the Series B Preferred Stock rank junior to (i) all of our existing and future indebtedness and (ii) any of our equity securities, including preferred stock, that we may issue in the future, whose terms provide that such securities will rank senior to the Series B Preferred Stock with respect to payment of dividends and distribution of our assets upon our liquidation, dissolution or winding up (such equity securities, "Series B senior stock"). We currently have no Series B senior stock outstanding. While any shares of Series B Preferred Stock are outstanding, we may not authorize or create any class or series of Series B senior stock without the approval of two-thirds of the votes entitled to be cast by the holders of outstanding Series B Preferred Stock and all other series of Series B voting preferred stock (defined below), acting as a single class. See "—Voting rights" below for a discussion of the voting rights applicable if we seek to create any class or series of Series B senior stock.

Maturity. The Series B Preferred Stock does not have a maturity date, and we are not required to redeem or repurchase the Series B Preferred Stock.

Optional redemption. We may not redeem the Series B Preferred Stock prior to September 15, 2021 except as provided below under "—Change of control redemption." At any time or from time to time on or after September 15, 2021, we may, at our option, redeem the Series B Preferred Stock, in whole or in part, at a price of $25.00 per share of Series B Preferred Stock plus declared and unpaid dividends, if any, to, but excluding, the redemption date, without payment of any undeclared dividends.

Holders of the Series B Preferred Stock will have no right to require the redemption of the Series B Preferred Stock.

Change of control redemption. If a change of control event occurs prior to September 15, 2021, we may, at our option, redeem the Series B Preferred Stock, in whole but not in part, at a price of $25.25 per share of Series B Preferred Stock, plus declared and unpaid dividends to, but excluding, the redemption date, without payment of any undeclared dividends.

If we do not give a redemption notice within the time periods specified in our certificate of incorporation following a change of control event (whether before, on or after September 15, 2021), the dividend rate per annum on the Series B Preferred Stock will increase by 5.00%.

A change of control event would occur if a change of control is accompanied by the lowering of the rating on certain series of our senior notes that are guaranteed by us and the KKR Group Partnership (or, if no such series of our senior notes are outstanding, our long-term issuer rating) in respect of such change of control and any series of such senior notes or our long-term issuer rating, as applicable, is rated below investment grade.

The change of control redemption feature of the Series B Preferred Stock may, in certain circumstances, make more difficult or discourage a sale or takeover of us or the KKR Group Partnership and, thus, the removal of incumbent management. We have no present intention to engage in a transaction involving a change of control, although it is possible that we could decide to do so in the future.

Voting rights. Except as indicated below, the holders of the Series B Preferred Stock will have no voting rights.

Whenever six quarterly dividends (whether or not consecutive) payable on the Series B Preferred Stock have not been declared and paid, the number of directors on our board of directors will be increased by two and the holders of the Series B Preferred Stock, voting together as a single class with the holders of the Series A Preferred Stock and any other series of Series B parity stock then outstanding upon which like voting rights have been conferred and are exercisable (any such other series, together with the Series A Preferred Stock, the "Series B voting preferred stock"), will have the right to elect these two additional directors at a meeting of the holders of the Series B Preferred Stock and such Series B voting preferred stock. These voting rights will continue until four consecutive quarterly dividends have been declared and paid on the Series B Preferred Stock.

The approval of two-thirds of the votes entitled to be cast by the holders of outstanding Series B Preferred Stock and all series of Series B voting preferred units, acting as a single class, either at a meeting of stockholders or by written consent, is required in order:

(i) to amend, alter or repeal any provision of our certificate of incorporation relating to the Series B Preferred Stock or series of Series B voting preferred stock so as to materially and adversely affect the voting powers, rights or preferences of the holders of the Series B Preferred Stock or series of Series B voting preferred stock, or

(ii) to authorize, create or increase the authorized amount of, any class or series of preferred stock having rights senior to the Series B Preferred Stock with respect to the payment of distributions or amounts upon liquidation, dissolution or winding up,

provided that in the case of clause (i) above, if such amendment materially and adversely affects the rights, preferences, privileges or voting powers of one or more but not all of the classes or series of Series B voting preferred stock (including the Series B Preferred Stock for this purpose), only the consent of the holders of at least two-thirds of the outstanding shares of the classes or series so affected, voting as a class, is required in lieu of (or, if such consent is required by law, in addition to) the consent of the holders of two-thirds of the Series B voting preferred stock (including the Series B Preferred Stock for this purpose) as a class.

However, we may create additional series or classes of Series B parity stock and any equity securities that rank junior to our Series B Preferred Stock and issue additional series of such stock without the consent of any holder of the Series B Preferred Stock

In addition, if at any time any person or group (other than the Class B Stockholder and its affiliates, or a direct or subsequently approved transferee of the Class B Stockholder or its affiliates) acquires, in the aggregate, beneficial ownership of 20% or more of the Series B Preferred Stock then outstanding, that person or group will lose voting rights on all of its stock and the stock may not be voted on any matter and will not be considered to be outstanding when calculating required votes or for other similar purposes. See "Anti-Takeover Provisions—Loss of voting rights."

Amount payable in liquidation. Upon any voluntary or involuntary liquidation, dissolution or winding up of us, each holder of the Series B Preferred Stock will be entitled to a payment equal to the sum of the $25.00 liquidation preference per share of Series B Preferred Stock and declared and unpaid dividends, if any, to, but excluding the date of the liquidation, dissolution or winding up. Such payment will be made out of our assets available for distribution (to the extent available) to the holders of the Series B Preferred Stock following the satisfaction of all claims ranking senior to the Series B Preferred Stock.

No conversion rights. The shares of Series B Preferred Stock are not convertible into any class of common stock or any other class or series of our capital stock or any other security.

Series B GP Mirror Units. In connection with the Series B Preferred Stock, we hold a series of preferred units issued by the KKR Group Partnership (the "Series B GP Mirror Units"), with economic terms designed to mirror those of the Series B Preferred Stock. The terms of the Series B GP Mirror Units provide that unless distributions have been declared and paid or declared and set apart for payment on all Series B GP Mirror Units issued by the KKR Group Partnership for the then-current quarterly dividend period, then during such quarterly dividend period only, the KKR Group Partnership may not repurchase its common units or any junior units and may not declare or pay or set apart payment for distributions on its junior units, other than distributions paid in junior units or options, warrants or rights to subscribe for or purchase junior units. The terms of the Series B GP Mirror Units also provide that, in the event that the KKR Group Partnership liquidates, dissolves or winds up, KKR Group Partnership may not declare or pay or set apart payment on its common units or any other units ranking junior to the Series B GP Mirror Units unless the outstanding liquidation preference on all outstanding Series B GP Mirror Units have been repaid via redemption or otherwise. The foregoing is subject to certain exceptions, including, (i) in the case of a merger or consolidation of the KKR Group Partnerships in a transaction whereby the surviving person, if not the KKR Group Partnership immediately prior to such transaction, expressly assumes all of the obligations under the Series B GP Mirror Units and satisfies certain other conditions, (ii) the KKR Group Partnership being sold or disposed of does not constitute a "significant subsidiary" under Rule 1-02(w) of Regulation S-X promulgated by the Securities and Exchange Commission or (iii) the Series B Preferred Stock have been fully redeemed. The Series A GP Mirror Units rank equally with the Series B GP Mirror Units.

Forum selection. The federal district courts of the United States of America are the exclusive forums for resolving any complaint brought by any holder of Series B Preferred Stock (including any holder of beneficial interests in shares of Series B Preferred Stock) asserting a cause of action arising under the United States federal securities laws.

Conflicts of Interest

Delaware law permits corporations to adopt provisions renouncing any interest or expectancy in certain opportunities that are presented to the corporation or its officers, directors or stockholders. Our certificate of incorporation, to the maximum extent permitted from time to time by Delaware law, renounces any interest or expectancy that we have in any business ventures of the Class B Stockholder and its affiliates and any member, partner, Tax Matters Partner (as defined in U.S. Internal Revenue Code of 1986, as amended (the "Code"), in effect prior to 2018), Partnership Representative (as defined in the Code), officer, director, employee agent, fiduciary or trustee of any of KKR or its subsidiaries, the KKR Group Partnership, the Class B Stockholder or any of our or the Class B Stockholder's affiliates and certain other specified persons (collectively, the "Indemnitees"). Our certificate of incorporation provides that each Indemnitee has the right to engage in businesses of every type and description, including business interests and activities in direct competition with our business and activities. Our certificate of incorporation also waives and renounces any interest or expectancy that we may have in, or right to be offered an opportunity to participate in, business opportunities that are from time to time presented to the Indemnitees. Notwithstanding the foregoing, pursuant to our certificate of incorporation, the Class B Stockholder has agreed that its sole business will be to act as the Class B Stockholder and as a general partner or managing member of any partnership or limited liability company that we may hold an interest in and that it will not engage in any business or activity or incur any debts or liabilities except in connection therewith.

Anti-Takeover Provisions

Our certificate of incorporation and bylaws and Delaware General Corporation Law (the "DGCL") contain provisions, which are summarized in the following paragraphs, that are intended to enhance the likelihood of continuity and stability in the composition of our board of directors and to discourage certain types of transactions that may involve an actual or threatened acquisition of our company. These provisions are intended to avoid costly takeover battles, reduce our vulnerability to a hostile change in control or other unsolicited acquisition proposal, and enhance the ability of our board of directors to maximize stockholder value in connection with any unsolicited offer to acquire us. However, these provisions may have the effect of delaying, deterring or preventing a merger or acquisition of our company by means of a tender offer, a proxy contest or other takeover attempt that a stockholder might consider in its best interest, including attempts that might result in a premium over the prevailing market price for the shares of Class A common stock held by stockholders.

Class C common stock. Class A common stock is entitled to vote on matters provided by our certificate of incorporation and Delaware law. Our certificate of incorporation provides that generally, with respect to any matter on which the Class A common stock is entitled to vote, such vote shall require a majority or more of all the outstanding Class A common stock and Class C common stock voting together as a single class. As a result, with respect to any matter as to which Class A common stock may be entitled to vote, depending on the number of shares of outstanding shares of Class A common stock and Class C common stock actually voted, our senior employees have sufficient voting power to substantially influence matters subject to the vote.

Election of directors. Subject to the rights granted to one or more series of preferred stock then outstanding, the Class B Stockholder has the sole authority to elect directors.

Removal of directors. Subject to the rights granted to one or more series of preferred stock then outstanding, the Class B Stockholder has the sole authority to remove and replace any director, with or without cause, at any time.

Vacancies. In addition, our bylaws also provide that, subject to the rights granted to one or more series of preferred stock then outstanding, any newly created directorship on the board of directors that results from an increase in the number of directors and any vacancies on our board of directors will be filled by the Class B Stockholder.

Loss of voting rights. If at any time any person or group (other than the Class B Stockholder and its affiliates, or a direct or subsequently approved transferee of the Class B Stockholder or its affiliates) acquires, in the aggregate, beneficial ownership of 20% or more of any class of our stock then outstanding, that person or group will lose voting rights on all of its shares of stock and such shares of stock may not be voted on any matter as to which such shares may be entitled to vote and will not be considered to be outstanding when sending notices of a meeting of stockholders, calculating required votes, determining the presence of a quorum or for other similar purposes, in each case, as applicable and to the extent such shares of stock are entitled to any vote.

Requirements for advance notification of stockholder proposals. Our bylaws establish advance notice procedures with respect to stockholder proposals relating to the limited matters on which our Class A common stock may be entitled to vote. Generally, to be timely, a stockholder's notice must be received at our principal executive offices not less than 90 days or more than 120 days prior to the first anniversary date of the immediately preceding annual meeting of stockholders. Our bylaws also specify requirements as to the form and content of a stockholder's notice. Our bylaws allow the chairman of the meeting at a meeting of the stockholders to adopt rules and regulations for the conduct of meetings, which may have the effect of precluding the conduct of certain business at a meeting if the rules and regulations are not followed. These provisions may deter, delay or discourage a potential acquirer from attempting to influence or obtain control of our company.

Special stockholder meetings. Our certificate of incorporation provides that special meetings of our stockholders may be called at any time only by or at the direction of our board of directors, the Class B Stockholder or, if at any time any stockholders other than the Class B Stockholder are entitled under applicable law or our certificate of incorporation to vote on specific matters proposed to be brought before a special meeting, stockholders representing 50% or more of the voting power of the outstanding stock of the class or classes of stock which are entitled to vote at such meeting. Class A common stock and Class C common stock are considered the same class of common stock for this purpose.

Stockholder action by written consent. Pursuant to Section 228 of the DGCL, any action required to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote if a consent or consents in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares of our stock entitled to vote thereon were present and voted, unless the certificate of incorporation provides otherwise or it conflicts with the rules of the New York Stock Exchange. Our certificate of incorporation permits stockholder action by written consent by stockholders other than the Class B Stockholder only if consented to by the board of directors in writing.

Actions requiring Class B Stockholder approval. Certain actions require the prior approval of the Class B Stockholder, including, without limitation:

- entry into a debt financing arrangement in an amount in excess of 10% of our then existing long-term indebtedness (other than with respect to intercompany debt financing arrangements);
- issuances of securities that would (i) represent at least 5% of any class of equity securities or (ii) have designations, preferences, rights priorities or powers that are more favorable than the Class A common stock;
- adoption of a shareholder rights plan;
- amendment of our certificate of incorporation, certain provisions of our bylaws relating our board of directors and officers and the operating agreements of the KKR Group Partnership;
- the appointment or removal of our Chief Executive Officer or a Co-Chief Executive Officer;
- merger, sale or other dispositions of all or substantially all of the assets, taken as a whole, of us and our subsidiaries, and the liquidation or dissolution of us or the KKR Group Partnership; and
- the withdrawal, removal or substitution of any person as the general partner of the KKR Group Partnership or the transfer of beneficial ownership of all or any part of a general partner interest in the KKR Group Partnership to any person other than a wholly-owned subsidiary.

Amendments to our certificate of incorporation requiring Class B Stockholder approval. Except as otherwise expressly provided by applicable law, only the vote of the Class B Stockholder, together with the approval of our board of directors, shall be required in order to amend certain provisions of our certificate of incorporation and none of our other stockholders shall have the right to vote with respect to any such amendments, which include, without limitation:

(1) amendments to provisions relating to approvals of the transfer of the Class B units in the KKR Group Partnerships, Class B Stockholder approvals for certain actions and the appointment or removal of the Chief Executive Officer or Co-Chief Executive Officers;

(2) a change in our name, our registered agent or our registered office;

(3) an amendment that our board of directors determines to be necessary or appropriate to address certain changes in U.S. federal, state and local income tax regulations, legislation or interpretation;

(4) an amendment that is necessary, in the opinion of our counsel, to prevent us or our indemnitees from having a material risk of being in any manner subjected to the provisions of the U.S. Investment Company Act of 1940, as amended, the U.S. Investment Advisers Act of 1940, as amended, or "plan asset" regulations adopted under the U.S. Employee Retirement Income Security Act of 1974, as amended, whether or not substantially similar to plan asset regulations currently applied or proposed by the U.S. Department of Labor;

(5) a change in our fiscal year or taxable year;

(6) an amendment that our board of directors has determined to be necessary or appropriate for the creation, authorization or issuance of any class or series of our capital stock or options, rights, warrants or appreciation rights relating to our capital stock;

(7) any amendment expressly permitted in our certificate of incorporation to be made by the Class B Stockholder acting alone;

(8) an amendment effected, necessitated or contemplated by an agreement of merger, consolidation or other business combination agreement that has been approved under the terms of our certificate of incorporation;

(9) an amendment effected, necessitated or contemplated by an amendment to the partnership agreement of the KKR Group Partnership that requires unitholders of the KKR Group Partnership to provide a statement, certification or other proof of evidence regarding whether such unitholder is subject to U.S. federal income taxation on the income generated by the KKR Group Partnership;

(10) any amendment that our board of directors has determined is necessary or appropriate to reflect and account for our formation of, or our investment in, any corporation, partnership, joint venture, limited liability company or other entity, as otherwise permitted by our certificate of incorporation;

(11) a merger into, or conveyance of all of our assets to, another limited liability entity that is newly formed and has no assets, liabilities or operations at the time of the merger or conveyance other than those it receives by way of the merger or conveyance consummated solely to effect a mere change in our legal form, the governing instruments of which provide the stockholders with substantially the same rights and obligations as provided by our certificate of incorporation;

(12) any amendment that our board of directors determines to be necessary or appropriate to cure any ambiguity, omission, mistake, defect or inconsistency; or

(13) any other amendments substantially similar to any of the matters described in (1) through (12) above.

In addition, except as otherwise provided by applicable law, the Class B Stockholder, together with the approval of our board of directors, can amend our certificate of incorporation without the approval of any other stockholder to adopt any amendments that our board of directors has determined:

(1) do not adversely affect the stockholders considered as a whole (or adversely affect any particular class or series of stock as compared to another class or series) in any material respect;

(2) are necessary or appropriate to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal, state, local or non-U.S. agency or judicial authority or contained in any federal, state, local or non-U.S. statute (including the DGCL);

(3) are necessary or appropriate to facilitate the trading of our stock or to comply with any rule, regulation, guideline or requirement of any securities exchange on which our stock are or will be listed for trading;

(4) are necessary or appropriate for any action taken by us relating to splits or combinations of shares of our capital stock under the provisions of our certificate of incorporation; or

(5) are required to effect the intent of or are otherwise contemplated by our certificate of incorporation.

Super-majority requirements for certain amendments to our certificate of incorporation. Except for amendments to our certificate of incorporation that require the sole approval of the Class B Stockholder, any amendments to our certificate of incorporation require the vote or consent of stockholders holding at least 90% in voting power of our Class A common stock and Class C common stock unless we obtain an opinion of counsel confirming that such amendment would not affect the limited liability of such stockholder under the DGCL. Any amendment of this provision of our certificate of incorporation also requires the vote or consent of stockholders holding at least 90% in voting power of our Class A common stock and Class C common stock.

Merger, sale or other disposition of assets. Our certificate of incorporation provides that we may, with the approval of the Class B Stockholder and with the approval of the holders of at least a majority in voting power of our Class A common stock and Class C common stock, sell, exchange or otherwise dispose of all or substantially all of our assets in a single transaction or a series of related transactions, or consummate any merger, consolidation or other similar combination, or approve the sale, exchange or other disposition of all or substantially all of the assets of our subsidiaries, except that no approval of our Class A common stock and Class C common stock shall be required in the case of certain limited transactions involving our reorganization into another limited liability entity. See "—Common Stock—Voting Rights." We may in our sole discretion mortgage, pledge, hypothecate or grant a security interest in all or substantially all of our assets (including for the benefit of persons other than us or our subsidiaries) without the prior approval of the holders of our Class A common stock and Class C common stock. We may also sell all or substantially all of our assets under any forced sale of any or all of our assets pursuant to the foreclosure or other realization upon those encumbrances without the prior approval of the holders of our Class A common stock and Class C common stock.

Preferred stock. The rights of holders of our Series A Preferred Stock and Series B Preferred Stock requiring us to redeem all or a portion of their series of preferred stock upon the occurrence of a change of control event could have the effect of discouraging third parties from pursuing certain transactions with us, which may otherwise be in the best interest of our stockholders. See "Preferred Stock" above.

Choice of forum. The Court of Chancery of the State of Delaware (or, solely to the extent that the Court of Chancery lacks subject matter jurisdiction, any other court in the State of Delaware with subject matter jurisdiction) is the exclusive forum for resolving any claims, suits, actions or proceedings arising out of or relating in any way to our certificate of incorporation (including any claims, suits or actions to interpret, apply or enforce (i) the provisions of our certificate of incorporation or our bylaws, (ii) our duties, obligations or liabilities to our stockholders, or of our stockholders to us, or among our stockholders, (iii) the rights or powers of, or restrictions on, us or any of our stockholders, (iv) any provision of the DGCL or (v) any other instrument, document, agreement or certificate contemplated by any provision of the DGCL relating to us (regardless of whether such claims, suits, actions or proceedings (x) sound in contract, tort, fraud or otherwise, (y) are based on common law, statutory, equitable, legal or other grounds or (z) are derivative or direct claims)), except as otherwise provided in our certificate of incorporation for any series of our preferred stock.

Business Combinations

We have opted out of Section 203 of the DGCL, which provides that an “interested stockholder” (a person other than the corporation or any direct or indirect majority-owned subsidiary who, together with affiliates and associates, owns, or, if such person is an affiliate or associate of the corporation, within three years did own, 15% or more of the outstanding voting stock of a corporation) may not engage in “business combinations” (which is broadly defined to include a number of transactions, such as mergers, consolidations, asset sales and other transactions in which an interested stockholder receives or could receive a financial benefit on other than a pro rata basis with other stockholders) with the corporation for a period of three years after the date on which the person became an interested stockholder without certain statutorily mandated approvals.

Transfer Agent and Registrar

The transfer agent and registrar for our Class A common stock, Class A Preferred Stock and Class B Preferred Stock is American Stock Transfer & Trust Company, LLC. The transfer agent and registrar’s address is 6201 15th Avenue, Brooklyn, New York 11219, and its telephone number is (718) 921-8300.

Listing

Our Class A common, Class A Preferred Stock and Class B Preferred Stock are listed on the New York Stock Exchange under the ticker symbols “KKR”, “KKR PRA” and “KKR PRB,” respectively.

EXHIBIT 10.26

RESTRICTED STOCK UNIT GRANT CERTIFICATE
UNDER THE KKR & CO. INC. 2019 EQUITY INCENTIVE PLAN
(DIRECTOR)

KKR & Co. Inc. (the "Corporation"), pursuant to its KKR & Co. Inc. 2019 Equity Incentive Plan (the "Plan"), hereby grants to the Grantee set forth below, who is a member of the board of directors of the Corporation, the number of Restricted Stock Units ("RSUs") set forth below. The RSUs are subject to all of the terms and conditions as set forth herein, in the Restricted Stock Unit Agreement (attached hereto), and in the Plan, all of which are incorporated herein in their entirety. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Plan.

Grantee: **Participant Name**

Date of Grant: **Grant Date**

Number of RSUs: **Number of Awards Granted**

Vesting Schedule: The following sets forth each applicable Service Vesting Date upon which the RSUs granted hereunder shall become vested, subject to the Grantee's continued Service through each such date and other terms and conditions contained in the attached Restricted Stock Unit Grant Agreement.

Percentage of RSUs Vesting:	**Applicable Service Vesting Date:**

*   *   *

THE UNDERSIGNED GRANTEE ACKNOWLEDGES RECEIPT OF THIS RESTRICTED STOCK UNIT GRANT CERTIFICATE, THE RESTRICTED STOCK UNIT AGREEMENT AND THE PLAN, AND, AS AN EXPRESS CONDITION TO THE GRANT OF RESTRICTED STOCK UNITS HEREUNDER, AGREES TO BE BOUND BY THE TERMS OF THIS RESTRICTED STOCK UNIT GRANT CERTIFICATE, THE RESTRICTED STOCK UNIT AGREEMENT AND THE PLAN.

KKR & CO. INC.	GRANTEE
	Electronic Signature
By:	Name: **Participant Name**
Title:	Date: **Grant Date**

RESTRICTED STOCK UNIT AGREEMENT
UNDER THE KKR & CO. INC. 2019 EQUITY INCENTIVE PLAN
(DIRECTOR)

Pursuant to the Restricted Stock Unit Grant Certificate (the "**RSU Grant Certificate**") delivered to the Grantee (as defined in the RSU Grant Certificate), and subject to the terms of this Restricted Stock Unit Agreement (this "**Agreement**") and the KKR & Co. Inc. 2019 Equity Incentive Plan (the "**Plan**"), KKR & Co. Inc. (the "**Corporation**") and the Grantee agree as follows. The RSU Grant Certificate is incorporated into and deemed a part of this Agreement. Capitalized terms not otherwise defined herein or in Appendix A (attached hereto) shall have the meaning set forth in the Plan.

RECITALS

WHEREAS, the board of directors of the Corporation (the "**Board**") has determined it is in the best interests of the Corporation to provide the Grantee with this Agreement and the RSU Grant Certificate pursuant to and in accordance with the terms of the Plan.

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

ARTICLE I
GRANT OF RESTRICTED STOCK UNITS

Section 1.1. <u>Grant of Restricted Stock Units</u>. Subject to the terms and conditions set forth herein and in the Plan, the Corporation hereby grants to the Grantee the number of Restricted Stock Units ("**RSUs**") provided in the RSU Grant Certificate (with each RSU representing an unfunded, unsecured right to receive one share of Class A Common Stock upon vesting, subject to any adjustment pursuant to Section 9 of the Plan).

ARTICLE II
VESTING AND SETTLEMENT OF RESTRICTED STOCK UNITS

Section 2.1. <u>Vesting of RSUs</u>.

(a) Subject to the terms and conditions contained herein and in the Plan, the RSUs shall vest as provided in the RSU Grant Certificate and this Section 2.1.

(i) Subject to the Grantee's continued service as a director of the Corporation ("**Service**") through the Service Vesting Date(s) as specified in the RSU Grant Certificate, the RSUs shall become vested on such date(s) as to the percentage(s) of RSUs set forth in the RSU Grant Certificate.

(ii) If, prior to the date the RSUs are vested as provided in Section 2.1(a)(i) above or otherwise terminate pursuant to Section 2.1(b) below: (A) the Grantee dies or experiences a Disability or (B) there occurs a Change in Control, then all unvested RSUs shall be vested as a result thereof.

(iii) All RSUs that become vested under this Section 2.1(a) shall be Settled pursuant to Section 2.2 of this Agreement.

(b) If the Grantee's Service terminates for any reason other than due to the Grantee's death or Disability, all then unvested RSUs shall immediately terminate and be forfeited without consideration, and no shares of Class A Common Stock shall be delivered hereunder.

Section 2.2. Settlement of RSUs.

(a) To the extent that an RSU becomes vested and the applicable Service Vesting Date has occurred, the applicable percentage of RSUs shall be Settled as soon as administratively practicable on or following the applicable Service Vesting Date. The Settlement of RSUs that become vested upon a termination of Service due to Grantee's death or Disability or due to a Change in Control, as applicable, shall not be accelerated such that any such RSUs shall be Settled on the applicable Service Vesting Date as set forth on the RSU Grant Certificate that such RSUs would otherwise have become vested. The date on which any RSU is to be Settled hereunder is referred to as a "**Delivery Date.**"

(b) On any Delivery Date, each vested RSU being Settled shall be cancelled in exchange for the Corporation delivering to the Grantee the number of shares of Class A Common Stock equal to the number of RSUs that are to be Settled on such Delivery Date pursuant to Section 2.2(a). The foregoing deliveries shall in all instances be subject to Sections 4.4 and 4.6.

(c) Subject to the provisions of this Article II relating to the number of RSUs that are to be Settled on any applicable Delivery Date and solely to the extent permitted under Section 409A, if applicable, the Corporation may impose such other conditions and procedures in relation to the Settlement of RSUs as it may reasonably determine.

Section 2.3. No Dividend Payments. The RSUs granted to the Grantee hereunder do not include the right to receive any dividend payments.

ARTICLE III
RESTRICTIONS ON TRANSFERS

Section 3.1. Transfer Restrictions on RSUs.

(a) The Grantee may not Transfer all or any portion of the Grantee's RSUs to any Person (including to any Permitted Transferee) without the prior written consent of the Administrator, which consent may be given or withheld, or made subject to such conditions (including the receipt of such legal or tax opinions and other documents that the Corporation may require) as determined by the Administrator.

(b) Prior to a Transfer of any RSUs to any Person that the Administrator consents to, such Person must consent in writing to be bound by this Agreement and deliver such consent to the Administrator.

(c) Any purported Transfer of RSUs that is not in accordance with this Section 3.1 is null and void.

ARTICLE IV
MISCELLANEOUS

Section 4.1. Governing Law. This Agreement and RSU Grant Certificate shall be governed by, and construed in accordance with, the laws of the State of New York, United States of America, without giving effect to any otherwise governing principles of conflicts of law that would apply the Laws of another jurisdiction.

Section 4.2. Plan. The terms and provisions of the Plan are incorporated herein by reference. In the event of a conflict or inconsistency between the terms and provisions of the Plan and the provisions of this Agreement, the Plan shall govern and control.

Section 4.3. Arbitration. EACH PARTY HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE U.S. FEDERAL AND STATE COURTS LOCATED IN NEW YORK, NEW YORK FOR THE PURPOSE OF ANY JUDICIAL PROCEEDING BROUGHT IN ACCORDANCE WITH THE PROVISIONS OF THIS SECTION 4.3, OR ANY JUDICIAL PROCEEDING ANCILLARY TO AN ARBITRATION OR

CONTEMPLATED ARBITRATION ARISING OUT OF OR RELATING TO OR CONCERNING THIS AGREEMENT. Any controversy or claim arising out of or relating to this Agreement (or the breach thereof) shall be settled by arbitration conducted by a single arbitrator in New York, New York in accordance with the then-existing Rules of Arbitration of the International Chamber of Commerce. If the parties to the dispute fail to agree on the selection of an arbitrator within 30 days of the receipt of the request for arbitration, the International Chamber of Commerce shall make the appointment. The arbitrator shall be a lawyer and shall conduct the proceedings in the English language. Judgment on the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The arbitrators shall have the authority to award any remedy or relief that a court of competent jurisdiction could order or grant, including, without limitation, the issuance of an injunction. However, either party may, without inconsistency with this arbitration provision, bring an action or special proceeding in any court of competent jurisdiction for the purpose of compelling the other party to arbitrate, seeking temporary or preliminary relief in aid of an arbitration hereunder, or enforcing an arbitration award. The Grantee irrevocably appoints the Secretary or General Counsel of the Corporation as such Grantee's agent for service of process in connection with any such action or proceeding and agrees that service of process upon such agent, who shall promptly advise such Grantee of any such service of process, shall be deemed in every respect effective service of process upon the Grantee in any such action or proceeding. Except as necessary in court proceedings to enforce this arbitration provision or an award rendered hereunder, to obtain interim relief or as otherwise required by law, neither a party nor an arbitrator may disclose the content or results of any arbitration hereunder without the prior written consent of the Corporation and the Grantee, other than general statements.

Section 4.4. __**Remedies; Recoupment; Right to Set-Off.**__

(a) The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive its right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by Law or under the terms of any other applicable agreement.

(b) To the extent required or advisable, pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules promulgated thereunder and any other similar Laws including, as applicable, but not limited to the European Directives 2011/61/EU, 2013/36/EU and 2014/91/EU, the Administrator may specify in any other document or a policy to be incorporated into this Agreement by reference, that the Grantee's rights, payments, and benefits with respect to RSUs awarded hereunder and/or Class A Common Stock delivered to the Grantee in respect of RSUs awarded hereunder shall be subject to reduction, cancellation, forfeiture or recoupment.

(c) The Grantee further acknowledges and agrees that KKR Group shall have the right to clawback, forfeit, cancel, recoup, reduce or set-off any distribution or payment that is due or payable (or that the Administrator reasonably determines may become due or payable) to the Grantee pursuant to any agreement with the KKR Group (including but not limited to partnership agreements of KKR Holdings L.P., KKR Holdings II L.P. and KKR Associates Holdings L.P.) or otherwise for the purpose of fulfilling any present or future obligation or liability of whatever nature (whether matured or unmatured, absolute or contingent) that the Grantee has to make (or that the Administrator reasonably determines may become such an obligation or liability to make) any payment or contribution to the KKR Group, regardless of whether the payment or contribution is currently due or payable, or may be due or payable in the future, whether in advance of or without adjudication (provided that the Administrator must act in good faith when determining any contribution or payment that may become due or payable as a result of damage to the KKR Group arising from a breach by Grantee of any of Grantee's agreements with the KKR Group or other wrongdoing), and notwithstanding any other agreements between the Grantee and the KKR Group entered into prior to the date hereof.

Section 4.5. __**Amendments and Waivers.**__

(a) This Agreement (including the RSU Grant Certificate and Appendices A and B attached hereto, as applicable) may be amended, supplemented, waived or modified only in accordance with Section

4(b) of the Plan or Section 13 of the Plan, as applicable, or as may be required for purposes of compliance or enforceability with applicable local Law; provided, however, that the RSU Grant Certificate shall be deemed amended from time to time to reflect any adjustments provided for under the Plan.

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

Section 4.6. Withholding. The provisions of Section 4(d) of the Plan are incorporated herein by reference and made a part hereof. Regardless of any action the Corporation takes with respect to any or all income tax, social insurance, payroll tax, fringe benefit tax, payment on account or other tax-related items related to the Grantee's participation in the Plan and legally applicable to the Grantee ("**Tax-Related Items**"), the Grantee acknowledges that the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and may exceed the amount, if any, actually withheld by the Corporation. The Grantee further acknowledges that the Corporation (1) makes no representations or undertakings regarding the treatment of any Tax-Related Items and (2) is under no obligation to structure the terms of the RSUs to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result. Furthermore, if the Grantee is subject to tax in more than one jurisdiction, the Grantee acknowledges that the Corporation may be required to withhold or account for Tax-Related Items in more than one jurisdiction. The Corporation may refuse to issue or deliver Class A Common Stock or the proceeds of the sale of Class A Common Stock, if the Grantee fails to comply with the Grantee's obligations in connection with the Tax-Related Items as set forth in this Section 4.6.

Section 4.7. Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person, by courier service, by fax or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified):

(a) If to the Corporation, to:

KKR & Co. Inc.
9 West 57th Street, Suite 4200
New York, New York 10019
U.S.A.

Attention: General Counsel and Secretary

(b) If to the Grantee, to the most recent address for the Grantee in the books and records of the Corporation.

Section 4.8. Entire Agreement; Termination of Agreement; Survival.

(a) This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings, whether oral or written, pertaining thereto. The Grantee acknowledges that the grant of RSUs provided for under this Agreement is in full satisfaction of any and all grants of equity or equity-based awards that representatives of the Corporation or its Affiliates, on or prior to the date hereof, may have informed the Grantee that such Grantee is entitled to receive.

(b) This Agreement shall terminate when the Grantee and all Permitted Transferees cease to hold any of the RSUs that have been granted hereunder. Notwithstanding anything to the contrary herein, this Article IV shall survive any termination of this Agreement.

Section 4.9. Severability. If any term or other provision of this Agreement is held to be invalid, illegal or incapable of being enforced by any rule of Law, or public policy, all other conditions and provisions of this

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

Section 4.10. Binding Effect. This Agreement shall be binding upon and inure to the benefit of all of the parties and, to the extent permitted by this Agreement, their successors, executors, administrators, heirs, legal representatives and assigns.

Section 4.11. Appendices. Appendices A and B constitute part of this Agreement.

Section 4.12. Further Assurances. The Grantee shall perform all other acts and execute and deliver all other documents as may be necessary or appropriate to carry out the purposes and intent of this Agreement.

Section 4.13. Section 409A; Service.

(a) This Section 4.13(a) applies to Grantees who are U.S. tax residents (such as, a U.S. citizen, green card holder or a U.S. tax resident under the substantial presence test) to the extent applicable. All references to any "separation from service" or termination of Services to be provided by the Grantee shall be deemed to refer to a "separation from service" within the meaning of Section 409A, if applicable. Notwithstanding anything herein to the contrary, (i) if at the time of the Grantee's termination of Service the Grantee is a "specified employee" as defined in Section 409A of the Code and the deferral of the commencement of any payments or delivery of Class A Common Stock otherwise payable or provided hereunder as a result of such termination of Service is necessary in order to prevent any accelerated or additional tax under Section 409A, then, to the extent that Section 409A applies to the RSUs, the Corporation will defer the commencement of the payment of any such payments or delivery hereunder (without any reduction in such payments or delivery of Class A Common Stock ultimately paid or provided to the Grantee) until the date that is six months following the Grantee's termination of Service (or the earliest date as is permitted under Section 409A) and (ii) if any other payments or other deliveries due to the Grantee hereunder could cause the application of an accelerated or additional tax under Section 409A, such payments or other deliveries shall be deferred if deferral will make such payment or other delivery compliant under Section 409A, or otherwise such payment or other delivery shall be restructured, to the extent possible, in a manner, determined by the Administrator, that does not cause such an accelerated or additional tax. The Corporation shall use commercially reasonable efforts to implement the provisions of this Section 4.13(a) in good faith; provided that none of the Corporation, the Administrator nor any of the Corporation's or its affiliates' employees, directors or representatives shall have any liability to the Grantee with respect to this Section 4.13(a).

(b) Nothing in this Agreement shall be deemed to obligate the Corporation to employ the Grantee in any capacity whatsoever or to prohibit or restrict the Corporation from terminating the Grantee's Service at any time or for any reason whatsoever.

Section 4.14. Counterparts. This Agreement may be executed and delivered (including by facsimile transmission) in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed and delivered shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Copies of executed counterparts transmitted by telecopy or other electronic transmission service shall be considered original executed counterparts for purposes of this Agreement.

[Rest of page intentionally left blank]

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

KKR & CO. INC.

By: ______________________________

Name:

Title:

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

"GRANTEE"

Electronic Signature

Name: **Participant Name**

Dated: **Grant Date**

APPENDIX A

DEFINITIONS

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

"**Disability**" means, as to any Person, such Person's inability to perform in all material respects such Person's duties and responsibilities to Corporation by reason of a physical or mental disability or infirmity which inability is reasonably expected to be permanent and has continued (i) for a period of six consecutive months or (ii) such shorter period as the Administrator may reasonably determine in its sole discretion.

"**Group Partnership**" means KKR Group Partnership L.P., a Cayman Island exempted limited partnership, along with its successor and any other legal entity designated in the future as a "Group Partnership" by the Corporation.

"**KKR Group**" means (i) the Corporation and KKR Management LLP (and its successors), (ii) any direct or indirect subsidiaries of the Corporation, including but not limited to the Group Partnership and its direct and indirect subsidiaries (not including Portfolio Companies), (iii) KKR Holdings L.P. and KKR Associates Holdings L.P., their respective general partners, and the direct or indirect subsidiaries of KKR Holdings L.P. and KKR Associates Holdings L.P., respectively, and (iv) any investment fund, account or vehicle that is managed, advised or sponsored by any member of the KKR Group.

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

"**Permitted Transferee**" means (A) any person who is a "family member" of the Grantee, as such term is used in the instructions to Form S-8 under the Securities Act of 1933, as amended, or any successor form of registration statement promulgated by the Securities and Exchange Commission (collectively, the "**Immediate Family Members**"); (B) a trust solely for the benefit of the Grantee and his or her Immediate Family Members; (C) a partnership or limited liability company whose only partners or stockholders are the Grantee and his or her Immediate Family Members; (D) a beneficiary to whom donations are eligible to be treated as "charitable contributions" for federal income tax purposes; or (E) any other Person the Administrator consents to.

"Person"

means any individual, corporation, partnership, limited liability company, trust, joint stock company, business trust, unincorporated association, joint venture, governmental authority or other entity of any nature whatsoever.

"**Portfolio Company**" means any portfolio companies, joint ventures or affiliated investments that are held as such by the KKR Group.

"**RSU Grant Certificate**" means the RSU Grant Certificate delivered to the Grantee and attached to this Agreement, as the same may be modified pursuant to Section 4.5(a) of the Agreement.

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

"**Service Vesting Date**" means, with respect to any RSU, the date set forth in the RSU Grant Certificate as the "Service Vesting Date."

"**Settle**", "**Settled**" or "**Settlement**" means the discharge of the Corporation's obligations in respect of an RSU through the delivery to the Grantee of Class A Common Stock in accordance with Article II.

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

APPENDIX B

ADDITIONAL TERMS AND CONDITIONS

EXHIBIT 10.27

RESTRICTED STOCK UNIT GRANT CERTIFICATE
UNDER THE KKR & CO. INC. 2019 EQUITY INCENTIVE PLAN
(EXECUTIVE)

KKR & Co. Inc. (the "Corporation"), pursuant to its KKR & Co. Inc. 2019 Equity Incentive Plan (the "Plan"), hereby grants to the Grantee set forth below the number of Restricted Stock Units ("RSUs") set forth below. The RSUs are subject to all of the terms and conditions as set forth herein, in the Restricted Stock Unit Agreement (attached hereto), and in the Plan, all of which are incorporated herein in their entirety. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Plan.

Grantee: **Participant Name**

Date of Grant: **Grant Date**

Number of RSUs: **Number of Awards Granted**

Vesting Schedule: The following sets forth each applicable Service Vesting Date upon which the RSUs granted hereunder shall become vested, subject to the Grantee's continued Employment through each such date and other terms and conditions contained in the attached Restricted Stock Unit Grant Agreement.

Percentage of RSUs Vesting:	**Applicable Service Vesting Date:**

Post-Settlement Transfer Restrictions under Section 3.3 of the Restricted Stock Unit Agreement: ☐ Applicable ☐ Inapplicable

Minimum Retained Ownership Percentage under Section 3.4 of the Restricted Stock Unit Agreement: ☐ Applicable ☐ Inapplicable

Minimum Retained Ownership Percentage if applicable: 15%

* * *

THE UNDERSIGNED GRANTEE ACKNOWLEDGES RECEIPT OF THIS RESTRICTED STOCK UNIT GRANT CERTIFICATE, THE RESTRICTED STOCK UNIT AGREEMENT AND THE PLAN, AND, AS AN EXPRESS CONDITION TO THE GRANT OF RESTRICTED STOCK UNITS HEREUNDER, AGREES TO BE BOUND BY THE TERMS OF THIS RESTRICTED STOCK UNIT GRANT CERTIFICATE, THE RESTRICTED STOCK UNIT AGREEMENT AND THE PLAN.

KKR & CO. INC.	GRANTEE
	Electronic Signature
By:	Name: **Participant Name**
Title:	Date: **Grant Date**

RESTRICTED STOCK UNIT AGREEMENT
UNDER THE KKR & CO. INC. 2019 EQUITY INCENTIVE PLAN
(EXECUTIVE)

Pursuant to the Restricted Stock Unit Grant Certificate (the "**RSU Grant Certificate**") delivered to the Grantee (as defined in the RSU Grant Certificate), and subject to the terms of this Restricted Stock Unit Agreement (this "**Agreement**") and the KKR & Co. Inc. 2019 Equity Incentive Plan (the "**Plan**"), KKR & Co. Inc. (the "**Corporation**") and the Grantee agree as follows. The RSU Grant Certificate is incorporated into and deemed a part of this Agreement. Capitalized terms not otherwise defined herein or in Appendix A (attached hereto) shall have the meaning set forth in the Plan.

RECITALS

WHEREAS, the board of directors of the Corporation (the "**Board**") has determined it is in the best interests of the Corporation to provide the Grantee with this Agreement and the RSU Grant Certificate pursuant to and in accordance with the terms of the Plan.

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

ARTICLE I
GRANT OF RESTRICTED STOCK UNITS

Section 1.1. Grant of Restricted Stock Units. Subject to the terms and conditions set forth herein and in the Plan, the Corporation hereby grants to the Grantee the number of Restricted Stock Units ("**RSUs**") provided in the RSU Grant Certificate (with each RSU representing an unfunded, unsecured right to receive one share of Class A Common Stock upon vesting, subject to any adjustment pursuant to Section 9 of the Plan). The grant of RSUs hereunder is conditioned upon the Grantee's agreement to and compliance with the covenants and obligations contained in the confidentiality and restrictive covenant obligations, attached hereto as Appendix C (the "Confidentiality and Restrictive Covenant Agreement") and incorporated herein by reference.

ARTICLE II
VESTING AND SETTLEMENT OF RESTRICTED STOCK UNITS

Section 2.1. Vesting of RSUs.

(a) Subject to the terms and conditions contained herein and in the Plan, the RSUs shall vest as provided in the RSU Grant Certificate and this Section 2.1.

(i) Subject to the Grantee's continued Employment through the Service Vesting Date(s) as specified in the RSU Grant Certificate, the RSUs shall become vested on such date(s) as to the percentage(s) of RSUs set forth in the RSU Grant Certificate.

(ii) If, prior to the date the RSUs are vested or such RSUs otherwise terminate and are forfeited: (A) the Grantee's Employment terminates due to the Grantee's Retirement, then all Retirement RSUs shall be vested; (B) the Grantee dies or experiences a Disability, then all unvested RSUs shall be vested; and (C) a Change in Control occurs prior to any termination of the Grantee's Employment, then all or any portion of any unvested RSUs may be vested, subject, in each case of clause (A), (B) or (C), to the discretion of the Administrator. Notwithstanding the foregoing, if the Corporation receives an opinion of counsel that there has been a legal judgment or legal development in the Grantee's jurisdiction that would likely result in the favorable treatment applicable to the Retirement RSUs pursuant to this Section 2.1(a)(ii) being deemed unlawful or discriminatory, then the Corporation will not apply the favorable treatment at the time the Grantee's Employment terminates due to the Grantee's Retirement under clause (A) above, and the RSUs will be treated as set forth in Section 2.1(a)(i), 2.1(b), 2.1(c) or the other provisions of this Section 2.1(a)(ii), as applicable.

(iii) All RSUs that become vested under this Section 2.1(a) shall be Settled pursuant to Section 2.2 of this Agreement.

(b) If the Grantee’s Employment terminates for any reason other than due to the Grantee’s death, Disability or Retirement, all then unvested RSUs (including any RSUs that are not Retirement RSUs) shall immediately terminate and be forfeited without consideration, and no shares of Class A Common Stock shall be delivered hereunder.

(c) Unless otherwise agreed in writing between the Grantee and the Corporation or as otherwise determined by the Administrator at the time of grant or otherwise, the Grantee’s right to vest in the RSUs under the Plan, if any, will terminate effective as of the date that the Grantee is no longer actively providing services (even if still considered employed or engaged under local Law) and will not be extended by any notice period mandated under local Law (e.g., active Employment would not include a period of “garden leave” or similar period pursuant to local Law or the terms of the Grantee’s Employment agreement or service contract, if any), and all unvested RSUs shall immediately be forfeited upon such date.

Section 2.2. Settlement of RSUs.

(a) To the extent that an RSU becomes vested and the applicable Service Vesting Date has occurred, the applicable percentage of RSUs shall be Settled as soon as administratively practicable on or following the applicable Service Vesting Date. The Settlement of RSUs that become vested upon a termination of Employment due to Grantee’s Retirement, death or Disability or due to a Change in Control, as applicable, shall not be accelerated such that any such RSUs shall be Settled on the applicable Service Vesting Date as set forth on the RSU Grant Certificate that such RSUs would otherwise have become vested. The date on which any RSU is to be Settled hereunder is referred to as a “**Delivery Date.**”

(b) On any Delivery Date, each vested RSU being Settled shall be cancelled in exchange for the Corporation delivering, or causing to be delivered by the Designated Service Recipient, to the Grantee either (i) the number of shares of Class A Common Stock equal to the number of RSUs that are to be Settled on such Delivery Date pursuant to Section 2.2(a) or (ii) an amount of cash, denominated in U.S. dollars, equal to the Fair Market Value of the foregoing number of shares of Class A Common Stock (a “**Cash Payment**”). The Administrator may elect in its sole discretion whether to Settle the RSUs in Class A Common Stock or by a Cash Payment. Any of the foregoing payments or deliveries shall in all instances be subject to Sections 4.4 and 4.6.

(c) Subject to the provisions of this Article II relating to the number of RSUs that are to be Settled on any applicable Delivery Date and solely to the extent permitted under Section 409A, if applicable, the Corporation may impose such other conditions and procedures in relation to the Settlement of RSUs as it may reasonably determine.

Section 2.3. No Dividend Payments. The RSUs granted to the Grantee hereunder do not include the right to receive any dividend payments.

ARTICLE III
RESTRICTIONS ON TRANSFERS AND OTHER LIMITATIONS

Section 3.1. Transfer Restrictions on RSUs.

(a) The Grantee may not Transfer all or any portion of the Grantee’s RSUs to any Person (including to any Permitted Transferee) without the prior written consent of the Administrator, which consent may be given or withheld, or made subject to such conditions (including the receipt of such legal or tax opinions and other documents that the Corporation may require) as determined by the Administrator.

(b) Prior to a Transfer of any RSUs to any Person that the Administrator consents to, such Person must consent in writing to be bound by this Agreement and deliver such consent to the Administrator.

(c) Any purported Transfer of RSUs that is not in accordance with this Section 3.1 is null and void.

Section 3.2. **<u>Confidentiality and Restrictive Covenant Agreement.</u>** The Grantee acknowledges and agrees that the Grantee is bound by and will comply with the Confidentiality and Restrictive Covenant Agreement contained in Appendix C and any other similar agreements that the Grantee has entered into with the Designated Service Recipient, the Corporation, KKR Holdings L.P., KKR Holdings II, L.P., KKR Associates Holdings L.P., or any other member of the KKR Group, as applicable, as such agreements may be amended from time to time. If the Grantee is a limited partner of KKR Holdings L.P., KKR Holdings II, L.P. or KKR Associates Holdings L.P., the Grantee further acknowledges and agrees that references to a Confidentiality and Restrictive Covenant Agreement in the limited partnership agreements of KKR Holdings L.P., KKR Holdings II L.P. and KKR Associates Holdings L.P. shall be deemed to include the Confidentiality and Restrictive Covenant Agreement contained in Appendix C hereto.

Section 3.3. **<u>Post-Settlement Transfer Restrictions on Class A Common Stock.</u>**

The provisions of this Section 3.3 and any references to a Transfer Restricted Class A Common Stock shall not be applicable to the RSUs granted to the Grantee hereunder if so indicated on the RSU Grant Certificate.

(a) The Grantee may not Transfer all or any portion of the Grantee's Transfer Restricted Class A Common Stock (as defined below) (including to any Permitted Transferee) without the prior written consent of the Administrator, which consent may be given or withheld, or made subject to such conditions (including the receipt of such legal or tax opinions and other documents that the Corporation may require) as determined by the Administrator. Any permitted transfer pursuant to this Section 3.3(a) shall be made in accordance with Section 3.1.

(b) A "**Transfer Restricted Class A Common Stock**" refers to all Class A Common Stock or Cash Payment delivered upon Settlement of a vested RSU until (i) the first anniversary of the applicable Service Vesting Date, in the case of 50% of such Class A Common Stock or Cash Payment and (ii) the second anniversary of such Service Vesting Date, in the case of the remaining 50% of such Class A Common Stock or Cash Payment; provided that if the Grantee has given or been given notice of termination of Grantee's Employment, then the Administrator, in its sole discretion, may direct that any Class A Common Stock or Cash Payment that is then Transfer Restricted Class A Common Stock shall continue to be Transfer Restricted Class A Common Stock until the expiration of the later to occur of the Non-Compete Period (as defined in Appendix C) or the Non-Solicit Period (as defined in Appendix C) applicable to the Grantee, unless an earlier date is selected by the Administrator, in its sole discretion.

(c) If the Grantee breaches in any significant or intentional manner, as determined by the Administrator in its sole discretion, any of the Grantee's covenants in Appendix C, the Administrator, in its sole discretion, may direct that the Grantee forfeit all or a portion of the Transfer Restricted Class A Common Stock held by the Grantee. If the Grantee's Employment is terminated for Cause, as determined by the Administrator in its sole discretion, all Transfer Restricted Class A Common Stock held by the Grantee shall automatically be forfeited, unless otherwise determined by the Administrator, in its sole discretion. The Grantee hereby consents and agrees to immediately surrender and deliver such Transfer Restricted Class A Common Stock to the Corporation, without the payment of any consideration, receipt of any further notice or fulfillment of any other condition. Any forfeiture of Transfer Restricted Class A Common Stock pursuant to this Section 3.3(c) shall require no additional procedures on the part of the Corporation or its Affiliates.

(d) Any purported Transfer of Transfer Restricted Class A Common Stock that is not in accordance with this Section 3.3 is null and void. In the event of a property settlement or separation agreement between the Grantee and his or her spouse, the Grantee agrees that he or she shall use reasonable efforts to retain all of his or her RSUs and Transfer Restricted Class A Common Stock and shall reimburse his or her spouse for any interest he or she may have under this Agreement out of funds, assets or proceeds separate and distinct from his or her interest under this Agreement.

Section 3.4. <u>Minimum Retained Ownership Requirement.</u>

The provisions of this Section 3.4 shall not be applicable to the RSUs granted to the Grantee hereunder if so indicated on the RSU Grant Certificate.

(a) For so long as the Grantee retains his or her Employment, the Grantee (collectively with all Permitted Transferees, if applicable) must continuously hold an aggregate number of Class A Common Stock Equivalents (defined below) that is at least equal to the Minimum Retained Ownership Percentage of the cumulative amount of (x) all RSUs granted to the Grantee under this Agreement and (y) all other RSUs subject to a minimum retained ownership requirement that have been or are hereafter granted to the Grantee under the Plan, in each case, that have become vested pursuant to Section 2 (or similar provision in any other applicable grant agreement), prior to any net Settlement permitted by Section 4.6 (or similar provision in any other applicable grant agreement).

(b) "**Class A Common Stock Equivalents**" means any combination of: (i) RSUs that are or become vested pursuant to Section 2 of this Agreement and shares of Class A Common Stock delivered upon Settlement of any such RSUs (even if they are Transfer Restricted Class A Common Stock) and (ii) RSUs subject to a minimum retained ownership requirement granted to the Grantee under the Plan that are or become vested pursuant to a provision similar to Section 2 of this Agreement and shares of Class A Common Stock delivered upon Settlement of any such RSUs (even if a provision similar to the transfer restrictions on Transfer Restricted Class A Common Stock has not yet been satisfied).

(c) Any purported Transfer of any Class A Common Stock that would result in a violation of this Section 3.4 is null and void. Notwithstanding anything to the contrary contained in this Agreement (including, without limitation, Section 4.8) this Section 3.4 shall survive any termination of this Agreement.

Section 3.5. <u>Waiver of Restrictions.</u> The Administrator may, from time to time, waive the provisions of Section 3.3 or Section 3.4 of this Agreement, subject to the imposition of any conditions or further requirements, as determined by the Administrator in its sole discretion. Without limiting the foregoing, to the extent the Administrator waives the application of Section 3.3 or Section 3.4, (i) equivalent restrictions on the Grantee's other equity, if any, held in KKR Holdings L.P., KKR Holdings II L.P., the Corporation or any of their respective Affiliates (or any of their respective equity incentive plans) may be imposed and (ii) the Grantee hereby consents in advance to the imposition of such equivalent restrictions for purposes of the governing documents of Grantee's other equity, if any, held in KKR Holdings L.P., KKR Holdings II L.P., the Corporation or any of their respective Affiliates (or any of their respective equity incentive plans).

ARTICLE IV
MISCELLANEOUS

Section 4.1. <u>Governing Law.</u> This Agreement and RSU Grant Certificate shall be governed by, and construed in accordance with, the laws of the State of New York, United States of America, without giving effect to any otherwise governing principles of conflicts of law that would apply the Laws of another jurisdiction.

Section 4.2. <u>Plan.</u> The terms and provisions of the Plan are incorporated herein by reference. In the event of a conflict or inconsistency between the terms and provisions of the Plan and the provisions of this Agreement, the Plan shall govern and control.

Section 4.3. **Arbitration.** EACH PARTY HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE U.S. FEDERAL AND STATE COURTS LOCATED IN NEW YORK, NEW YORK FOR THE PURPOSE OF ANY JUDICIAL PROCEEDING BROUGHT IN ACCORDANCE WITH THE PROVISIONS OF THIS SECTION 4.3, OR ANY JUDICIAL PROCEEDING ANCILLARY TO AN ARBITRATION OR CONTEMPLATED ARBITRATION ARISING OUT OF OR RELATING TO OR CONCERNING THIS AGREEMENT. Any controversy or claim arising out of or relating to this Agreement (or the breach thereof) shall be settled by arbitration conducted by a single arbitrator in New York, New York in accordance with the then-existing Rules of Arbitration of the International Chamber of Commerce. If the parties to the dispute fail to agree on the selection of an arbitrator within 30 days of the receipt of the request for arbitration, the International Chamber of Commerce shall make the appointment. The arbitrator shall be a lawyer and shall conduct the proceedings in the English language. Judgment on the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The arbitrators shall have the authority to award any remedy or relief that a court of competent jurisdiction could order or grant, including, without limitation, the issuance of an injunction. However, either party may, without inconsistency with this arbitration provision, bring an action or special proceeding in any court of competent jurisdiction for the purpose of compelling the other party to arbitrate, seeking temporary or preliminary relief in aid of an arbitration hereunder, or enforcing an arbitration award. The Grantee irrevocably appoints the Secretary or General Counsel of the Corporation as such Grantee's agent for service of process in connection with any such action or proceeding and agrees that service of process upon such agent, who shall promptly advise such Grantee of any such service of process, shall be deemed in every respect effective service of process upon the Grantee in any such action or proceeding. Except as necessary in court proceedings to enforce this arbitration provision or an award rendered hereunder, to obtain interim relief or as otherwise required by law, neither a party nor an arbitrator may disclose the content or results of any arbitration hereunder without the prior written consent of the Corporation and the Grantee, other than general statements.

Section 4.4. **Remedies; Recoupment; Right to Set-Off.**

(a) The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive its right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by Law or under the terms of any other applicable agreement.

(b) To the extent required or advisable, pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules promulgated thereunder and any other similar Laws including, as applicable, but not limited to the European Directives 2011/61/EU, 2013/36/EU and 2014/91/EU, the Administrator may specify in any other document or a policy to be incorporated into this Agreement by reference, that the Grantee's rights, payments, and benefits with respect to RSUs awarded hereunder and/or Class A Common Stock delivered to the Grantee in respect of RSUs awarded hereunder shall be subject to reduction, cancellation, forfeiture or recoupment.

(c) The Grantee further acknowledges and agrees that KKR Group shall have the right to clawback, forfeit, cancel, recoup, reduce or set-off any distribution or payment that is due or payable (or that the Administrator reasonably determines may become due or payable) to the Grantee pursuant to any agreement with the KKR Group (including but not limited to partnership agreements of KKR Holdings L.P., KKR Holdings II L.P. and KKR Associates Holdings L.P.) or otherwise for the purpose of fulfilling any present or future obligation or liability of whatever nature (whether matured or unmatured, absolute or contingent) that the Grantee has to make (or that the Administrator reasonably determines may become such an obligation or liability to make) any payment or contribution to the KKR Group, regardless of whether the payment or contribution is currently due or payable, or may be due or payable in the future, whether in advance of or without adjudication (provided that the Administrator must act in good faith when determining any contribution or payment that may become due or payable as a result of damage to the KKR Group arising from a breach by Grantee of any of Grantee's agreements with the KKR Group or other wrongdoing), and notwithstanding any other agreements between the Grantee and the KKR Group entered into prior to the date hereof.

Section 4.5. **Amendments and Waivers.**

(a) This Agreement (including the RSU Grant Certificate and Appendices A through D attached hereto, as applicable) may be amended, supplemented, waived or modified only in accordance with Section 4(b) of the Plan or Section 13 of the Plan, as applicable, or as may be required for purposes of compliance or enforceability with applicable local Law; provided, however, that the RSU Grant Certificate shall be deemed amended from time to time to reflect any adjustments provided for under the Plan.

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

Section 4.6. Withholding.

(a) The provisions of Section 4(d) of the Plan are incorporated herein by reference and made a part hereof. Regardless of any action the Corporation or the Designated Service Recipient takes with respect to any or all income tax, social insurance, payroll tax, fringe benefit tax, payment on account or other tax-related items related to the Grantee's participation in the Plan and legally applicable to the Grantee ("**Tax-Related Items**"), the Grantee acknowledges that the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and may exceed the amount, if any, actually withheld by the Corporation or the Designated Service Recipient. The Grantee further acknowledges that the Corporation and/or the Designated Service Recipient (1) make no representations or undertakings regarding the treatment of any Tax-Related Items and (2) are under no obligation to structure the terms of the RSUs to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result. Furthermore, if the Grantee is subject to tax in more than one jurisdiction, the Grantee acknowledges that the Corporation and the Designated Service Recipient (or former Designated Service Recipient) may be required to withhold or account for Tax-Related Items in more than one jurisdiction. The Corporation may refuse to issue or deliver Class A Common Stock, the Cash Payment or the proceeds of the sale of Class A Common Stock, if the Grantee fails to comply with the Grantee's obligations in connection with the Tax-Related Items as set forth in this Section 4.6.

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

(i) withholding from the Cash Payment, the Grantee's wages or other cash compensation paid to the Grantee by the Corporation and/or the Designated Service Recipient; or

(ii) withholding from proceeds of the sale of Class A Common Stock delivered upon Settlement of the RSUs either through a voluntary sale or through a mandatory sale arranged by the Corporation (on the Grantee's behalf pursuant to this authorization); or

(iii) withholding in Class A Common Stock to be delivered upon Settlement of the RSUs.

The Corporation may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates in the Grantee's jurisdiction(s), in which case the Grantee may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent in Class A Common Stock. If the obligation for Tax-Related Items is satisfied by withholding in Class A Common Stock, the Grantee is deemed to have been issued the full number of shares of Class A Common Stock subject to the Settled Class A Common Stock, notwithstanding that a number of shares of Class A Common Stock are held back solely for the purpose of paying the Tax-Related Items. Finally, the Grantee shall pay to the Corporation or the Designated Service Recipient any amount of Tax-Related Items that the Corporation or the Designated Service Recipient may be required to withhold or account for as a result of the Grantee's participation in the Plan that cannot be satisfied by the means previously described.

Section 4.7. Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person, by courier service, by fax or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified):

(a) If to the Corporation, to:

KKR & Co. Inc.
9 West 57th Street, Suite 4200
New York, New York 10019
U.S.A.
Attention: General Counsel and Secretary

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

Section 4.8. Entire Agreement; Termination of Agreement; Survival.

(a) This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings, whether oral or written, pertaining thereto. The Grantee acknowledges that the grant of RSUs provided for under this Agreement is in full satisfaction of any and all grants of equity or equity-based awards that representatives of the Corporation or its Affiliates, on or prior to the date hereof, may have informed the Grantee that such Grantee is entitled to receive.

(b) This Agreement shall terminate when the Grantee and all Permitted Transferees cease to hold any of the RSUs or Transfer Restricted Class A Common Stock that have been granted or delivered, as applicable, hereunder. Notwithstanding anything to the contrary herein, this Article IV shall survive any termination of this Agreement.

Section 4.9. Severability. If any term or other provision of this Agreement is held to be invalid, illegal or incapable of being enforced by any rule of Law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions is not affected in any manner materially adverse to any party. Upon a determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

Section 4.10. Binding Effect. This Agreement shall be binding upon and inure to the benefit of all of the parties and, to the extent permitted by this Agreement, their successors, executors, administrators, heirs, legal representatives and assigns.

Section 4.11. Appendices. Appendices A, B, C and D constitute part of this Agreement. Notwithstanding the provisions of this Article IV, the provisions of Sections 10 through 19 (inclusive) of Appendix C shall govern solely with respect to, and shall be applicable only to the interpretation, administration and enforcement of the provisions of Appendix C, but not to any other provisions of this Agreement or any other Appendix.

Section 4.12. Further Assurances. The Grantee shall perform all other acts and execute and deliver all other documents as may be necessary or appropriate to carry out the purposes and intent of this Agreement.

Section 4.13. Section 409A; Employment with Designated Service Recipient.

(a) This Section 4.13(a) applies to Grantees who are U.S. tax residents (such as, a U.S. citizen, green card holder or a U.S. tax resident under the substantial presence test) to the extent applicable. All references to any "separation from service" or termination of the Employment of or the services to be provided by the Grantee, shall be deemed to refer to a "separation from service" within the meaning of Section 409A, if applicable. Notwithstanding anything herein to the contrary, (i) if at the time of the Grantee's termination of Employment the Grantee is a "specified employee" as defined in Section 409A of the Code and the deferral of the commencement of any payments or delivery of Class A Common Stock otherwise payable or provided hereunder as a result of such termination of employment is necessary in order to prevent any accelerated or additional tax under Section 409A, then, to the extent that Section 409A applies to the RSUs, the Corporation will defer the commencement of the payment of any such payments or delivery hereunder (without any reduction in such payments or delivery of Class A Common Stock ultimately paid or provided to the Grantee) until the date that is six months following the Grantee's termination of Employment (or the earliest date as is permitted under Section 409A) and (ii) if any other payments or other deliveries due to the Grantee hereunder could cause the application of an accelerated or additional tax under Section 409A, such payments or other deliveries shall be deferred if deferral will make such payment or other delivery compliant under Section 409A, or otherwise such payment or other delivery shall be restructured, to the extent possible, in a manner, determined by the Administrator, that does not cause such an accelerated or additional tax. The Corporation shall use commercially reasonable efforts to implement the provisions of this Section 4.13(a) in good faith; provided that none of the Corporation, the Administrator nor any of the Corporation's or KKR Group's, as applicable, employees, directors or representatives shall have any liability to the Grantee with respect to this Section 4.13(a).

(b) Nothing in this Agreement shall be deemed to obligate the Corporation, Designated Service Recipient or any other member of the KKR Group, as applicable, to employ the Grantee in any capacity whatsoever or to prohibit or restrict the Corporation, Designated Service Recipient or any other member of the KKR Group, as applicable, from terminating the Grantee's Employment at any time or for any reason whatsoever, with or without Cause.

Section 4.14. **Counterparts.** This Agreement may be executed and delivered (including by facsimile transmission) in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed and delivered shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Copies of executed counterparts transmitted by telecopy or other electronic transmission service shall be considered original executed counterparts for purposes of this Agreement.

[Rest of page intentionally left blank]

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

KKR & CO. INC.

By: ______________________________

Name:
Title:

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

"GRANTEE"

Electronic Signature

Name: **Participant Name**

Dated: **Grant Date**

APPENDIX A

DEFINITIONS

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

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

"**Designated Service Recipient**" means any member of the KKR Group that employs the Grantee or with which the Grantee is similarly associated.

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

"**Employment**" means the Grantee's employment (including any similar association determined by the Administrator to constitute employment for purposes of this Agreement) with the Designated Service Recipient or any other member of the KKR Group.

"Group Partnership" means KKR Group Partnership L.P., a Cayman Island exempted limited partnership, along with its successor and any other legal entity designated in the future as a "Group Partnership" by the Corporation.

"**KKR Group**" means (i) the Corporation and KKR Management LLP (and its successors), (ii) any direct or indirect subsidiaries of the Corporation, including but not limited to the Group Partnership and its direct and indirect subsidiaries (not including Portfolio Companies), (iii) KKR Holdings L.P. and KKR Associates Holdings L.P., their respective general partners, and the direct or indirect subsidiaries of KKR Holdings L.P. and KKR Associates Holdings L.P., respectively, and (iv) any investment fund, account or vehicle that is managed, advised or sponsored by any member of the KKR Group (the "**Funds**").

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

"**Minimum Retained Ownership Percentage**" means the percentage set forth on the RSU Grant Certificate.

"**Permitted Transferee**" means (A) any person who is a "family member" of the Grantee, as such term is used in the instructions to Form S-8 under the Securities Act of 1933, as amended, or any successor form of registration statement promulgated by the Securities and Exchange Commission (collectively, the "**Immediate Family Members**"); (B) a trust solely for the benefit of the Grantee and his or her Immediate Family Members; (C) a partnership or limited liability company whose only partners or stockholders are the Grantee and his or her Immediate Family Members; (D) a beneficiary to whom donations are eligible to be treated as "charitable contributions" for federal income tax purposes; or (E) any other Person the Administrator consents to.

"Person" means any individual, corporation, partnership, limited liability company, trust, joint stock company, business trust, unincorporated association, joint venture, governmental authority or other entity of any nature whatsoever.

"**Portfolio Company**" means any portfolio companies, joint ventures or affiliated investments that are held as such by the KKR Group.

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

"**Retirement**" means the resignation by the Grantee of the Grantee's Employment with the KKR Group (other than for Cause), on or after the date that the Grantee's age, plus the Grantee's years of Employment with the KKR Group equals at least 80.

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

"**RSU Grant Certificate**" means the RSU Grant Certificate delivered to the Grantee and attached to this Agreement, as the same may be modified pursuant to Section 4.5(a) of the Agreement.

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

"**Service Vesting Date**" means, with respect to any RSU, the date set forth in the RSU Grant Certificate as the "Service Vesting Date."

"**Settle**", "**Settled**" or "**Settlement**" means the discharge of the Corporation's obligations in respect of an RSU through the delivery to the Grantee of (i) Class A Common Stock or (ii) a Cash Payment, in each case in accordance with Article II.

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

"**Written Policies & Agreements**" means the written policies of the KKR Group included in its employee manual, code of ethics and confidential information and information barrier policies and procedures and other documents relating to the Grantee's Employment with the KKR Group, as applicable, and any agreements between the Grantee and a member of the KKR Group relating to the Grantee's Employment with the KKR Group, including but not limited to an employment agreement, if any, and the Confidentiality and Restrictive Covenant Agreement.

APPENDIX B

ADDITIONAL TERMS AND CONDITIONS

APPENDIX C

CONFIDENTIALITY AND RESTRICTIVE COVENANT OBLIGATIONS

APPENDIX D

GRANTEE CONSENT

EXHIBIT 10.28

RESTRICTED HOLDINGS UNIT GRANT CERTIFICATE
UNDER THE KKR & CO. INC. 2019 EQUITY INCENTIVE PLAN
(EXECUTIVE)

Pursuant to this Restricted Holdings Unit Grant Certificate (this "**Certificate**"), the Restricted Holdings Unit Agreement (as attached hereto) (the "**Restricted Holdings Unit Agreement**") and the KKR & Co. Inc. 2019 Equity Incentive Plan (as may be amended from time to time, the "**Plan**"): (i) KKR Group Partnership L.P., a Cayman Islands exempted limited partnership ("**KKR Group Partnership**"), hereby issues the number of unvested profits interests in KKR Group Partnership, in the form of KKR Group Partnership Class P units ("**Class P Units**"), set forth below to KKR Holdings II L.P., a Cayman Islands exempted limited partnership ("**Holdings II**"); (ii) Holdings II hereby issues an equal number of unvested profits interests in Holdings II, in the form of Holdings II Class A units ("**Holdings II Units**" and, together with the related Class P Units (or Class A Units upon automatic conversion, as applicable), "**Restricted Units**"), to the Grantee; and (iii) KKR & Co. Inc. (the "**Corporation**") hereby grants an equal number of stock exchange rights ("**SERs**" and, together with the related Restricted Units, the "**Restricted Holdings Units**" or "**RHUs**") to the Grantee. The RHUs are subject to all of the terms and conditions set forth herein, and in the Limited Partnership Agreement of KKR Group Partnership, the Limited Partnership Agreement of Holdings II and the Restricted Holdings Unit Agreement, as applicable. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Restricted Holdings Unit Agreement (including Appendix A to the Restricted Holdings Unit Agreement) and the Plan.

Grantee: **Participant Name**

Date of Grant: **Grant Date**

Number of RHUs: **Number of Units Granted**

Vesting Schedule: The following sets forth each applicable Service Vesting Date upon which the Restricted Units granted hereunder shall become vested, subject to the Grantee's continued Employment through each such date and other terms and conditions contained in the attached Restricted Holdings Unit Agreement.

Percentage of Vesting:	**Applicable Service Vesting Date:**

Post-Vesting Transfer Restrictions under Section 3.3 of the Restricted Holdings Unit Agreement: ☐ Applicable ☐ Inapplicable

Minimum Retained Ownership Percentage under Section 3.4 of the Restricted Holdings Unit Agreement: ☐ Applicable ☐ Inapplicable

Minimum Retained Ownership Percentage if applicable: %

* * *

THE UNDERSIGNED GRANTEE ACKNOWLEDGES RECEIPT OF THIS RESTRICTED HOLDINGS UNIT GRANT CERTIFICATE, THE RESTRICTED HOLDINGS UNIT AGREEMENT AND THE PLAN, AND, AS AN EXPRESS CONDITION TO THE GRANT OF RESTRICTED HOLDINGS UNITS HEREUNDER, AGREES TO BE BOUND BY THE TERMS OF THIS RESTRICTED HOLDINGS UNIT GRANT CERTIFICATE, THE RESTRICTED HOLDINGS UNIT AGREEMENT AND THE PLAN.

KKR GROUP PARTNERSHIP L.P.,
by KKR Group Holdings Corp, its general partner

By:
Title:

GRANTEE

Electronic Signature

Name: **Participant Name**
Date: **Grant Date**

KKR HOLDINGS II L.P.,
by KKR Group Holdings Corp, its general partner

By:
Title:

KKR & CO. INC.

By:
Title:

RESTRICTED HOLDINGS UNIT AGREEMENT
UNDER THE KKR & CO. INC. 2019 EQUITY INCENTIVE PLAN

Pursuant to the Restricted Holdings Unit Grant Certificate (the "**RHU Grant Certificate**") delivered to the Grantee (as defined in the RHU Grant Certificate), and subject to the terms of this Restricted Holdings Unit Agreement (this "**Agreement**"), the Limited Partnership Agreement of KKR Group Partnership (as defined below), the Limited Partnership Agreement of Holdings II (as defined below) and the KKR & Co. Inc. 2019 Equity Incentive Plan (as amended from time to time, the "**Plan**"), KKR & Co. Inc. (the "**Corporation**"), KKR Holdings II L.P. ("**Holdings II**"), KKR Group Partnership L.P. ("**KKR Group Partnership**") and the Grantee agree as follows. The RHU Grant Certificate is incorporated into and deemed a part of this Agreement.

This Agreement sets forth the terms and conditions of one or more tandem awards of (i) unvested profits interests in KKR Group Partnership, pursuant to the Limited Partnership Agreement of KKR Group Partnership, in the form of KKR Group Partnership Class P units ("**Class P Units**"), (ii) unvested profits interests in Holdings II, pursuant to the Limited Partnership Agreement of Holdings II, in the form of Holdings II Class A units ("**Holdings II Units**" and, together with the related Class P Units (or Class A Units upon automatic conversion, as applicable), "**Restricted Units**") and (iii) stock exchange rights ("**SERs**") issued by the Corporation pursuant to the Plan . Each tandem award of Class P Units, Holdings II Units and SERs is herein referred to as a "**Restricted Holdings Unit**" or an **"RHU**." The Limited Partnership Agreement of KKR Group Partnership and the Limited Partnership Agreement of Holdings II are herein referred to as the "**Operating Agreements**." Capitalized terms not otherwise defined herein or in Appendix A (attached hereto) shall have the meaning set forth in the Plan.

ARTICLE I
GRANT OF RESTRICTED HOLDINGS UNITS

Section 1.1. Grant of Restricted Holdings Units.

Subject to the terms and conditions set forth herein and in the Operating Agreements and the Plan, (i) KKR Group Partnership hereby grants to Holdings II the number of Class P Units set forth in the RHU Grant Certificate, (ii) Holdings II hereby grants to the Grantee the number of Holdings II Units set forth in the RHU Grant Certificate and (iii) the Corporation hereby grants to the Grantee the number of SERs set forth in the RHU Grant Certificate. The grant of RHUs hereunder is conditioned upon the Grantee's (a) agreement to and compliance with the covenants and obligations contained in the confidentiality and restrictive covenant obligations, attached hereto as Appendix B (the "**Confidentiality and Restrictive Covenant Agreement**") and incorporated herein by reference and (b) execution of a supplement to the Limited Partnership Agreement of Holdings II, attached hereto as Appendix C.

ARTICLE II
VESTING AND EXCHANGE OF RESTRICTED HOLDINGS UNITS

Section 2.1. Vesting of Restricted Units.

(a) Subject to the terms and conditions contained herein and in the Operating Agreements, the Restricted Units shall vest as provided in the RHU Grant Certificate and this Section 2.1.

(i) Subject to the Grantee's continued Employment through the Service Vesting Date(s) as specified in the RHU Grant Certificate, the Restricted Units shall become vested on such date(s) as to the percentage(s) set forth in the RHU Grant Certificate.

(ii) If, prior to the date the Restricted Units are vested or such Restricted Units otherwise terminate and are forfeited: (A) the Grantee's Employment terminates due to the Grantee's Retirement, then all Retirement Restricted Units shall be vested; (B) the Grantee dies or experiences a Disability, then all unvested Restricted Units shall be vested; and (C) a Change in Control occurs prior to any termination of the Grantee's Employment, then all or any portion of any unvested Restricted Units may be vested, subject, in each case of clause (A), (B) or (C), to the discretion of the Administrator. Notwithstanding the foregoing, if the Corporation receives an opinion of counsel that there has been a legal judgment or legal development in the Grantee's jurisdiction that would likely result in the favorable treatment applicable to the Retirement Restricted Units pursuant to this Section 2.1(a)(ii) being deemed unlawful or discriminatory, then the Corporation will not apply the favorable treatment at the time the Grantee's Employment terminates due to the Grantee's Retirement under clause (A) above, and the Restricted Units will be treated as set forth in Section 2.1(a)(i), 2.1(b), 2.1(c) or the other provisions of this Section 2.1(a)(ii), as applicable.

(b) If the Grantee's Employment terminates for any reason other than due to the Grantee's death, Disability or Retirement, all then unvested Restricted Units (including any Restricted Units that are not Retirement Restricted Units) and all corresponding SERs shall immediately terminate and be forfeited without consideration, and no exchange of such unvested Restricted Units for shares of Class A Common Stock pursuant to Section 2.2 shall occur.

(c) Unless otherwise agreed in writing between the Grantee and the Corporation or as otherwise determined by the Administrator at the time of grant or otherwise, the right to vest in the Restricted Units, if any, will terminate effective as of the date that the Grantee is no longer actively providing services (even if still considered employed or engaged under local Law) and will not be extended by any notice period mandated under local Law (e.g., active Employment would not include a period of "garden leave" or similar period pursuant to local Law) (a "**Service Termination**"), and all unvested Restricted Units and corresponding SERs shall immediately be forfeited upon such date.

(d) Once a Class P Unit is vested and becomes an Equitized Class P Series Unit (as defined in the Limited Partnership Agreement of KKR Group Partnership), it shall be automatically converted into a Class A Unit pursuant to the terms of the Limited Partnership Agreement of KKR Group Partnership.

Section 2.2. <u>Exercise of SERs and Exchange of Restricted Units.</u>

(a) To the extent that a Holdings II Unit becomes vested and the related Class P Unit has become a vested and Equitized Class P Unit (as defined in the Limited Partnership Agreement of KKR Group Partnership) and automatically converted to a Class A Unit pursuant to the terms of the Limited Partnership Agreement of KKR Group Partnership, the Grantee may elect to exercise the corresponding SER to (i) receive from Holdings II a Class A Unit underlying the Holdings II Unit in connection with the redemption thereof, and (ii) exchange such Class A Unit for a share of Class A Common Stock, in each case, on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications (the "**Exchange**"). Restricted Units may be exchanged on a quarterly basis, pursuant to the exchange procedures set forth in the Exchange Agreement, as such exchange procedures would apply to a "KKR Holdings Affiliated Person" (as defined therein), which exchange procedures shall apply to the Exchanges contemplated in this Section 2.2 as if directly incorporated into this Agreement. The Administrator shall have the sole discretion to impose policies and procedures for any Exchange and any sale of shares of Class A Common Stock received by the Grantee in the Exchange. The date on which any Restricted Unit is to be Exchanged hereunder is referred to as an "**Exchange Date**."

(b) On any Exchange Date, each vested Holdings II Unit subject to the Exchange shall be cancelled and each related Class A Unit shall be transferred to the Corporation or its designated subsidiary in exchange for the Corporation delivering, or causing to be delivered by the Designated Service Recipient, to the Grantee either (i) the number of shares of Class A Common Stock equal to the number of Restricted Units that are subject to the Exchange on such Exchange Date pursuant to Section 2.2(a), subject to customary conversion rate adjustments for splits, unit distributions and reclassifications or (ii) an amount of cash, denominated in U.S. dollars, equal to the Fair Market Value of the foregoing number of shares of Class A Common Stock (a "**Cash Payment**"). The Administrator may elect in its sole discretion whether to Exchange the Restricted Units for shares of Class A Common Stock or for a Cash Payment. The delivery of shares of Class A Common Stock or Cash Payment to the Grantee shall be made as soon as administratively practicable on or following the applicable Exchange Date (or next permissible trading window of Class A Common Stock). Any of the foregoing payments or deliveries shall in all instances be subject to Sections 4.4 and 4.6.

(c) Subject to the provisions of this Article II relating to the number of shares of Class A Common Stock that are to be delivered or Cash Payment that is to be paid on any applicable delivery date and solely to the extent permitted under Section 409A, if applicable, the Corporation may impose such other conditions and procedures in relation to such delivery or payment as it may reasonably determine.

(d) To the extent (i) the Grantee's Employment terminates or the Grantee undergoes a Service Termination, in either case, for any reason, and (ii) any Holdings II Unit becomes, or has become, vested and the related Class P Unit becomes, or has become, a vested and Equitized Class P Series Unit (as defined in the Limited Partnership Agreement of KKR Group Partnership) and automatically converted to a Class A Unit pursuant to the terms of the Limited Partnership Agreement of KKR Group Partnership, the Administrator may, in its sole discretion, elect to exercise the corresponding SER and force an Exchange without any action on the part of the Grantee or the Grantee's consent (a "**Forced Exchange**"). In the event of a Forced Exchange, each vested Holdings II Unit subject to the Exchange shall be cancelled and each related Class A Unit shall be transferred to the Corporation or its designated subsidiary in exchange for the Corporation delivering, or causing to be delivered by the Designated Service Recipient, to the Grantee either (A) the number of shares of Class A Common Stock equal to the number of Restricted Units that are subject to the Exchange on such Exchange Date pursuant to this Section 2.2(d), subject to customary conversion rate adjustments for splits, unit distributions and reclassifications or (B) a Cash Payment, as determined by the Administrator, in its sole discretion. The delivery of shares of Class A Common Stock or Cash Payment to the Grantee shall be made as soon as administratively practicable on or following the applicable Exchange Date (or next permissible trading window of Class A Common Stock). Any of the foregoing payments or deliveries shall in all instances be subject to Sections 4.4 and 4.6.

Section 2.3. <u>Dividend and Distribution Payments</u>. The RHUs granted to the Grantee hereunder do not include the right to receive any dividend payments with respect to the Class A Common Stock. Any Distribution paid by KKR Group Partnership to Holdings II with respect to Class A Units held by Holdings II shall be allocated and payable by Holdings II to the Grantee of the Restricted Units corresponding to such Class A Units as provided in the Operating Agreements.

ARTICLE III
RESTRICTIONS ON TRANSFERS AND OTHER LIMITATIONS

Section 3.1. <u>Transfer Restrictions on Holdings II Units and Stock Exchange Rights.</u>

(a) The Grantee may not Transfer all or any portion of the Grantee's Holdings II Units or SERs to any Person (including to any Permitted Transferee) without the prior written consent of the Administrator, which consent may be given or withheld, or made subject to such conditions (including the receipt of such legal or tax opinions and other documents that the Corporation may require) as determined by the Administrator.

(b) Prior to a Transfer of any Holdings II Units or SERs to any Person that the Administrator consents to, such Person must consent in writing to be bound by this Agreement and deliver such consent to the Administrator.

(c) Any purported Transfer of Holdings II Units or SERs that is not in accordance with this Section 3.1 or which would cause Holdings II or the KKR Group Partnership to be treated as a "publicly traded partnership", as defined in Section 7704 of the U.S. Internal Revenue Code of 1986, as amended, is null and void.

(d) Transfers of Holdings II Units shall be subject to further conditions and/or restrictions, if any, set forth in the Limited Partnership Agreement of Holdings II.

Section 3.2. **Confidentiality and Restrictive Covenant Agreement**. The Grantee acknowledges and agrees that the Grantee is bound by and will comply with the Confidentiality and Restrictive Covenant Agreement contained in Appendix B and any other similar agreements that the Grantee has entered into with the Designated Service Recipient, the Corporation, KKR Holdings L.P., KKR Associates Holdings L.P., or any other member of the KKR Group, as applicable, as such agreements may be amended from time to time. If the Grantee is a limited partner of KKR Holdings L.P. or KKR Associates Holdings L.P., the Grantee further acknowledges and agrees that references to a Confidentiality and Restrictive Covenant Agreement in the limited partnership agreements of KKR Holdings L.P. and KKR Associates Holdings L.P. shall be deemed to include the Confidentiality and Restrictive Covenant Agreement contained in Appendix B hereto.

Section 3.3. **Post-Vesting Transfer Restrictions.**

The provisions of this Section 3.3 and any references to a Transfer-Restricted Unit shall not be applicable to the Holdings II Units or SERs granted to the Grantee hereunder if so indicated on the RHU Grant Certificate.

(a) The Grantee may not Transfer or Exchange all or any portion of the Grantee's Transfer-Restricted Units (as defined below) (including to any Permitted Transferee) without the prior written consent of the Administrator, which consent may be given or withheld, or made subject to such conditions (including the receipt of such legal or tax opinions and other documents that the Corporation may require) as determined by the Administrator. Any permitted transfer pursuant to this Section 3.3(a) shall be made in accordance with Section 3.1. No Class A Unit or Class P Unit corresponding to a Transfer-Restricted Unit may be exchanged for a share of Class A Common Stock pursuant to the Exchange.

(b) A "**Transfer-Restricted Unit**" refers to all Holdings II Units and corresponding SERs held by the Grantee until [(i) the first anniversary of the applicable Service Vesting Date, in the case of [ ]% of such Holdings II Units and corresponding SERs and (ii) the second anniversary of such Service Vesting Date, in the case of the remaining [ ]% of such Holdings II Units and corresponding SERs]; provided that if the Grantee has given or been given notice of termination of Grantee's Employment, then the Administrator, in its sole discretion, may direct that any Holdings II Units and corresponding SERs that is then Transfer Restricted Units shall continue to be Transfer Restricted Units until the expiration of the later to occur of the Non-Compete Period (as defined in Appendix B) or the Non-Solicit Period (as defined in Appendix B) applicable to the Grantee, unless an earlier date is selected by the Administrator, in its sole discretion.

(c) If the Grantee breaches in any significant or intentional manner, as determined by the Administrator in its sole discretion, any of the Grantee's covenants in Appendix B, the Administrator, in its sole discretion, may direct that the Grantee forfeit all or a portion of the Transfer-Restricted Units held by the Grantee, in which case all related Class P Units (or Class A Units upon automatic conversion) held by Holdings II shall also be forfeited. If the Grantee's Employment is terminated for Cause, as determined by the Administrator in its sole discretion, all Transfer-Restricted Units held by the Grantee shall automatically be forfeited together with all related Class P Units (or Class A Units upon automatic conversion) held by Holdings II, unless otherwise determined by the Administrator, in its sole discretion. The Grantee hereby consents and agrees to immediately surrender and deliver such Transfer-Restricted Units to the Corporation, or its designee, without the payment of any consideration, receipt of any further notice or fulfillment of any other condition. Any forfeiture of Transfer-Restricted Units pursuant to this Section 3.3(c) shall require no additional procedures on the part of the Corporation, Holdings II, KKR Group Partnership or any of their Affiliates.

(d) Any purported Transfer or Exchange of Transfer-Restricted Units that is not in accordance with this Section 3.3 is null and void. In the event of a property settlement or separation agreement between the Grantee and his or her spouse, the Grantee agrees that he or she shall use reasonable efforts to retain all of his or her Holdings II Units and SERs and shall reimburse his or her spouse for any interest he or she may have under this Agreement out of funds, assets or proceeds separate and distinct from his or her interest under this Agreement.

Section 3.4. Minimum Retained Ownership Requirement.

The provisions of this Section 3.4 shall not be applicable to the Holdings II Units or SERs granted to the Grantee hereunder if so indicated on the RHU Grant Certificate.

(a) For so long as the Grantee retains his or her Employment, the Grantee (collectively with all Permitted Transferees, if applicable) must continuously hold an aggregate number of Class A Common Stock Equivalents (defined below) that is at least equal to the Minimum Retained Ownership Percentage of the cumulative amount of (x) all Holdings II Units granted to the Grantee under this Agreement and (y) all other Holdings II Units subject to a minimum retained ownership requirement that have been or are hereafter granted to the Grantee under the Operating Agreements and the Plan, in each case, that have become vested pursuant to Section 2 (or similar provision in any other applicable grant agreement), prior to any Exchange permitted by Section 2.2 (or similar provision in any other applicable grant agreement).

(b) "**Class A Common Stock Equivalents**" means any combination of: (i) Holdings II Units that are or become vested pursuant to Section 2 of this Agreement (even if they are Transfer-Restricted Units) but not exchanged and shares of Class A Common Stock delivered upon Exchange of such Holdings II Units and not designated for sale and (ii) Holdings II Units subject to a minimum retained ownership requirement granted to the Grantee under the Operating Agreements and the Plan that are or become vested pursuant to a provision similar to Section 2 to this Agreement (even if a provision similar to the transfer restrictions on the Transfer-Restricted Units has not yet been satisfied) but not exchanged and shares of Class A Common Stock delivered upon Exchange of such Holdings II Units and not designated for sale.

(c) Any purported Transfer or Exchange of any Holdings II Units or Class A Common Stock that would result in a violation of this Section 3.4 is null and void. Notwithstanding anything to the contrary contained in this Agreement (including, without limitation, Section 4.8) this Section 3.4 shall survive any termination of this Agreement.

Section 3.5. Waiver of Restrictions. The Administrator may, from time to time, waive the provisions of Section 3.3 or Section 3.4 of this Agreement, subject to the imposition of any conditions or further requirements, as determined by the Administrator in its sole discretion. Without limiting the foregoing, to the extent the Administrator waives the application of Section 3.3 or Section 3.4, (i) equivalent restrictions on the Grantee's other equity, if any, held in KKR Holdings L.P., the Corporation or any of their respective Affiliates (or any of their respective equity incentive plans) may be imposed and (ii) the Grantee hereby consents in advance to the imposition of such equivalent restrictions for purposes of the governing documents of Grantee's other equity, if any, held in KKR Holdings L.P., the Corporation or any of their respective Affiliates (or any of their respective equity incentive plans).

ARTICLE IV
MISCELLANEOUS

Section 4.1. Governing Law. This Agreement and RHU Grant Certificate shall be governed by, and construed in accordance with, the laws of the State of New York, United States of America, without giving effect to any otherwise governing principles of conflicts of law that would apply the Laws of another jurisdiction.

Section 4.2. **Operating Agreements and Plan.** In the event of a conflict or inconsistency between the terms and provisions of the Operating Agreements or the Plan and the provisions of this Agreement, the Operating Agreements or the Plan, as applicable, shall govern and control.

Section 4.3. **Arbitration.** EACH PARTY HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE U.S. FEDERAL AND STATE COURTS LOCATED IN NEW YORK, NEW YORK FOR THE PURPOSE OF ANY JUDICIAL PROCEEDING BROUGHT IN ACCORDANCE WITH THE PROVISIONS OF THIS SECTION 4.3, OR ANY JUDICIAL PROCEEDING ANCILLARY TO AN ARBITRATION OR CONTEMPLATED ARBITRATION ARISING OUT OF OR RELATING TO OR CONCERNING THIS AGREEMENT. Any controversy or claim arising out of or relating to this Agreement (or the breach thereof) shall be settled by arbitration conducted by a single arbitrator in New York, New York in accordance with the then-existing Rules of Arbitration of the International Chamber of Commerce. If the parties to the dispute fail to agree on the selection of an arbitrator within 30 days of the receipt of the request for arbitration, the International Chamber of Commerce shall make the appointment. The arbitrator shall be a lawyer and shall conduct the proceedings in the English language. Judgment on the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The arbitrators shall have the authority to award any remedy or relief that a court of competent jurisdiction could order or grant, including, without limitation, the issuance of an injunction. However, either party may, without inconsistency with this arbitration provision, bring an action or special proceeding in any court of competent jurisdiction for the purpose of compelling the other party to arbitrate, seeking temporary or preliminary relief in aid of an arbitration hereunder, or enforcing an arbitration award. The Grantee irrevocably appoints the Secretary or General Counsel of the Corporation as such Grantee's agent for service of process in connection with any such action or proceeding and agrees that service of process upon such agent, who shall promptly advise such Grantee of any such service of process, shall be deemed in every respect effective service of process upon the Grantee in any such action or proceeding. Except as necessary in court proceedings to enforce this arbitration provision or an award rendered hereunder, to obtain interim relief or as otherwise required by law, neither a party nor an arbitrator may disclose the content or results of any arbitration hereunder without the prior written consent of the Corporation and the Grantee, other than general statements.

Section 4.4. **Remedies; Recoupment; Right to Set-Off.**

(a) The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive its right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by Law or under the terms of any other applicable agreement.

(b) To the extent required or advisable, pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules promulgated thereunder and any other similar Laws including, as applicable, but not limited to the European Directives 2011/61/EU, 2013/36/EU and 2014/91/EU, the Administrator may specify in any other document or a policy to be incorporated into this Agreement by reference, that the Grantee's rights, payments, and benefits with respect to RHUs awarded hereunder and/or Class A Common Stock delivered to the Grantee in respect of RHUs awarded hereunder shall be subject to reduction, cancellation, forfeiture or recoupment.

(c) The Grantee further acknowledges and agrees that KKR Group shall have the right to clawback, forfeit, cancel, recoup, reduce or set-off any distribution or payment that is due or payable (or that the Administrator reasonably determines may become due or payable) to the Grantee pursuant to any agreement with the KKR Group (including but not limited to partnership agreements of KKR Holdings L.P., KKR Holdings II L.P. and KKR Associates Holdings L.P.) or otherwise for the purpose of fulfilling any present or future obligation or liability of whatever nature (whether matured or unmatured, absolute or contingent) that the Grantee has to make (or that the Administrator reasonably determines may become such an obligation or liability to make) any payment or contribution to the KKR Group, regardless of whether the payment or contribution is currently due or payable, or may become due or payable in the future, whether in advance of or without adjudication (provided that the Administrator must act in good faith when determining any contribution or payment that may become due or payable as a result of damage to the KKR Group arising from a breach by Grantee of any of Grantee's written agreements with the KKR Group or other wrongdoing), and notwithstanding any other agreements between the Grantee and the KKR Group entered into prior to the date hereof.

Section 4.5. Amendments and Waivers.

(a) This Agreement (including the RHU Grant Certificate and Appendices A through D attached hereto, as applicable) may be amended, supplemented, waived or modified only in accordance with Section 4(b) of the Plan or Section 13 of the Plan, as applicable, or as may be required for purposes of compliance or enforceability with applicable local Law; provided, however, that the RHU Grant Certificate shall be deemed amended from time to time to reflect any adjustments provided for in the Operating Agreements or the Plan.

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

Section 4.6. Withholding.

(a) The provisions of Section 4(d) of the Plan are incorporated herein by reference and made a part hereof. Regardless of any action the Corporation or the Designated Service Recipient takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related items related to the Grantee's participation in the Plan and legally applicable to the Grantee ("**Tax-Related Items**"), the Grantee acknowledges that the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and may exceed the amount, if any, actually withheld by the Corporation or the Designated Service Recipient. The Grantee further acknowledges that the Corporation and/or the Designated Service Recipient (1) make no representations or undertakings regarding the treatment of any Tax-Related Items and (2) are under no obligation to structure the terms of the RHUs to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result. The Corporation may refuse to issue or deliver Class A Common Stock, the Cash Payment or the proceeds of the sale of Class A Common Stock, if the Grantee fails to comply with the Grantee's obligations in connection with the Tax-Related Items as set forth in this Section 4.6.

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

(i) withholding from the Cash Payment, the Grantee's wages or other cash compensation paid to the Grantee by the Corporation and/or the Designated Service Recipient; or

(ii) withholding from proceeds of the sale of Class A Common Stock delivered upon the Exchange either through a voluntary sale or through a mandatory sale arranged by the Corporation (on the Grantee's behalf pursuant to this authorization); or

(iii) withholding in Class A Common Stock to be delivered upon the Exchange.

The Corporation may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates in the Grantee's jurisdiction(s), in which case the Grantee may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent in Class A Common Stock. If the obligation for Tax-Related Items is satisfied by withholding in Class A Common Stock, the Grantee is deemed to have been issued the full number of shares of Class A Common Stock subject to the Exchange, notwithstanding that a number of shares of Class A Common Stock are held back solely for the purpose of paying the Tax-Related Items. Finally, the Grantee shall pay to the Corporation or the Designated Service Recipient any amount of Tax-Related Items that the Corporation or the Designated Service Recipient may be required to withhold or account for as a result of the Grantee's participation in the Plan that cannot be satisfied by the means previously described. The Grantee's liability for Tax-Related items, if any, will survive the Grantee's withdrawal from Holdings II or Transfer of any RHUs.

Section 4.7. Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person, by courier service, by fax or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified):

(a) If to the Corporation, to:

KKR & Co. Inc.
9 West 57th Street, Suite 4200
New York, New York 10019
U.S.A.
Attention: General Counsel and Secretary

(b) If to the KKR Group Partnership, to:

KKR Group Partnership L.P.
9 West 57th Street, Suite 4200
New York, New York 10019
U.S.A.
Attention: General Counsel and Secretary

(c) If to Holdings II, to:

KKR Holdings II L.P.
9 West 57th Street, Suite 4200
New York, New York 10019
U.S.A.
Attention: General Counsel and Secretary

(d) If to the Grantee, to the most recent address for the Grantee in the books and records of the Corporation or the Designated Service Recipient, as applicable.

Section 4.8. Entire Agreement; Termination of Agreement; Survival.

(a) This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings, whether oral or written, pertaining thereto. The Grantee acknowledges that the grant of RHUs provided for under this Agreement is in full satisfaction of any and all grants of equity or equity-based awards that representatives of the Corporation or its Affiliates, on or prior to the date hereof, may have informed the Grantee that such Grantee is entitled to receive.

(b) This Agreement shall terminate when the Grantee and all Permitted Transferees cease to hold any of the RHUs that have been granted hereunder. Notwithstanding anything to the contrary herein, this Article IV shall survive any termination of this Agreement.

Section 4.9. Severability. If any term or other provision of this Agreement is held to be invalid, illegal or incapable of being enforced by any rule of Law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions is not affected in any manner materially adverse to any party. Upon a determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

Section 4.10. Binding Effect. This Agreement shall be binding upon and inure to the benefit of all of the parties and, to the extent permitted by this Agreement, their successors, executors, administrators, heirs, legal representatives and assigns.

Section 4.11. Appendices. Appendices A, B, C and D constitute part of this Agreement. Notwithstanding the provisions of this Article IV, the provisions of Sections 10 through 19 (inclusive) of Appendix B shall govern solely with respect to, and shall be applicable only to the interpretation, administration and enforcement of the provisions of Appendix B, but not to any other provisions of this Agreement or any other Appendix.

Section 4.12. Further Assurances. The Grantee shall perform all other acts and execute and deliver all other documents as may be necessary or appropriate to carry out the purposes and intent of this Agreement.

Section 4.13. Section 409A; Employment with Designated Service Recipient.

(a) This Section 4.13(a) applies to Grantees who are U.S. tax residents (such as, a U.S. citizen, green card holder or a U.S. tax resident under the substantial presence test) to the extent applicable. All references to any "separation from service" or termination of the Employment of or the services to be provided by the Grantee, shall be deemed to refer to a "separation from service" within the meaning of Section 409A, if applicable. Notwithstanding anything herein to the contrary, (i) if at the time of the Grantee's termination of Employment the Grantee is a "specified employee" as defined in Section 409A of the Code and the deferral of the commencement of any payments or delivery of Class A Common Stock otherwise payable or provided hereunder as a result of such termination of employment is necessary in order to prevent any accelerated or additional tax under Section 409A, then, to the extent that Section 409A applies to the RHUs, the Corporation will defer the commencement of the payment of any such payments or delivery hereunder (without any reduction in such payments or delivery of Class A Common Stock ultimately paid or provided to the Grantee) until the date that is six months following the Grantee's termination of Employment (or the earliest date as is permitted under Section 409A) and (ii) if any other payments or other deliveries due to the Grantee hereunder could cause the application of an accelerated or additional tax under Section 409A, such payments or other deliveries shall be deferred if deferral will make such payment or other delivery compliant under Section 409A, or otherwise such payment or other delivery shall be restructured, to the extent possible, in a manner, determined by the Administrator, that does not cause such an accelerated or additional tax. The Corporation shall use commercially reasonable efforts to implement the provisions of this Section 4.13(a) in good faith; provided that none of the Corporation, the Administrator nor any of the Corporation's or KKR Group's, as applicable, employees, directors or representatives shall have any liability to the Grantee with respect to this Section 4.13(a).

(b) Nothing in this Agreement shall be deemed to obligate the Corporation, Designated Service Recipient or any other member of the KKR Group, as applicable, to employ the Grantee in any capacity whatsoever or to prohibit or restrict the Corporation, Designated Service Recipient or any other member of the KKR Group, as applicable, from terminating the Grantee's Employment at any time or for any reason whatsoever, with or without Cause.

Section 4.14. Counterparts. This Agreement may be executed and delivered (including by facsimile transmission) in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed and delivered shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Copies of executed counterparts transmitted by telecopy or other electronic transmission service shall be considered original executed counterparts for purposes of this Agreement.

[Rest of page intentionally left blank]

IN WITNESS WHEREOF, the Corporation, KKR Group Partnership and Holdings II have executed this Agreement as of the date specified under the signature of the Grantee.

KKR & Co. Inc.

By: ____________________________________

Name:
Title:

KKR Group Partnership L.P.

By: KKR Group Holdings Corp.,
its general partner

By: ____________________________________

Name:
Title:

KKR Holdings II L.P.

By: KKR Group Holdings Corp.,
its general partner

By: ____________________________________

Name:
Title:

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

"GRANTEE"

Electronic Signature

Name: **Participant Name**

Dated: **Grant Date**

APPENDIX A

DEFINITIONS

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

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

"**Class A Units**" means the Class A Units of KKR Group Partnership under the Limited Partnership Agreement of KKR Group Partnership.

"**Designated Service Recipient**" means any member of the KKR Group that employs the Grantee or with which the Grantee is similarly associated.

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

"**Employment**" means the Grantee's employment (including any similar association determined by the Administrator to constitute employment for purposes of this Agreement) with the Designated Service Recipient or any other member of the KKR Group.

"Exchange Agreement" means the Third Amended and Restated Exchange Agreement, dated as of January 1, 2020, among KKR Group Partnership, KKR Holdings L.P., the Corporation, and KKR Group Holdings Corp., as amended from time to time, or such other exchange agreement entered into from time to time by the Corporation, or any successor thereto, and KKR Group Partnership.

"Group Partnership" means KKR Group Partnership, along with its successor and any other legal entity designated in the future as a "Group Partnership" by the Corporation.

"**KKR Group**" means (i) the Corporation and KKR Management LLP (and its successors), (ii) any direct or indirect subsidiaries of the Corporation, including but not limited to the Group Partnership and its direct and indirect subsidiaries (not including Portfolio Companies), (iii) KKR Holdings L.P. and KKR Associates Holdings L.P., their respective general partners, and the direct or indirect subsidiaries of KKR Holdings L.P. and KKR Associates Holdings L.P., respectively, and (iv) any investment fund, account or vehicle that is managed, advised or sponsored by any member of the KKR Group (the "**Funds**").

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

"**Limited Partnership Agreement of Holdings II**" means the Limited Partnership Agreement of Holdings II, dated as of January 1, 2020, as amended from time to time.

"**Limited Partnership Agreement of KKR Group Partnership**" means the Third Amended and Restated Limited Partnership Agreement of KKR Group Partnership, dated as of January 1, 2020, as amended.

"**Minimum Retained Ownership Percentage**" means the percentage set forth on the RHU Grant Certificate.

"**Permitted Transferee**" means (A) any person who is a "family member" of the Grantee, as such term is used in the instructions to Form S-8 under the Securities Act of 1933, as amended, or any successor form of registration statement promulgated by the Securities and Exchange Commission (collectively, the "**Immediate Family Members**"); (B) a trust solely for the benefit of the Grantee and his or her Immediate Family Members; (C) a partnership or limited liability company whose only partners or stockholders are the Grantee and his or her Immediate Family Members; (D) a beneficiary to whom donations are eligible to be treated as "charitable contributions" for federal income tax purposes; or (E) any other Person the Administrator consents to.

"Person" means any individual, corporation, partnership, limited liability company, trust, joint stock company, business trust, unincorporated association, joint venture, governmental authority or other entity of any nature whatsoever.

"**Portfolio Company**" means any portfolio companies, joint ventures or affiliated investments that are held as such by the KKR Group.

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

"**Retirement**" means the resignation by the Grantee of the Grantee's Employment with the KKR Group (other than for Cause), on or after the date that the Grantee's age, plus the Grantee's years of Employment with the KKR Group, equals at least 80.

"**Retirement Restricted Units**" means, with respect to any Grantee whose Employment terminates due to Retirement, any Class P Units and Holdings II Units with a Service Vesting Date that would, if the Grantee's Employment were not so terminated, occur within two years after the date of such termination due to Retirement.

"**RHU Grant Certificate**" means the RHU Grant Certificate delivered to the Grantee and attached to this Agreement, as the same may be modified pursuant to Section 4.5(a) of the Agreement.

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

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

"**Transfer**" or "**Transferred**" means with respect to any RHUs or Class A Common Stock, as applicable, any (i) sale, assignment, transfer or other disposition thereof or any interests therein or rights attached thereto, whether voluntarily or by operation of Law, including but not limited to an Exchange, or (ii) creation or placement of any mortgage, claim, lien, encumbrance, conditional sales or other title retention agreement, right of first refusal, preemptive right, pledge, option, charge, security interest or other similar interest, easement, judgment or imperfection of title of any nature whatsoever.

"**Written Policies & Agreements**" means the written policies of the KKR Group included in its employee manual, code of ethics and confidential information and information barrier policies and procedures and other documents relating to the Grantee's Employment with the KKR Group, as applicable, and any agreements between the Grantee and a member of the KKR Group relating to the Grantee's Employment with the KKR Group, including but not limited to an employment agreement, if any, and the Confidentiality and Restrictive Covenant Agreement.

APPENDIX B

CONFIDENTIALITY AND RESTRICTIVE COVENANT OBLIGATIONS

APPENDIX C

SUPPLEMENT TO THE LIMITED PARTNERSHIP AGREEMENT OF HOLDINGS II

APPENDIX D

GRANTEE CONSENT

Exhibit 10.29

December 19, 2019

Kohlberg Kravis Roberts & Co. L.P. (“KKR”) is pleased to enter into this binding written agreement with you to pay, with respect to the year-ending December 31, 2019 only, an amount of cash equal to “Total Cash Compensation” as stated in your “2019 Total Value Statement” prepared by KKR and delivered to you earlier this month.

Nothing herein is intended to be construed as an employment agreement, and your employment at KKR remains at-will, which means the Firm may remove you as executive officer of the Firm or terminate your employment (or both), at any time with or without cause.

Please acknowledge your agreement with the foregoing, at which time this will become a binding agreement between you and KKR.

KOHLBERG KRAVIS ROBERTS & CO. L.P.

By: ______________________________

Exhibit 21.1

The following is a list of the subsidiaries of KKR & Co. Inc. as of January 1, 2020.

Subsidiaries of the Registrant

Name	Jurisdiction
8 Sigma Capital Holdings Pte. Ltd.	Singapore
9W Halo Parent LLC	Delaware
Aerosmith Holdings LLC	Delaware
Alamo GP LLC	Delaware
Allstar Co-Invest GP LLC	Delaware
ASF Walter Co-Invest GP Limited	Cayman Islands
Avoca Capital Jersey Unlimited	Jersey
Avoca Capital Property Unlimited Company	Ireland
Avoca Capital Unlimited Company	Ireland
Avoca Securities Investments Unlimited Company	Ireland
Brunswick Asset Holdings (Overseas) LLC	Delaware
Brunswick Asset Holdings LLC	Delaware
Capstone Europe Limited	England & Wales
Capstone Limited	Jersey
Capstone Purchasing LLC	Delaware
Colt Admiral A Holding GP LLC	Delaware
Colt Admiral A Holding L.P.	Delaware
Colt Drilling Aggregator LLC	Delaware
Colt Real Asset Holdings GP LLC	Delaware
Colt Real Asset Holdings L.P.	Delaware
CPS (US) LLC	Delaware
CPS Associates (US) L.P.	Delaware
CPS Associates L.P.	Cayman Islands
CPS GP Limited	Cayman Islands
Dorms Asia Real Estate (GP) Pte. Ltd.	Singapore
Dorms Asia Real Estate LP	Singapore
Dorms Pte. Ltd.	Singapore
Echo Holdings GP Limited	Cayman Islands
EIGF TE GP Newark Acquisition GP I LLC	Delaware
EIGF TE GP Newark Acquisition I L.P.	Delaware
EIGF TE GP Newark Investors L.P.	Delaware
EIGF TE GP Resource Holdings GP I LLC	Delaware
EIGF TE GP Resource Holdings I L.P.	Delaware
EIGF TE GP Resource Investors GP LLC	Delaware
EIGF TE GP Resource Investors L.P.	Delaware
Electron IM Pte. Ltd.	Singapore
Electron Pte. Ltd.	Singapore
Energy Real Assets GP LLC	Delaware
Energy Real Assets L.P.	Delaware
Esoteric I Pte. Ltd.	Singapore
Fan Co-Invest GP Limited	Cayman Islands
Fan Investors GP Limited	Cayman Islands

Name	Jurisdiction
Fan Investors L.P.	Cayman Islands
Fan Investors Limited	Cayman Islands
Financiere Victor I S.à r.l.	Luxembourg
Financiere Victor III S.à r.l.	Luxembourg
Fortune Creek Co-Invest GP Limited	Cayman Islands
GDG Co-Invest GP LLC	Delaware
Helios Co-Invest GP Limited	Cayman Islands
Hoosier Asset Financing LLC	Delaware
Hoosier Asset Holdings LLC	Delaware
KAM Advisors LLC	Delaware
KAM Credit Advisors LLC	Delaware
KAM Fund Advisors LLC	Delaware
Kappa Holdings Ltd.	Cayman Islands
KFH III Holdings Ltd.	Cayman Islands
KFH Real Asset Holdings L.P.	Delaware
KFH Royalties GP LLC	Delaware
KFH Royalties II GP LLC	Delaware
KFH Royalties II LLC	Delaware
KFH Royalties L.P.	Delaware
KFH Royalties LLC	Delaware
KFN Bellemeade Feeder LLC	Delaware
KFN Birch 2 Feeder LLC	Delaware
KFN Broadway Feeder LLC	Delaware
KFN BTS Feeder LLC	Delaware
KFN Colonie Feeder LLC	Delaware
KFN HG Hotel Feeder LLC	Delaware
KFN HHV Feeder LLC	Delaware
KFN Midland Feeder LLC	Delaware
KFN Osprey Feeder LLC	Delaware
KFN Pelican 1 Feeder LLC	Delaware
KFN Rad Philly Feeder LLC	Delaware
KFN Sullivan Feeder LLC	Delaware
KFN WTC Oahu Feeder LLC	Delaware
KFN YTC Feeder LLC	Delaware
KKR & Co. GP LLC	Delaware
KKR & Co. L.L.C.	Delaware
KKR (Cayman) Limited	Cayman Islands
KKR 2006 AIV GP LLC	Delaware
KKR 2006 AIV Limited	Cayman Islands
KKR 2006 GP (Energy II) LLC	Delaware
KKR 2006 GP LLC	Delaware
KKR 2006 Limited	Cayman Islands
KKR 8 NA Limited	Cayman Islands
KKR Account Adviser (Mauritius), Ltd.	Mauritius
KKR AHI GP LLC	Delaware

Name	Jurisdiction
KKR AHI Investors L.P.	Delaware
KKR Alternative Assets L.P.	Delaware
KKR Alternative Assets Limited	Cayman Islands
KKR Alternative Assets LLC	Delaware
KKR Alternative Investment Management Unlimited Company	Ireland
KKR Americas Fund XII (Enterprise) A GP LLC	Delaware
KKR Americas Fund XII (Enterprise) B GP LLC	Delaware
KKR Americas XII AIV GP LLC	Delaware
KKR Americas XII EEA Limited	Cayman Islands
KKR Americas XII EEA LLC	Delaware
KKR Americas XII Limited	Cayman Islands
KKR AMG Co-Invest GP LLC	Delaware
KKR AP Infrastructure Holdings Limited	Cayman Islands
KKR AP Infrastructure S.à r.l.	Luxembourg
KKR Apollo Co-Invest GP Limited	Cayman Islands
KKR ARC India Private Limited	India
KKR Ark Holdings Pte. Ltd.	Singapore
KKR Ascend Co-Invest GP Limited	Cayman Islands
KKR Ascent Co-Invest GP LLC	Delaware
KKR ASF Walter PE Limited	Cayman Islands
KKR Asia Credit Opportunities Holdings Limited	Cayman Islands
KKR Asia Credit Opportunities S.à r.l.	Luxembourg
KKR Asia II Japan AIV Limited	Cayman Islands
KKR Asia II Limited	Cayman Islands
KKR Asia III Delaware AIV LLC	Delaware
KKR Asia III Holdings Limited	Cayman Islands
KKR Asia III Japan AIV Limited	Hong Kong
KKR Asia III S.à r.l.	Luxembourg
KKR Asia IV Holdings Limited	Cayman Islands
KKR Asia IV S.à r.l.	Luxembourg
KKR Asia Limited	Hong Kong
KKR Asia Limited	Cayman Islands
KKR Asia LLC	Delaware
KKR Asian Fund (Ireland) GP Limited	Ireland
KKR Asset Management (International) Partners LLP	Delaware
KKR Asset Management Ltd	England & Wales
KKR Associates 2006 (Overseas) AIV L.P.	Cayman Islands
KKR Associates 2006 (Overseas), Limited Partnership	Cayman Islands
KKR Associates 2006 AIV L.P.	Delaware
KKR Associates 2006 L.P.	Delaware
KKR Associates 8 NA L.P.	Cayman Islands
KKR Associates Americas XII AIV L.P.	Delaware
KKR Associates Americas XII L.P.	Cayman Islands
KKR Associates AP Infrastructure SCSp	Luxembourg
KKR Associates ASF Walter PE L.P.	Cayman Islands

Name	Jurisdiction
KKR Associates Asia Credit Opportunities SCSp	Luxembourg
KKR Associates Asia (Japan) L.P.	Cayman Islands
KKR Associates Asia II Japan AIV L.P.	Cayman Islands
KKR Associates Asia II L.P.	Cayman Islands
KKR Associates Asia III Delaware AIV L.P.	Delaware
KKR Associates Asia III Japan AIV L.P.	Cayman Islands
KKR Associates Asia III SCSp	Luxembourg
KKR Associates Asia L.P.	Cayman Islands
KKR Associates Cardinal Credit Opportunities GP L.P.	Delaware
KKR Associates Cardinal Credit Opportunities LLC	Delaware
KKR Associates CDP PE L.P.	Cayman Islands
KKR Associates China Growth L.P.	Cayman Islands
KKR Associates CIP SCSp	Luxembourg
KKR Associates CIS Global L.P.	Cayman Islands
KKR Associates Credit Select L.P.	Cayman Islands
KKR Associates CS I L.P.	Cayman Islands
KKR Associates CS II L.P.	Cayman Islands
KKR Associates CS III L.P.	Cayman Islands
KKR Associates CS IX L.P.	Cayman Islands
KKR Associates CS V L.P.	Delaware
KKR Associates CS VIII L.P.	Cayman Islands
KKR Associates CS X L.P.	Cayman Islands
KKR Associates Custom Equity Opportunities (AIV) L.P.	Cayman Islands
KKR Associates Custom Equity Opportunities L.P.	Cayman Islands
KKR Associates E2 L.P.	Cayman Islands
KKR Associates EIGF II LLC	Delaware
KKR Associates EIGF L.P.	Delaware
KKR Associates EIGF TE L.P.	Delaware
KKR Associates Europe II, Limited Partnership	Alberta
KKR Associates Europe III, Limited Partnership	Cayman Islands
KKR Associates Europe IV L.P.	Cayman Islands
KKR Associates Europe V SCSp	Luxembourg
KKR Associates GCOF GP Ltd.	Cayman Islands
KKR Associates GFIP L.P.	Cayman Islands
KKR Associates Global Credit Opportunities GP L.P.	Cayman Islands
KKR Associates Global Impact SCSp	Luxembourg
KKR Associates HCRI L.P.	Cayman Islands
KKR Associates HCSG AIV L.P.	Delaware
KKR Associates HCSG L.P.	Delaware
KKR Associates Infrastructure (AIV) L.P.	Delaware
KKR Associates Infrastructure II AIV L.P.	Delaware
KKR Associates Infrastructure II L.P.	Cayman Islands
KKR Associates Infrastructure III AIV SCSp	Luxembourg
KKR Associates Infrastructure III SCSp	Luxembourg
KKR Associates Infrastructure L.P.	Cayman Islands

Name	Jurisdiction
KKR Associates IUH L.P.	Delaware
KKR Associates Lending Europe II SCSp	Luxembourg
KKR Associates Lending Europe L.P.	Cayman Islands
KKR Associates Lending II L.P.	Delaware
KKR Associates Lending III L.P.	Delaware
KKR Associates Lending L.P.	Delaware
KKR Associates LR Energy L.P.	Cayman Islands
KKR Associates Mezzanine I L.P.	Delaware
KKR Associates Millennium (Overseas), Limited Partnership	Alberta
KKR Associates Millennium L.P.	Delaware
KKR Associates Milton Strategic L.P.	Cayman Islands
KKR Associates NGT AIV L.P.	Delaware
KKR Associates NGT II SCSp	Luxembourg
KKR Associates NGT L.P.	Cayman Islands
KKR Associates North America XI AIV L.P.	Delaware
KKR Associates North America XI L.P.	Cayman Islands
KKR Associates NR I L.P.	Delaware
KKR Associates NR II L.P.	Delaware
KKR Associates NZSF L.P.	Cayman Islands
KKR Associates PCOP II (Offshore) L.P.	Cayman Islands
KKR Associates PCOP II L.P.	Delaware
KKR Associates PIP L.P.	Delaware
KKR Associates Principal Opportunities (Domestic) L.P.	Cayman Islands
KKR Associates Principal Opportunities (Offshore) L.P.	Cayman Islands
KKR Associates Principal Opportunities AIV (Domestic) L.P.	Cayman Islands
KKR Associates Principal Opportunities AIV (Offshore) L.P.	Cayman Islands
KKR Associates Principal Opportunities II (Domestic) L.P.	Cayman Islands
KKR Associates Principal Opportunities II (Offshore) L.P.	Cayman Islands
KKR Associates RCP Europe SCSp	Luxembourg
KKR Associates RE Asia SCSp	Luxembourg
KKR Associates RE Income Americas SCSp	Luxembourg
KKR Associates RECOI L.P.	Cayman Islands
KKR Associates RECOP (AIV) Ltd.	Cayman Islands
KKR Associates RECOP II L.P.	Cayman Islands
KKR Associates RECOP Ltd.	Cayman Islands
KKR Associates REPA AIV-3 L.P.	Delaware
KKR Associates REPA AIV-4 L.P.	Delaware
KKR Associates REPA AIV-5 L.P.	Cayman Islands
KKR Associates REPA II L.P.	Delaware
KKR Associates REPA L.P.	Delaware
KKR Associates REPE II SCSp	Luxembourg
KKR Associates REPE L.P.	Cayman Islands
KKR Associates RESTAC L.P.	Delaware
KKR Associates Revolving Credit Partners L.P.	Cayman Islands
KKR Associates RR-RW Credit LLC	Delaware

Name	Jurisdiction
KKR Associates SA Co-Invest L.P.	Cayman Islands
KKR Associates SA Master L.P.	Cayman Islands
KKR Associates Shanda L.P.	Cayman Islands
KKR Associates Special Situations (Domestic) II L.P.	Cayman Islands
KKR Associates Special Situations (Domestic) L.P.	Cayman Islands
KKR Associates Special Situations (EEA) II Limited	Cayman Islands
KKR Associates Special Situations (Offshore) II L.P.	Cayman Islands
KKR Associates Special Situations (Offshore) L.P.	Cayman Islands
KKR Associates Special Situations III SCSp	Luxembourg
KKR Associates SPN L.P.	Cayman Islands
KKR Associates TFO L.P.	Cayman Islands
KKR Associates TV SPN L.P.	Cayman Islands
KKR Athena Holdings GP LLC	Delaware
KKR Atlanta Co-Invest GP Limited	Cayman Islands
KKR Australia Investment Management Pty Limited	Australia
KKR Australia Pty Limited	Australia
KKR Azure Co-Invest GP LLC	Delaware
KKR Banff Co-Invest GP LLC	Delaware
KKR Biosimilar GP LLC	Delaware
KKR Blue Co-Invest GP Limited	Cayman Islands
KKR Brazil Aggregator GP LLC	Delaware
KKR Brazil LLC	Delaware
KKR Brickman Co-Invest GP LLC	Delaware
KKR Byzantium Infrastructure Co-Invest GP Limited	Cayman Islands
KKR Canada LLC	Delaware
KKR Canada ULC	Nova Scotia
KKR Capital Management LLC	Delaware
KKR Capital Markets (Ireland) Limited	Ireland
KKR Capital Markets Asia Limited	Hong Kong
KKR Capital Markets Holdco Limited	Jersey
KKR Capital Markets Holdings GP LLC	Delaware
KKR Capital Markets Holdings L.P.	Delaware
KKR Capital Markets India Private Limited	India
KKR Capital Markets Japan Holdings LLC	Delaware
KKR Capital Markets Japan Ltd.	Japan
KKR Capital Markets Limited	England & Wales
KKR Capital Markets LLC	Delaware
KKR Capital Markets Partners LLP	England & Wales
KKR Capstone Americas LLC	Delaware
KKR Capstone Asia Limited	Hong Kong
KKR Capstone Australia Pty Limited	Australia
KKR Capstone EMEA (International) LLP	Delaware
KKR Capstone Holdings LLC	Delaware
KKR Capstone India Operations Advisory Private Limited	India
KKR Capstone Japan Limited	Japan

Name	Jurisdiction
KKR Capstone Korea Limited	Korea
KKR Capstone Operations Advisory (Beijing) Company Limited	China
KKR Capstone Operations Advisory (Shanghai) Company Limited	China
KKR Capstone Singapore Pte. Ltd.	Singapore
KKR Caribou Co-Invest GP Limited	Cayman Islands
KKR CC Co-Invest GP LLC	Delaware
KKR CDP PE Limited	Cayman Islands
KKR Cementos GP S.à r.l.	Luxembourg
KKR Central Park Leasing Aggregator GP LLC	Delaware
KKR China Growth Limited	Cayman Islands
KKR Chrome Investors GP, LLC	Delaware
KKR CIP Holdings Limited	Cayman Islands
KKR CIP S.à r.l.	Luxembourg
KKR CIS Global Limited	Cayman Islands
KKR CK Co-Invest GP Limited	Cayman Islands
KKR Co-Invest GP Holdings L.P.	Delaware
KKR Co-Invest GP LLC	Delaware
KKR Colorado Co-Invest GP Limited	Cayman Islands
KKR Core Investors GP Limited	Cayman Islands
KKR Core Investors L.P.	Delaware
KKR Corporate Lending (CA) LLC	Delaware
KKR Corporate Lending (Cayman) Limited	Cayman Islands
KKR Corporate Lending (TN) LLC	Delaware
KKR Corporate Lending (UK) LLC	Delaware
KKR Corporate Lending LLC	Delaware
KKR Count Co-Invest GP Limited	Cayman Islands
KKR CP Partners GP Limited	Cayman Islands
KKR Credit Advisors (EMEA) LLP	England & Wales
KKR Credit Advisors (Hong Kong) Limited	Hong Kong
KKR Credit Advisors (Ireland) Unlimited Company	Ireland
KKR Credit Advisors (UK) LLP	England & Wales
KKR Credit Advisors (US) LLC	Delaware
KKR Credit Fund Advisors LLC	Delaware
KKR Credit Relative Value GP L.P.	Cayman Islands
KKR Credit Select Limited	Cayman Islands
KKR CRV GP Limited	Cayman Islands
KKR CS Advisors I LLC	Delaware
KKR CS I Limited	Cayman Islands
KKR CS II Limited	Cayman Islands
KKR CS III Limited	Cayman Islands
KKR CS IX Limited	Cayman Islands
KKR CS V LLC	Delaware
KKR CS VIII Investor LLC	Delaware
KKR CS VIII Limited	Cayman Islands
KKR CS X Limited	Cayman Islands

Name	Jurisdiction
KKR Custom Equity Opportunities (AIV) Limited	Cayman Islands
KKR Custom Equity Opportunities Limited	Cayman Islands
KKR Cyprus Holdings LLC	Delaware
KKR DBFH LLC	Delaware
KKR DBMH LLC	Delaware
KKR de Mexico, S.C.	Mexico
KKR Diversified Private Markets GP Holdings Limited	Cayman Islands
KKR Dragon Co-Invest GP LLC	Delaware
KKR E2 Limited	Cayman Islands
KKR Eagle Aggregator GP Limited	Cayman Islands
KKR Eagle Co-Invest GP Limited	Cayman Islands
KKR EIGF Feeder GP Limited	Cayman Islands
KKR EIGF II LLC	Delaware
KKR EIGF LLC	Delaware
KKR Element Co-Invest GP LLC	Delaware
KKR EnerGas Aggregator GP Limited	Cayman Islands
KKR Energy HF Stake II Limited	Cayman Islands
KKR Energy HF Stake III Limited	Cayman Islands
KKR Energy HF Stake Limited	Cayman Islands
KKR Energy Investors Blocker GP Limited	Cayman Islands
KKR Engage Investors GP LLC	Delaware
KKR Enterprise Co-Invest AIV A GP LLC	Delaware
KKR Enterprise Co-Invest AIV B GP LLC	Delaware
KKR Enterprise Co-Invest GP LLC	Delaware
KKR Enterprise Debt Aggregator A GP LLC	Delaware
KKR Enterprise Debt Aggregator B GP LLC	Delaware
KKR Europe II Limited	Cayman Islands
KKR Europe III Limited	Cayman Islands
KKR Europe IV EEA Limited	Cayman Islands
KKR Europe IV EEA LLC	Delaware
KKR Europe IV Investments GP Limited	Cayman Islands
KKR Europe IV Limited	Cayman Islands
KKR Europe V Holdings Limited	Cayman Islands
KKR Europe V Holdings LLC	Delaware
KKR Europe V S.à r.l.	Luxembourg
KKR European Fund IV Investments L.P.	Cayman Islands
KKR European Infrastructure Limited	Cayman Islands
KKR European Infrastructure LLC	Delaware
KKR Evergreen Co-Invest GP Limited	Cayman Islands
KKR FH Investment Limited	Cayman Islands
KKR FI Advisors Cayman Ltd.	Cayman Islands
KKR FI Advisors LLC	Delaware
KKR Finance LLC	Delaware
KKR Financial Advisors II, LLC	Delaware
KKR Financial Advisors IV LLC	Delaware

Name	Jurisdiction
KKR Financial Advisors LLC	Delaware
KKR Financial Capital Trust I	Delaware
KKR Financial Capital Trust II	Delaware
KKR Financial Capital Trust III	Delaware
KKR Financial Capital Trust IV	Delaware
KKR Financial Capital Trust V	Delaware
KKR Financial Capital Trust VI	Delaware
KKR Financial CLO Holdings II LLC	Delaware
KKR Financial CLO Holdings, LLC	Delaware
KKR Financial Holdings II, Ltd.	Cayman Islands
KKR Financial Holdings III, LLC	Delaware
KKR Financial Holdings III, Ltd.	Cayman Islands
KKR Financial Holdings LLC	Delaware
KKR Financial Holdings, Inc.	Delaware
KKR Financial Holdings, Ltd.	Cayman Islands
KKR Financial Management LLC	Delaware
KKR Fund Holdings GP Limited	Cayman Islands
KKR Gaudi Investors LLC	Delaware
KKR Genetic Disorder GP LLC	Delaware
KKR GFIP Limited	Cayman Islands
KKR Global Credit Dislocation GP LLC	Delaware
KKR Global Credit Opportunities Access Fund GP Limited	Cayman Islands
KKR Global Credit Opportunities Access Fund GP Pte. Ltd.	Singapore
KKR Global Impact Fund Holdings Limited	Cayman Islands
KKR Global Impact S.à r.l.	Luxembourg
KKR Glory (KPE) Limited	Cayman Islands
KKR GMO GP Limited	Cayman Islands
KKR GMO II Holdings L.P.	Cayman Islands
KKR GMO II Holdings Limited	Cayman Islands
KKR GMO II US Holdings LLC	Delaware
KKR Goldfinch GP LLC	Delaware
KKR Group Finance Co. II LLC	Delaware
KKR Group Finance Co. III LLC	Delaware
KKR Group Finance Co. IV LLC	Delaware
KKR Group Finance Co. V LLC	Delaware
KKR Group Finance Co. VI LLC	Delaware
KKR Group Finance Co. Holdings Limited	Cayman Islands
KKR Group Finance Co. LLC	Delaware
KKR Group Holdings Corp.	Delaware
KKR Group Partnership L.P.	Cayman Islands
KKR Gym GP Limited	Cayman Islands
KKR HALO I Limited	Cayman Islands
KKR Harbourview Holdings Pty Ltd	Australia
KKR HCRI Limited	Cayman Islands
KKR HCSG GP AIV LLC	Delaware

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

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

Name	Jurisdiction
KKR NR II LLC	Delaware
KKR NR Investors I-A GP LLC	Delaware
KKR NZSF Limited	Cayman Islands
KKR Olive Co-Invest GP LLC	Delaware
KKR Omega Co-Invest GP LLC	Delaware
KKR Oracle Co-Invest GP LLC	Delaware
KKR Pacer Holdings GP Limited	Cayman Islands
KKR Pacer Holdings L.P.	Cayman Islands
KKR Par Holdings Ltd.	Cayman Islands
KKR Parrot Co-Invest GP Limited	Cayman Islands
KKR Partners IV GP LLC	Delaware
KKR PCOP II (EEA) Limited	Cayman Islands
KKR PCOP II (EEA) LLC	Delaware
KKR PCOP II (Offshore) Limited	Cayman Islands
KKR PCOP II GP LLC	Delaware
KKR Peanut Aggregator GP LLC	Delaware
KKR Peanut Co-Invest GP LLC	Delaware
KKR PEI Associates L.P.	Cayman Islands
KKR PEI GP Limited	Cayman Islands
KKR PEI Investments, L.P.	Cayman Islands
KKR PEI Opportunities GP, Ltd.	Cayman Islands
KKR PEI Opportunities, L.P.	Cayman Islands
KKR PEI Securities Holdings, Ltd.	Cayman Islands
KKR Phoenix Co-Invest GP Limited	Cayman Islands
KKR Phorm Investors GP LLC	Delaware
KKR PIP GP LLC	Delaware
KKR Platinum Co-Invest Blocker Parent GP LLC	Delaware
KKR Platinum Co-Invest GP LLC	Delaware
KKR Point Investments LLC	Delaware
KKR Portfolio Services Holdings LLC	Delaware
KKR Precise Co-Invest GP LLC	Delaware
KKR Principal Opportunities (Domestic) Limited	Cayman Islands
KKR Principal Opportunities (Offshore) Limited	Cayman Islands
KKR Principal Opportunities AIV (Domestic) Limited	Cayman Islands
KKR Principal Opportunities AIV (Offshore) Limited	Cayman Islands
KKR Principal Opportunities II (Domestic) Limited	Cayman Islands
KKR Principal Opportunities II (Offshore) Limited	Cayman Islands
KKR Property Partners Americas Limited	Cayman Islands
KKR Property Partners Americas S.à r.l.	Luxembourg
KKR Radar LLC	Cayman Islands
KKR Ramky Co-Invest GP Limited	Cayman Islands
KKR Ranger Co-Invest GP Limited	Cayman Islands
KKR RCP Europe Limited	Cayman Islands
KKR RCP Europe S.à r.l.	Luxembourg
KKR RE Asia Limited	Cayman Islands

Name	Jurisdiction
KKR RE Asia S.à r.l.	Luxembourg
KKR Real Estate Finance Manager LLC	Delaware
KKR Real Estate Fund GP LLC	Delaware
KKR Real Estate Fund Holdings L.P.	Delaware
KKR Real Estate Management GP LLC	Delaware
KKR Real Estate Management Holdings L.P.	Delaware
KKR RECOI (Cayman) Limited	Cayman Islands
KKR RECOI (Singapore) Pte. Ltd.	Singapore
KKR RECOP Aggregator (AIV) GP LLC	Delaware
KKR RECOP Aggregator GP LLC	Delaware
KKR RECOP II GP Limited	Cayman Islands
KKR RECOP II S.à r.l.	Luxembourg
KKR REFT Asset Holdings LLC	Delaware
KKR REFT Holdings GP LLC	Delaware
KKR REFT Holdings L.P.	Delaware
KKR REIGN Sponsor GP Limited	Cayman Islands
KKR Renaissance Co-Invest GP LLC	Delaware
KKR REPA AIV-3 GP LLC	Delaware
KKR REPA AIV-4 GP Ltd.	Cayman Islands
KKR REPA AIV-5 GP Ltd.	Cayman Islands
KKR REPA GP LLC	Delaware
KKR REPA II GP LLC	Delaware
KKR REPA II GP2 LLC	Delaware
KKR REPA III Holdings Limited	Cayman Islands
KKR REPE EEA Limited	Cayman Islands
KKR REPE EEA LLC	Delaware
KKR REPE GP Limited	Cayman Islands
KKR REPE II Limited	Cayman Islands
KKR REPE II S.à r.l.	Luxembourg
KKR RESTAC GP LLC	Delaware
KKR Revolving Credit Associates II L.P.	Cayman Islands
KKR Revolving Credit Partners II Limited	Cayman Islands
KKR Revolving Credit Partners Limited	Cayman Islands
KKR Ride Co-Invest GP LLC	Delaware
KKR RTV Manager LLC	Delaware
KKR SA Co-Invest GP Limited	Cayman Islands
KKR SA Master GP Limited	Cayman Islands
KKR Saudi Limited	Saudi Arabia
KKR Selena Co-Invest GP Limited	Cayman Islands
KKR Sentinel Co-Invest GP LLC	Delaware
KKR Shanda Limited	Cayman Islands
KKR Sigma Co-Invest GP Limited	Cayman Islands
KKR Singapore Pte. Ltd.	Singapore
KKR Sonar LLC	Delaware
KKR Spark Power Holdings I (Mauritius), Ltd.	Mauritius

Name	Jurisdiction
KKR Spark Power Holdings IV (Mauritius), Ltd.	Mauritius
KKR Special Situations (Domestic) II Limited	Cayman Islands
KKR Special Situations (Domestic) Limited	Cayman Islands
KKR Special Situations (Offshore) II Limited	Cayman Islands
KKR Special Situations (Offshore) Limited	Cayman Islands
KKR Special Situations III Limited	Cayman Islands
KKR Special Situations III S.à r.l.	Luxembourg
KKR SPN GP Limited	Cayman Islands
KKR Spur Co-Invest GP LLC	Delaware
KKR Square GP Limited	Cayman Islands
KKR Starlight Co-Invest GP Limited	Cayman Islands
KKR STG Co-Invest GP LLC	Delaware
KKR Strategic Capital Institutional Fund, Ltd.	Cayman Islands
KKR Strategic Capital Management, L.L.C.	Delaware
KKR Streaming Aggregator GP Limited	Cayman Islands
KKR Summit Co-Invest GP LLC	Delaware
KKR Talk Co-Invest GP Limited	Cayman Islands
KKR Taurus Co-Invest GP Limited	Cayman Islands
KKR TC Investors GP Limited	Cayman Islands
KKR TE Seeder LLC	Delaware
KKR TFO GP Limited	Cayman Islands
KKR Topaz LLC	Delaware
KKR Traviata Co-Invest GP LLC	Delaware
KKR TRS Holdings, Ltd.	Cayman Islands
KKR Turbine Investors LLC	Delaware
KKR TV SPN GP Limited	Cayman Islands
KKR Uno LLC	Delaware
KKR Upstream Associates LLC	Delaware
KKR Upstream LLC	Delaware
KKR US CLO Equity Associates II Ltd.	Cayman Islands
KKR US CLO Equity Associates Ltd.	Cayman Islands
KKR Victoria GP Limited	Cayman Islands
KKR Vision Investors GP LLC	Delaware
KKR Wand GP LLC	Delaware
KKR Wolverine I Sponsor LLC	Delaware
KKR YC AIV-1 Associates L.P.	Delaware
KKR YC Associates GP L.P.	Cayman Islands
KKR YC Associates GP Limited	Cayman Islands
KKR YC Associates L.P.	Cayman Islands
KKR-Barmenia EDL Associates SCSp	Luxembourg
KKR-Barmenia EDL Holdings Limited	Cayman Islands
KKR-Barmenia EDL S.à r.l.	Luxembourg
KKR-DUS EDL Associates SCSp	Luxembourg
KKR-DUS EDL Holdings Limited	Cayman Islands
KKR-DUS EDL S.à r.l.	Luxembourg

Name	Jurisdiction
KKR-Generali Associates SCSp	Luxembourg
KKR-Generali Holdings Limited	Cayman Islands
KKR-Generali S.à r.l.	Luxembourg
KKR-Jesselton HIF Credit Partners GP Limited	Cayman Islands
KKR-Keats Associates Pipeline (AIV) L.P.	Delaware
KKR-KEATS Associates Pipeline II L.P.	Cayman Islands
KKR-Keats Associates Pipeline L.P.	Delaware
KKR-Keats Pipeline (AIV) LLC	Delaware
KKR-KEATS Pipeline II Limited	Cayman Islands
KKR-Keats Pipeline LLC	Delaware
KKR-MM Vector GP LLC	Delaware
KKR-NWM GP Limited	Cayman Islands
KKR-NYC Credit A GP LLC	Delaware
KKR-NYC Credit B GP LLC	Delaware
KKR-NYC SP GP MH LLC	Delaware
KKR-UWF Direct Lending GP LLC	Delaware
Kohlberg Kravis Roberts & Co. (International) Partners LLP	Delaware
Kohlberg Kravis Roberts & Co. L.P.	Delaware
Kohlberg Kravis Roberts & Co. Ltd	England & Wales
Kohlberg Kravis Roberts & Co. Partners LLP	England & Wales
Kohlberg Kravis Roberts & Co. SAS	France
Kohlberg Kravis Roberts (España) Asesores SL	Spain
Kohlberg Kravis Roberts GmbH	Germany
LP III Warehouse LLC	Delaware
Machine Investors GP Limited	Cayman Islands
Magic Investors GP LLC	Delaware
Magic Investors L.P.	Delaware
MBF Co-Invest GP Limited	Cayman Islands
MCS Capital Markets LLC	Delaware
MCS Corporate Lending LLC	Delaware
Merchant Capital Solutions LLC	Delaware
New Omaha Co-Invest GP, LLC	Delaware
NIM Aggregator LLC	Delaware
Pacova Limited	Jersey
Palo Verde Holdings GP LLC	Delaware
Rainier Co-Investments GP Limited	Cayman Islands
Ranger (NZ) Pte. Ltd.	Singapore
Raptor Investment Aggregator LLC	Cayman Islands
Raptor Investment Holdings GP LLC	Cayman Islands
Renee Holding GP LLC	Delaware
Royalty (GP) Pte. Ltd.	Singapore
Samson Co-Invest GP LLC	Delaware
Silverview Investments Pte. Ltd.	Singapore
Silverview SG Holdings Pte. Ltd.	Singapore
Spiral Holding GP S.à r.l.	Luxembourg

Name	Jurisdiction
TE Newark Agent Corp.	Delaware
TE Renee Agent Corp.	Delaware
TEA GP Limited	Cayman Islands
Uno Co-Invest GP LLC	Delaware
Venado EF Holdings GP LLC	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in (i) Registration Statement No. 333-228333 on Form S-3ASR, (ii) Registration Statement No. 333-210061 on Form S-3ASR, as amended by Post-Effective Amendment No.1 on Form S-3 dated July 2, 2018, (iii) Registration Statement No. 333-223202 on Form S-8, as amended by Post-Effective Amendment No. 1 on Form S-8 dated July 2, 2018, (iv) Registration Statement No. 333-194249 on Form S-3, as amended by Post-Effective Amendment No. 1 on Form S-3 dated July 2, 2018, and (v) Registration Statement No. 333-169433 on Form S-1, as amended by Post-Effective Amendment No. 3 on Form S-3 dated July 2, 2018, and (vi) Registration Statement No. 333-230627 on Form S-8 dated March 29, 2019, relating to the consolidated financial statements and financial statement schedule of KKR & Co. Inc. and it's subsidiaries (the "Company") and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2019.

/s/ Deloitte & Touche LLP

New York, New York

February 14, 2020

Exhibit 31.1

CO-CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Henry R. Kravis, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 31, 2019 of KKR & Co. Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2020

/s/ Henry R. Kravis

Henry R. Kravis
Co-Chief Executive Officer

Exhibit 31.2

CO-CHIEF EXECUTIVE OFFICER CERTIFICATION

I, George R. Roberts, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 31, 2019 of KKR & Co. Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2020

/s/ George R. Roberts

George R. Roberts
Co-Chief Executive Officer

Exhibit 31.3

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Robert H. Lewin, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 31, 2019 of KKR & Co. Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 14, 2020

/s/ Robert H. Lewin

Robert H. Lewin
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CO-CHIEF EXECUTIVE OFFICER

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

In connection with the Annual Report of KKR & Co. Inc. (the "Corporation") on Form 10-K for the period ended December 31, 2019 as filed with the Securities and Exchange Commission (the "Report"), I, Henry R. Kravis, Co-Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: February 14, 2020

/s/ Henry R. Kravis

Henry R. Kravis
Co-Chief Executive Officer

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

Exhibit 32.2

CERTIFICATION OF CO-CHIEF EXECUTIVE OFFICER

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

In connection with the Annual Report of KKR & Co. Inc. (the "Corporation") on Form 10-K for the period ended December 31, 2019 as filed with the Securities and Exchange Commission (the "Report"), I, George R. Roberts, Co-Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: February 14, 2020

/s/ George R. Roberts

George R. Roberts

Co-Chief Executive Officer

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

Exhibit 32.3

CERTIFICATION OF CHIEF FINANCIAL OFFICER

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

In connection with the Annual Report of KKR & Co. Inc. (the "Corporation") on Form 10-K for the period ended December 31, 2019 as filed with the Securities and Exchange Commission (the "Report"), I, Robert H. Lewin, Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: February 14, 2020

/s/ Robert H. Lewin

Robert H. Lewin
Chief Financial Officer

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

EXHIBIT C-2

KKR & CO. INC.

FORM 10-K
(Annual Report)

Filed 02/15/19 for the Period Ending 12/31/18

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

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

Form 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**
For the fiscal year ended December 31, 2018

or

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

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

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

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

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

Title of each class	Name of each exchange on which registered
Class A Common Stock	New York Stock Exchange
6.75% Series A Preferred Stock	New York Stock Exchange
6.50% Series B Preferred Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 and 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of Class A common stock of the registrant held by non-affiliates as of June 30, 2018 , was approximately $12.1 billion . As of February 12, 2019 , the registrant had 533,486,948 shares of Class A common stock, 1 share of Class B common stock and 299,081,239 shares of Class C common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

KKR & CO. INC.

FORM 10-K

For the Year Ended December 31, 2018

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which reflect our current views with respect to, among other things, our operations and financial performance. You can identify these forward-looking statements by the use of words such as "outlook," "believe," "expect," "potential," "continue," "may," "should," "seek," "approximately," "predict," "intend," "will," "plan," "estimate," "anticipate," the negative version of these words, other comparable words or other statements that do not relate strictly to historical or factual matters. Without limiting the foregoing, statements regarding the declaration and payment of dividends on common or preferred stock of KKR, the timing, manner and volume of repurchases of common stock pursuant to a repurchase program, and the expected synergies and benefits from acquisitions, reorganizations or strategic partnerships, may constitute forward-looking statements. Forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements or cause the anticipated benefits and synergies from transactions to not be realized. We believe these factors include those described under the section entitled "Risk Factors" in this report. These factors should be read in conjunction with the other cautionary statements that are included in this report and in our other filings with the U.S. Securities and Exchange Commission (the "SEC"). We do not undertake any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

On July 1, 2018, we completed our conversion (the "Conversion") from a Delaware limited partnership named KKR & Co. L.P. into a Delaware corporation named KKR & Co. Inc.

In this report, references to "KKR," "we," "us" and "our" refer to (i) KKR & Co. Inc. and its subsidiaries following the Conversion and (ii) KKR & Co. L.P. and its subsidiaries prior to the Conversion, in each case, except where the context requires otherwise. KKR & Co. L.P. became listed on the New York Stock Exchange ("NYSE") on July 15, 2010 under the symbol "KKR." KKR Management Holdings L.P., KKR Fund Holdings L.P. and KKR International Holdings L.P. are together referred to in this report as the "KKR Group Partnerships." Each KKR Group Partnership has an identical number of partner interests and, when held together, one Class A partner interest in each of the KKR Group Partnerships together represents one "KKR Group Partnership Unit." In connection with the 6.75% Series A Preferred Stock ("Series A Preferred Stock") and 6.50% Series B Preferred Stock ("Series B Preferred Stock") of KKR & Co. Inc., the KKR Group Partnerships have outstanding preferred units with economic terms designed to mirror those of the Series A Preferred Stock and Series B Preferred Stock, respectively. References to our Class A common stock, Series A Preferred Stock or Series B Preferred Stock for periods prior to the Conversion mean the common units, Series A preferred units and Series B preferred units of KKR & Co. L.P., respectively.

References to the "Class B Stockholder" are to KKR Management LLC, the holder of the sole share of our Class B common stock, and unless otherwise indicated, references to equity interests in KKR's business, or to percentage interests in KKR's business, reflect the aggregate equity interests in the KKR Group Partnerships and are net of amounts that have been allocated to our principals and other employees and non-employee operating consultants in respect of the carried interest from KKR's business as part of our "carry pool" and certain minority interests. References to "principals" are to our senior employees and non-employee operating consultants who hold interests in KKR's business through KKR Holdings L.P. ("KKR Holdings") and references to our "senior principals" are to our senior employees who hold interests in the Class B Stockholder.

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

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

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

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

References to our "funds" or our "vehicles" refer to investment funds, vehicles and accounts advised, sponsored or managed by one or more subsidiaries of KKR, including collateralized loan obligations ("CLOs") and commercial real estate mortgage-backed securities ("CMBS") vehicles, unless the context requires otherwise. They do not include investment funds, vehicles or accounts of any hedge fund manager with which we have formed a strategic partnership where we have acquired a non-controlling interest.

Unless otherwise indicated, references in this report to our fully exchanged and diluted Class A common stock outstanding, or to our Class A common stock outstanding on a fully exchanged and diluted basis, reflect (i) actual shares of Class A common stock outstanding, (ii) shares of Class A common stock into which KKR Group Partnership Units not held by us are exchangeable pursuant to the terms of the exchange agreement described in this report, (iii) shares of Class A common stock issuable in respect of exchangeable equity securities issued in connection with the acquisition of Avoca Capital ("Avoca"), all of which have been exchanged as of December 31, 2018, and (iv) Class A common stock issuable pursuant to any equity awards actually granted from the Amended and Restated KKR & Co. Inc. 2010 Equity Incentive Plan (our "Equity Incentive Plan"). Our fully exchanged and diluted Class A common stock outstanding does not include (i) shares of Class A common stock available for issuance pursuant to our Equity Incentive Plan for which equity awards have not yet been granted and (ii) shares of Class A common stock that we have the option to issue in connection with our acquisition of additional interests in Marshall Wace LLP (together with its affiliates, "Marshall Wace").

On January 28, 2019, common stockholders of KKR & Co. Inc. approved the KKR & Co. Inc. 2019 Equity Incentive Plan (our "New Equity Incentive Plan") in a special stockholders meeting. Our New Equity Incentive Plan will become effective on March 29, 2019. See "Executive Compensation—KKR & Co. Inc. Equity Incentive Plan."

The use of any defined term in this report to mean more than one entities, persons, securities or other items collectively is solely for convenience of reference and in no way implies that such entities, persons, securities or other items are one indistinguishable group. For example, notwithstanding the use of the defined terms "KKR," "we" and "our" in this report to refer to KKR & Co. Inc. and its subsidiaries, each subsidiary of KKR & Co. Inc. is a standalone legal entity that is separate and distinct from KKR & Co. Inc. and any of its other subsidiaries.

PART I

ITEM 1. BUSINESS

Overview

We are a leading global investment firm that manages multiple alternative asset classes including private equity, energy, infrastructure, real estate and credit, with strategic partners that manage hedge funds. We aim to generate attractive investment returns for our fund investors by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation with our portfolio companies. We invest our own capital alongside the capital we manage for fund investors and provide financing solutions and investment opportunities through our capital markets business.

Our business offers a broad range of investment management services to our fund investors and provides capital markets services to our firm, our portfolio companies and third parties. Throughout our history, we have consistently been a leader in the private equity industry, having completed more than 350 private equity investments in portfolio companies with a total transaction value in excess of $600 billion as of December 31, 2018 . We have grown our firm by expanding our geographical presence and building businesses in areas such as leveraged credit, alternative credit, hedge funds, capital markets, infrastructure, energy, real estate, growth equity and core investments. Our balance sheet has provided a significant source of capital in the growth and expansion of our business, and has allowed us to further align our interests with those of our fund investors. Building on these efforts and leveraging our industry expertise and intellectual capital have allowed us to capitalize on a broader range of the opportunities we source. Additionally, we have increased our focus on meeting the needs of our existing fund investors and in developing relationships with new investors in our funds.

We seek to work proactively and collaboratively as one-firm across business lines, departments, and geographies, as appropriate, to achieve what we believe are the best results for our funds and the firm. Through our offices around the world, we have a pre-eminent global integrated platform for sourcing transactions, raising capital and carrying out capital markets activities. Our growth has been driven by value that we have created through our operationally focused investment approach, the expansion of our existing businesses, our entry into new lines of business, innovation in the products that we offer investors in our funds, an increased focus on providing tailored solutions to our clients and the integration of capital markets distribution activities.

As a global investment firm, we earn management, monitoring, transaction and incentive fees and carried interest for providing investment management, monitoring and other services to our funds, vehicles, CLOs, managed accounts and portfolio companies, and we generate transaction-specific income from capital markets transactions. We earn additional investment income by investing our own capital alongside that of our fund investors, from other assets on our balance sheet and from the carried interest we receive from our funds and certain of our other investment vehicles. A carried interest entitles the sponsor of a fund to a specified percentage of investment gains that are generated on third-party capital that is invested.

Our investment teams have deep industry knowledge and are supported by a substantial and diversified capital base; an integrated global investment platform; the expertise of operating consultants, senior advisors and other advisors; and a worldwide network of business relationships that provide a significant source of investment opportunities, specialized knowledge during due diligence and substantial resources for creating and realizing value for stakeholders. These teams invest capital, a substantial portion of which is of a long duration and not subject to redemption. As of December 31, 2018 , approximately 78% of our fee paying assets under management are not subject to redemption for at least 8 years from inception, providing us with significant flexibility to grow investments and select exit opportunities. We believe that these aspects of our business will help us continue to expand and grow our business and deliver strong investment performance in a variety of economic and financial conditions.

Our Firm

With offices around the world, we have established ourselves as a leading global investment firm. We have multilingual and multicultural investment teams with local market knowledge and significant business, investment, and operational experience in the countries in which we invest. We believe that our global capabilities and "one-firm" philosophy have helped us to raise capital, capture a greater number of investment opportunities, and assist our portfolio companies in their increasing reliance on global markets and sourcing, while enabling us to diversify our operations.

Though our operations span multiple continents and asset classes, our investment professionals are supported by an integrated infrastructure and operate under a common set of principles and business practices that are monitored by a variety of committees. The firm operates with a single culture that rewards investment discipline, creativity, determination and patience and emphasizes the sharing of information, resources, expertise and best practices across offices and asset classes. When appropriate, we staff transactions across multiple offices and businesses in order to take advantage of the industry-specific expertise of our investment professionals, and we hold regular meetings in which investment professionals throughout our offices share their knowledge and experiences. We believe that the ability to draw on the local cultural fluency of our investment professionals while maintaining a centralized and integrated global infrastructure distinguishes us from other investment firms and has been a substantial contributing factor to our ability to raise funds, invest internationally and expand our businesses.

Since our inception, one of our fundamental philosophies has been to align the interests of the firm and our principals with the interests of our fund investors, portfolio companies and other stakeholders. We achieve this by putting our own capital behind our ideas. As of December 31, 2018 , we and our employees and other personnel have approximately $17.1 billion invested in or committed to our own funds and portfolio companies, including $9.1 billion funded from our balance sheet, $5.3 billion of additional commitments from our balance sheet to investment funds, $1.8 billion funded from personal investments and $0.9 billion of additional commitments from personal investments.

Our Business

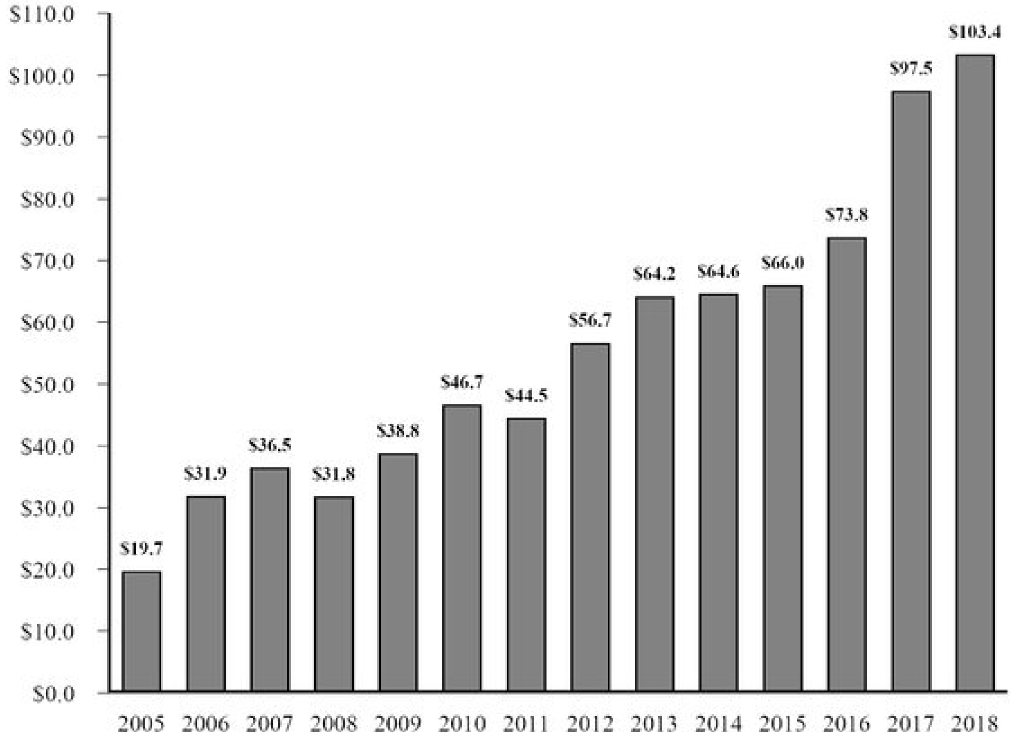
Our Business Lines

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

Private Markets

Through our Private Markets business line, we manage and sponsor a group of private equity funds that invest capital for long-term appreciation, either through controlling ownership of a company or strategic minority positions. In addition to our traditional private equity funds, we sponsor investment funds that invest in growth equity and core equity investments. We also manage and sponsor investment funds that invest capital in real assets, such as infrastructure, energy, and real estate. Our Private Markets business line includes separately managed accounts that invest in multiple strategies, which may include our credit strategies as well as our private equity and real assets strategies. These funds and accounts are managed by Kohlberg Kravis Roberts & Co. L.P., an SEC-registered investment adviser. As of December 31, 2018 , our Private Markets business line had $103.4 billion of AUM and FPAUM of $66.8 billion , consisting of $44.0 billion in private equity (including growth equity and core investments), $18.4 billion in real assets (including infrastructure, energy, and real estate) and $4.4 billion in other related strategies.

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



(1) For the years 2006 through 2008, AUM are presented pro forma for the acquisition of the assets and liabilities of KKR & Co. (Guernsey) L.P. (formerly known as KKR Private Equity Investors, L.P.) ("KPE") on October 1, 2009 (the "KPE Transaction"), and therefore exclude the net asset value of KPE and its former commitments to our investment funds. In 2015, our definition of AUM was amended to include capital commitments for which we are eligible to receive fees or carried interest upon deployment of capital and our pro rata portion of the AUM managed by strategic partners in which we hold a minority ownership interest. AUM for all prior periods have been adjusted to include such changes.

The table below presents information as of December 31, 2018 , relating to our current private equity, growth equity, core investment and real asset funds and other investment vehicles in our Private Markets business line for which we have the ability to earn carried interest. This data does not reflect acquisitions or disposals of investments, changes in investment values, or distributions occurring after December 31, 2018 .

	Investment Period (1)		Amount ($ in millions)							
	Start Date	End Date	Commitment (2)	Uncalled Commitments	Percentage Committed by General Partner	Invested	Realized	Remaining Cost (3)	Remaining Fair Value	Gross Accrued Carried Interest
Private Equity and Growth Equity Funds										
European Fund V	(4)	(5)	$ 4,948.0	$ 4,948.0	8.1%	$ —	$ —	$ —	$ —	$ —
Asian Fund III	4/2017	4/2023	9,000.0	7,433.2	5.6%	1,566.8	—	1,566.8	1,929.8	33.8
Americas Fund XII	1/2017	1/2023	13,500.0	8,874.7	6.0%	4,643.9	89.0	4,640.2	4,760.5	0.9
Health Care Strategic Growth Fund	12/2016	12/2021	1,331.0	1,162.5	11.3%	168.5	—	168.5	243.6	4.0
Next Generation Technology Growth Fund	3/2016	3/2021	658.9	244.8	22.5%	414.1	—	414.1	708.8	27.6
European Fund IV	12/2014	12/2020	3,511.7	918.1	5.6%	2,686.4	461.2	2,303.3	3,632.2	235.6
Asian Fund II	4/2013	4/2017	5,825.0	649.2	1.3%	6,182.4	2,702.5	4,582.8	6,397.1	365.4
North America Fund XI	9/2012	1/2017	8,718.4	851.9	2.9%	9,300.5	8,095.0	5,934.6	9,799.7	718.2
China Growth Fund (6)	11/2010	11/2016	1,010.0	—	1.0%	1,010.0	721.8	584.2	557.7	(5.7)
European Fund III (6)	3/2008	3/2014	5,559.8	222.9	5.1%	5,336.9	9,776.0	755.4	1,174.3	89.1
Asian Fund (6)	7/2007	4/2013	3,983.3	—	2.5%	3,945.9	8,409.6	239.2	294.4	12.1
2006 Fund (6)	9/2006	9/2012	17,642.2	337.7	2.1%	17,304.5	29,606.2	3,668.8	4,268.1	120.6
European Fund II (6)	11/2005	10/2008	5,750.8	—	2.1%	5,750.8	8,479.3	—	58.6	4.6
Millennium Fund (6)	12/2002	12/2008	6,000.0	—	2.5%	6,000.0	14,123.1	—	6.1	1.3
Private Equity and Growth Equity Funds			87,439.1	25,643.0		64,310.7	82,463.7	24,857.9	33,830.9	1,607.5
Co-Investment Vehicles and Other	Various	Various	8,037.0	2,785.5	Various	5,470.7	3,547.5	3,734.7	5,191.4	327.7
Total Private Equity and Growth Equity Funds			95,476.1	28,428.5		69,781.4	86,011.2	28,592.6	39,022.3	1,935.2
Real Assets										
Energy Income and Growth Fund	9/2013	6/2018	1,974.2	59.3	12.9%	1,961.1	611.7	1,441.0	1,582.3	—
Natural Resources Fund (6)	Various	Various	887.4	2.6	Various	884.8	115.9	201.5	165.0	—
Global Energy Opportunities	Various	Various	979.2	327.1	Various	479.6	87.9	350.7	306.2	—
Global Infrastructure Investors	9/2011	10/2014	1,040.2	25.4	4.8%	1,047.6	1,292.4	380.7	540.0	19.5
Global Infrastructure Investors II	10/2014	6/2018	3,040.3	359.1	4.1%	2,911.0	318.7	2,665.8	3,223.9	56.9
Global Infrastructure Investors III	6/2018	6/2024	7,162.1	6,663.2	3.8%	498.9	—	498.9	479.5	—
Real Estate Partners Americas	5/2013	5/2017	1,229.1	352.7	16.3%	1,004.3	1,111.3	363.0	367.1	20.5
Real Estate Partners Americas II	5/2017	12/2020	1,921.2	1,441.0	7.8%	487.6	24.4	475.6	515.4	—
Real Estate Partners Europe	9/2015	6/2020	709.3	351.8	9.7%	375.8	22.3	360.2	427.8	—
Real Estate Credit Opportunity Partners	2/2017	2/2019	1,130.0	293.5	4.4%	836.5	52.9	836.5	859.6	4.4
Co-Investment Vehicles and Other	Various	Various	2,135.4	743.9	Various	1,391.5	680.2	1,388.3	1,628.0	3.4
Real Assets			22,208.4	10,619.6		11,878.7	4,317.7	8,962.2	10,094.8	104.7
Other										
Core Investment Vehicles	Various	Various	9,500.0	6,560.7	36.8%	2,939.3	—	2,939.3	3,462.5	35.5
Unallocated Commitments (7)			2,552.1	2,552.1	Various	—	—	—	—	—
Private Markets Total			$ 129,736.6	$ 48,160.9		$ 84,599.4	$ 90,328.9	$ 40,494.1	$ 52,579.6	$ 2,075.4

(1) The start date represents the date on which the general partner of the applicable fund commenced investment of the fund's capital or the date of the first closing. The end date represents the earlier of (i) the date on which the general partner of the applicable fund was or will be required by the fund's governing agreement to cease making investments on behalf of the fund, unless extended by a vote of the fund investors and (ii) the date on which the last investment was made.

(2) The commitment represents the aggregate capital commitments to the fund, including capital commitments by third-party fund investors and the general partner. Foreign currency commitments have been converted into U.S. dollars based on (i) the foreign exchange rate at the date of purchase for each investment and (ii) the exchange rate that prevailed on December 31, 2018 , in the case of uncalled commitments.

(3) The remaining cost represents the initial investment of the general partner and limited partners, reduced for returns of capital, with the limited partners' investment further reduced for any return of capital and realized gains from which the general partner did not receive a carried interest.

(4) Upon end date of predecessor fund.

(5) Six years from first investment date.

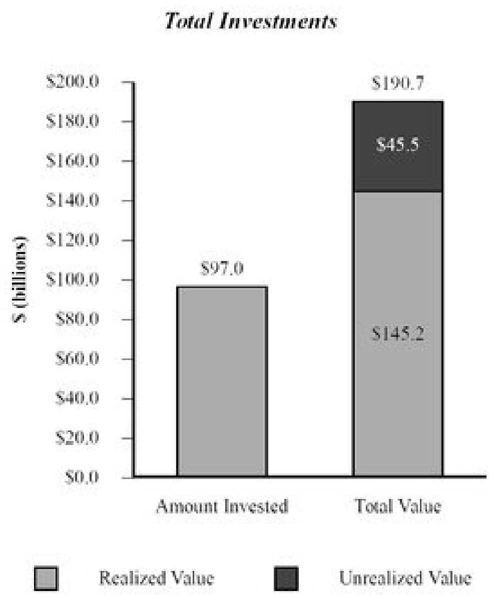
(6) The "Invested" and "Realized" columns do not include the amounts of any realized investments that restored the unused capital commitments of the fund investors, if any.

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

Performance

We take a long-term approach to Private Markets investing and measure the success of our investments over a period of years rather than months. Given the duration of these investments, the firm focuses on realized multiples of invested capital and internal rates of return ("IRRs") when deploying capital in these transactions. We have nearly doubled the value of capital that we have invested in our Private Markets investment funds, turning $97.0 billion of capital into $190.7 billion of value from our inception in 1976 to December 31, 2018 .

Amount Invested and Total Value for
Private Markets Investment Funds
As of December 31, 2018



From our inception in 1976 through December 31, 2018 , our investment funds with at least 24 months of investment activity generated a cumulative gross IRR of 25.6% , compared to the 11.7% and 8.7% gross IRR achieved by the S&P 500 Index and MSCI World Index, respectively, over the same period, despite the cyclical and sometimes challenging environments in which we have operated. The S&P 500 Index and MSCI World Index are unmanaged indices and such returns assume reinvestment of distributions and do not reflect any fees or expenses. Our past performance, however, may not be representative of performance in any period other than the period discussed above and is not a guarantee of future results. For example, as of March 31, 2009, the date of the lowest aggregate valuation of our private equity funds during the 2008 and 2009 market downturn, the investments in certain of our private equity funds at the time were marked down to 67% of original cost. For additional information regarding impact of market conditions on the value and performance of our investments, see "Risk Factors—Risks Related to Our Business—Difficult market and economic conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial prospects and condition" and "Risk Factors—Risks Related to the Assets We Manage—The historical returns attributable to our funds, including those presented in this report, should not be considered as indicative of the future results of our funds or our balance sheet investments, of our future results or the performance of our common stock."

The tables below present information as of December 31, 2018 , relating to the historical performance of certain of our Private Markets investment vehicles since inception, which we believe illustrates the benefits of our investment approach. This data does not reflect additional capital raised since December 31, 2018 , or acquisitions or disposals of investments, changes in investment values, or distributions occurring after that date. However, the information presented below is not intended to be representative of any past or future performance for any particular period other than the period presented below. Past performance is no guarantee of future results.

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Private Markets Investment Funds	Amount		Fair Value of Investments					
	Commitment	Invested	Realized (4)	Unrealized	Total Value	Gross IRR (5)	Net IRR (5)	Gross Multiple of Invested Capital (5)
	($ in millions)							
Total Investments								
Legacy Funds (1)								
1976 Fund	$ 31.4	$ 31.4	$ 537.2	$ —	$ 537.2	39.5 %	35.5 %	17.1
1980 Fund	356.8	356.8	1,827.8	—	1,827.8	29.0 %	25.8 %	5.1
1982 Fund	327.6	327.6	1,290.7	—	1,290.7	48.1 %	39.2 %	3.9
1984 Fund	1,000.0	1,000.0	5,963.5	—	5,963.5	34.5 %	28.9 %	6.0
1986 Fund	671.8	671.8	9,080.7	—	9,080.7	34.4 %	28.9 %	13.5
1987 Fund	6,129.6	6,129.6	14,949.2	—	14,949.2	12.1 %	8.9 %	2.4
1993 Fund	1,945.7	1,945.7	4,143.3	—	4,143.3	23.6 %	16.8 %	2.1
1996 Fund	6,011.6	6,011.6	12,476.9	—	12,476.9	18.0 %	13.3 %	2.1
Subtotal - Legacy Funds	16,474.5	16,474.5	50,269.3	—	50,269.3	26.1 %	19.9 %	3.1
Included Funds								
European Fund (1999) (2)	3,085.4	3,085.4	8,757.7	—	8,757.7	26.9 %	20.2 %	2.8
Millennium Fund (2002)	6,000.0	6,000.0	14,123.1	6.1	14,129.2	22.0 %	16.1 %	2.4
European Fund II (2005) (2)	5,750.8	5,750.8	8,479.3	58.6	8,537.9	6.1 %	4.5 %	1.5
2006 Fund (2006)	17,642.2	17,304.5	29,606.2	4,268.1	33,874.3	11.3 %	8.7 %	2.0
Asian Fund (2007)	3,983.3	3,945.9	8,409.6	294.4	8,704.0	18.9 %	13.8 %	2.2
European Fund III (2008) (2)	5,559.8	5,336.9	9,776.0	1,174.3	10,950.3	17.0 %	11.9 %	2.1
E2 Investors (Annex Fund) (2009) (2)	195.8	195.8	199.6	—	199.6	0.6 %	0.5 %	1.0
China Growth Fund (2010)	1,010.0	1,010.0	721.8	557.7	1,279.5	7.6 %	2.9 %	1.3
Natural Resources Fund (2010)	887.4	884.8	115.9	165.0	280.9	(23.7)%	(25.7)%	0.3
Global Infrastructure Investors (2011) (2)	1,040.2	1,047.6	1,292.4	540.0	1,832.4	15.1 %	13.1 %	1.7
North America Fund XI (2012)	8,718.4	9,300.5	8,095.0	9,799.7	17,894.7	24.0 %	19.0 %	1.9
Asian Fund II (2013)	5,825.0	6,182.4	2,702.5	6,397.1	9,099.6	17.1 %	12.3 %	1.5
Real Estate Partners Americas (2013)	1,229.1	1,004.3	1,111.3	367.1	1,478.4	19.0 %	14.0 %	1.5
Energy Income and Growth Fund (2013)	1,974.2	1,961.1	611.7	1,582.3	2,194.0	5.1 %	2.4 %	1.1
Global Infrastructure Investors II (2014) (2)	3,040.3	2,911.0	318.7	3,223.9	3,542.6	13.1 %	10.6 %	1.2
European Fund IV (2015) (2)	3,511.7	2,686.4	461.2	3,632.2	4,093.4	25.3 %	18.7 %	1.5
Real Estate Partners Europe (2015) (2)	709.3	375.8	22.3	427.8	450.1	16.1 %	10.1 %	1.2
Next Generation Technology Growth Fund (2016)	658.9	414.1	—	708.8	708.8	49.4 %	38.6 %	1.7
Health Care Strategic Growth Fund (2016) (3)	1,331.0	168.5	—	243.6	243.6	115.6 %	32.0 %	1.4
Americas Fund XII (2017) (3)	13,500.0	4,643.9	89.0	4,760.5	4,849.5	—	—	—
Real Estate Credit Opportunity Partners (2017) (3)	1,130.0	836.5	52.9	859.6	912.5	—	—	—
Asian Fund III (2017) (3)	9,000.0	1,566.8	—	1,929.8	1,929.8	—	—	—
Real Estate Partners Americas II (2017) (3)	1,921.2	487.6	24.4	515.4	539.8	—	—	—
Core Investment Vehicles (2017) (3)	9,500.0	2,939.3	—	3,462.5	3,462.5	—	—	—
Global Infrastructure Investors III (2018) (2) (3)	7,162.1	498.9	—	479.5	479.5	—	—	—
European Fund V (2019) (2) (3)	4,948.0	—	—	—	—	—	—	—
Subtotal - Included Funds	119,314.1	80,538.8	94,970.6	45,454.0	140,424.6	15.5 %	11.5 %	1.8
All Funds	$ 135,788.6	$ 97,013.3	$ 145,239.9	$ 45,454.0	$ 190,693.9	25.6 %	18.8 %	2.0

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

(2) Commitment amounts have been converted into U.S. dollars based on (i) the foreign exchange rate at the date of purchase for each investment and (ii) the exchange rate prevailing on December 31, 2018 , in the case of unfunded commitments. The following table presents information regarding investment funds with euro-denominated commitments.

Private Markets Investment Funds	Commitment (€ in millions)
European Fund	€ 196.5
European Fund II	€ 2,597.5
European Fund III	€ 2,882.8

E2 Investors (Annex Fund)	€	55.5
European Fund IV	€	1,626.1
Global Infrastructure Investors	€	30.0
Global Infrastructure Investors II	€	243.8
Real Estate Partners Europe	€	276.6
Global Infrastructure Investors III	€	987.0
European Fund V	€	1,556.3

(3) The gross IRR, net IRR and gross multiple of invested capital are calculated for our investment funds that made their first investment at least 24 months prior to December 31, 2018 . None of the Americas Fund XII, Real Estate Credit Opportunity Partners, Asian Fund III, Real Estate Partners Americas II, our Core Investment Vehicles, Global Infrastructure Investors III or European Fund V has invested for at least 24 months as of December 31, 2018 . We therefore have not calculated gross IRRs, net IRRs and gross multiples of invested capital with respect to those funds.

(4) An investment is considered realized when it has been disposed of or has otherwise generated disposition proceeds or current income that has been distributed by the relevant fund. In periods prior to the three months ended September 30, 2015, realized proceeds excluded current income such as dividends and interest.

(5) IRRs measure the aggregate annual compounded returns generated by a fund's investments over a holding period. Net IRRs are calculated after giving effect to the allocation of realized and unrealized carried interest and the payment of any applicable management fees and organizational expenses. Gross IRRs are calculated before giving effect to the allocation of realized and unrealized carried interest and the payment of any applicable management fees and organizational expenses.

The gross multiples of invested capital measure the aggregate value generated by a fund's investments in absolute terms. Each multiple of invested capital is calculated by adding together the total realized and unrealized values of a fund's investments and dividing by the total amount of capital invested by the fund. Such amounts do not give effect to the allocation of realized and unrealized carried interest or the payment of any applicable management fees or organizational expenses.

KKR's Private Markets funds may utilize third-party financing facilities to provide liquidity to such funds. The above net and gross IRRs are calculated from the time capital contributions are due from fund investors to the time fund investors receive a related distribution from the fund, and the use of such financing facilities generally decreases the amount of time that would otherwise be used to calculate IRRs, which tends to increase IRRs when fair value grows over time and decrease IRRs when fair value decreases over time. KKR's Private Markets funds also generally provide in certain circumstances, which vary depending on the relevant fund documents, for a portion of capital returned to investors to be restored to unused commitments as recycled capital. For KKR's Private Markets funds that have a preferred return, we take into account recycled capital in the calculation of IRRs and multiples of invested capital because the calculation of the preferred return includes the effect of recycled capital. For KKR's Private Markets funds that do not have a preferred return, we do not take recycled capital into account in the calculation of IRRs and multiples of invested capital. The inclusion of recycled capital generally causes invested and realized amounts to be higher and IRRs and multiples of invested capital to be lower than had recycled capital not been included. The inclusion of recycled capital would reduce the composite net IRR of all Included Funds by 0.1% and the composite net IRR of all Legacy Funds by 0.5% and would reduce the composite multiple of invested capital of Included Funds by less than 0.1 and the composite multiple of invested capital of Legacy Funds by 0.4.

For more information, see "Risk Factors—Risks Related to the Assets We Manage—The historical returns attributable to our funds, including those presented in this report, should not be considered as indicative of the future results of our funds or our balance sheet investments, of our future results or the performance of our common stock."

Private Equity

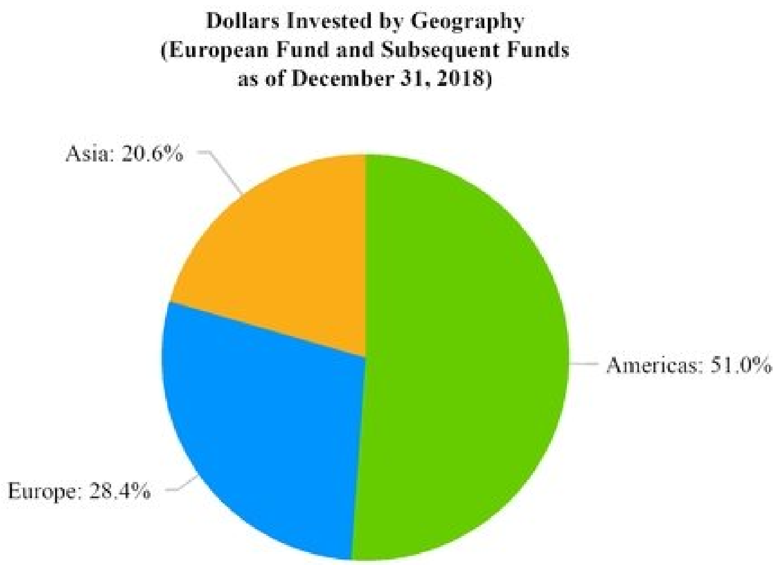
We are a world leader in private equity, having raised 24 private equity funds (including growth equity), as indicated in the table above, with approximately $107.2 billion of capital commitments through December 31, 2018 . We invest in industry-leading franchises and attract world-class management teams. Our investment approach leverages our capital base, sourcing advantage, global network and industry knowledge. It also leverages a sizable team of operating consultants, who work exclusively with our investment professionals and portfolio company management teams and otherwise at our direction, as well as senior advisors and other advisors, many of whom are former chief executive officers and leaders of the business community.

Our traditional private equity investment strategy typically seeks to engage primarily in management buyouts, build-ups, or other investments with a view to acquire a controlling or significant influence. Building upon our four decades of private equity investing experience, we have sourced a number of smaller growth equity investment opportunities, and we expanded our business by launching dedicated growth equity funds. We have a dedicated growth equity fund, launched in 2016, that pursues growth equity investment opportunities in the technology, media and telecommunications ("TMT") sector, primarily in the United States, Canada, Europe and Israel. In 2016, we launched another dedicated growth equity fund to pursue growth equity investment opportunities in the health care sector, primarily in the United States. As of December 31, 2018 , we have received $2.0 billion of capital commitments to our TMT and health care growth equity strategies.

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

Portfolio

The following chart presents information concerning the amount of capital invested by traditional private equity funds and growth equity funds by geography through December 31, 2018 . We believe that this data illustrates the benefits of our business approach and our ability to source and invest in deals in multiple geographies.



As of December 31, 2018 , our traditional private equity portfolio consisted of 114 companies with approximately $123 billion of annual revenues. These companies are headquartered in 18 countries and operate in 19 general industries, which take advantage of our broad and deep industry and operating expertise. Many of these companies are leading franchises with global operations, strong management teams and attractive growth prospects, which we believe will provide benefits through a broad range of business conditions.

Investment Approach

Our approach to making private equity investments focuses on achieving multiples of invested capital and attractive risk-adjusted IRRs by selecting high-quality investments that may be made at attractive prices, applying rigorous standards of due diligence when making investment decisions, implementing strategic and operational changes that drive growth and value creation in acquired businesses, carefully monitoring investments, and making informed decisions when developing investment exit strategies.

We believe that we have achieved a leading position in the private equity industry by applying a disciplined investment approach and by building strong partnerships with highly motivated management teams who put their own capital at risk. When making private equity investments, we seek out strong business franchises, attractive growth prospects, leading market positions and the ability to generate attractive returns. In our private equity funds, we do not effect transactions that are "hostile," meaning a target company's board of directors makes an unfavorable recommendation with respect to the transaction or publicly opposes the consummation of the transaction.

Sourcing and Selecting Investments

We have access to significant opportunities for making private equity investments as a result of our sizable capital base, global platform, and relationships with leading executives from major companies, commercial and investment banks, and other investment and advisory institutions. Members of our global network contact us with new investment opportunities, including a substantial number of exclusive investment opportunities and opportunities that are made available to only a limited number of other firms. We also proactively pursue business development strategies that are designed to generate deals internally based on the depth of our industry knowledge and our reputation as a leading financial sponsor.

To enhance our ability to identify and consummate private equity investments, we have organized our investment professionals in industry-specific teams. Our industry teams work closely with our operating consultants and other advisors to identify businesses that can be grown and improved. These teams conduct their own primary research, develop a list of industry themes and trends, identify companies and assets in need of operational improvement, and seek out businesses and assets that they believe will benefit from our involvement. They possess a detailed understanding of the economic drivers, opportunities for value creation and strategies that can be designed and implemented to improve companies across the industries in which we invest.

Due Diligence and the Investment Decision

When an investment team determines that an investment proposal is worth consideration, the proposal is formally presented to the applicable regional investment committee and the due diligence process commences if appropriate. The objective of the due diligence process is to identify attractive investment opportunities based on the facts and circumstances surrounding an investment and to prepare a framework that may be used from the date of an acquisition to drive operational improvement and value creation. When conducting due diligence, investment teams evaluate a number of important business, financial, tax, accounting, environmental, social, governance, legal and regulatory issues in order to determine whether an investment is suitable. While the due diligence process differs depending on the type of investment we make, generally, in connection with the private equity due diligence process, investment professionals spend significant amounts of time meeting with a company's management and operating personnel, visiting plants and facilities, and where appropriate, speaking with other stakeholders interested in and impacted by the investment in order to understand the opportunities and risks associated with the proposed investment. Our investment professionals may also use the services of outside accountants, consultants, lawyers, investment banks and industry experts as appropriate to assist them in this process. Investment committees or portfolio managers, as applicable, monitor our due diligence practices and approve an investment before it is made.

Building Successful and Competitive Businesses

Portfolio management committees are responsible for working with our investment professionals from the date on which a private equity investment is made until the time it is exited in order to ensure that strategic and operational objectives are accomplished and that the performance of the investment is closely monitored. When investing in a private equity portfolio company, we partner with management teams to execute on our investment thesis, and we rigorously track performance through regular monitoring of detailed operational and financial metrics as well as appropriate environmental, social and governance issues. We have developed a global network of experienced managers and operating executives who assist the private equity portfolio companies in making operational improvements and achieving growth. We augment these resources with operational guidance from operating consultants at KKR Capstone, senior advisors, other advisors and investment teams, and with "100-Day Plans" that focus the firm's efforts and drive our strategies. We seek to emphasize efficient capital management, top-line growth, R&D spending, geographical expansion, cost optimization and investment for the long-term.

Realizing Investments

We have developed substantial expertise for realizing private equity investments. From our inception through December 31, 2018 , the firm has generated approximately $141.7 billion of cash proceeds from the sale of our private equity portfolio companies in initial public offerings and secondary offerings, dividends, and sales to strategic and financial buyers. When exiting private equity investments, our objective is to structure the exit in a manner that optimizes returns for fund investors and, in the case of publicly traded companies, minimizes the impact that the exit has on the trading price of the company's securities. We believe that our ability to successfully realize investments is attributable in part to the strength and discipline of our portfolio management committees and capital markets business, as well as the firm's longstanding relationships with corporate buyers and members of the investment banking and investing communities.

Private Equity Fund Structures

The private equity funds that we sponsor and manage have finite lives and investment periods. Each fund is organized as one or more partnerships, and each partnership is controlled by a general partner. Private equity fund investors are limited partners who agree to contribute a specified amount of capital to the fund from time to time for use in qualifying investments during the investment period, which generally lasts up to six years depending on how quickly capital is deployed. The investment period for certain funds may be terminated upon supermajority vote (based on capital commitment) of the fund's limited partners or by the fund's advisory committee. The term of our private equity funds generally last for 10 to 12 years and may last up to 15 years from the date of the fund's first or last investment, subject to a limited number of extensions with the consent of the limited partners or the applicable advisory committee. Given the length of the investment periods and terms of our private equity funds and the limited conditions under which such periods can be terminated and commitments may be withdrawn, the AUM of our private equity funds provide a long-term stable capital base.

Each private equity fund's general partner is generally entitled to a carried interest that allocates to it 20% of the net profits realized by the limited partners from the fund's investments. Our private equity funds since 2012 generally have a performance hurdle which requires that we return 7%, compounded annually, to limited partners in the fund prior to receiving our 20% share of net profits realized by limited partners. Such performance hurdles are subject to a catch-up allocation to the general partner after the hurdle has been reached. Our earlier private equity funds do not include a performance hurdle. The timing of receipt of carried interest in respect of investments of our private equity funds is dictated by the terms of the partnership agreements that govern such funds, and is distributed to the general partner of a private equity fund only after all of the following are met: (i) a realization event has occurred (e.g. sale of a portfolio company, dividend, etc.); (ii) the vehicle has achieved positive overall investment returns since its inception, in excess of performance hurdles where applicable; and (iii) with respect to investments with a fair value below cost, cost has been returned to fund investors in an amount sufficient to reduce remaining cost to the investments' fair value. For a fund that has a fair value above cost, overall, but has one or more investments where fair value is below cost, the shortfall between cost and fair value for such investments is referred to as a "netting hole." See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity—Sources of Liquidity" for a discussion of netting holes. Net realized profit or loss is not netted between or among funds except for the Annex Fund. In addition, the agreements governing our private equity funds generally include a "clawback" provision that, if triggered, may give rise to a contingent obligation that may require the general partner to return or contribute amounts to the fund for distribution to fund investors at the end of the life of the fund. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Recognition of Carried Interest in the Statement of Operations" and "Risk Factors—The 'clawback' provision in our governing agreements may give rise to a contingent obligation that may require us to return or contribute amounts to our funds and fund investors."

We enter into management agreements with our private equity funds pursuant to which we receive management fees in exchange for providing the funds with management and other services. Gross management fees for our private equity funds generally range from 1% to 2% of committed capital during the fund's investment period and are generally 0.75% to 1.25% of invested capital after the expiration of the fund's investment period with subsequent reductions over time, which causes the fees to be reduced as investments are liquidated. In addition, in connection with the expiration of the investment period, a private equity fund may establish a reserve on its fund investors' capital commitments on which no fee is paid unless such capital is invested. These management fees are paid by private equity fund investors, who generally contribute capital to the fund in order to allow the fund to pay the fees to us. Our private equity funds generally require that management fees be returned to fund investors before a carried interest may be paid.

We also enter into monitoring agreements with our portfolio companies pursuant to which we receive periodic monitoring fees in exchange for providing them with management, consulting and other services, and we typically receive transaction fees for providing portfolio companies with financial, advisory and other services in connection with specific transactions. Monitoring agreements may provide for a termination payment following an initial public offering or change of control, if certain criteria are satisfied. In some cases, we may be entitled to other fees that are paid by an investment target upon closing a transaction or when a potential investment is not consummated. Our newer private equity fund agreements typically require us to share 100% of any monitoring, transaction and other fees that are allocable to a fund (after reduction for expenses incurred allocable to a fund from unconsummated transactions) with fund investors.

In addition, the agreements governing our private equity funds enable investors in those funds to reduce their capital commitments available for further investments, on an investor-by-investor basis, in the event one or more "key persons" (for example, investment professionals who are named as "key executives" for certain geographically or product focused funds) cease to be actively involved in the management of the fund. While these provisions do not allow investors in our funds to withdraw capital that has been invested or cause a fund to terminate, the occurrence of a "key person" event could cause disruption in our business, reduce the amount of capital that we have available for future investments, and make it more challenging to raise additional capital in the future.

Because private equity fund investors typically are unwilling to invest their capital in a fund unless the fund's manager also invests its own capital in the fund's investments, our private equity fund documents generally require the general partners of the funds to make minimum capital commitments to the funds. The amounts of these commitments, which are negotiated by fund investors, generally range from 2% to 8% of a fund's total capital commitments at final closing, but may be greater for certain funds pursuing newer strategies. When investments are made, the general partner contributes capital to the fund based on its fund commitment percentage and acquires a capital interest in the investment that is not subject to a carried interest or management fees.

Real Assets

Energy

Our energy platform aims to deliver current returns to fund investors through distributions generated by producing and selling oil and natural gas reserves and capital appreciation. The goal is to provide fund investors with exposure to commodity prices and optionality associated with future drilling and production. Our energy platform targets real asset investment opportunities across the upstream and midstream segments of the oil and gas industry. We have acquired and operated oil and natural gas properties in mature basins located primarily in the United States. In acquiring these properties, which are typically considered to be non-core by their sellers, we seek to generate value through optimizing production, reducing operating costs, and optimizing commercial and marketing arrangements. In addition, we have completed investments in oil and gas drilling development transactions with operating companies and have also acquired mineral and royalty interests. We work closely with external teams of technical and operational experts to assist in the selection, evaluation and operation of investments. We invest in these energy strategies primarily through KKR's energy funds. As of December 31, 2018 , we have received $3.6 billion of capital commitments to our energy funds and $1.0 billion of capital commitments to this strategy through separately managed accounts.

Infrastructure

Our infrastructure platform seeks to achieve returns including current income through the acquisition and operational improvement of assets important to the functioning of the economy. We believe that the global infrastructure market provides an opportunity for the firm's private investment, operational improvement capabilities and stakeholder engagement. Through this platform we have made investments in parking, alternative energy, district heating and contracted electricity generation, water and wastewater, locomotive transportation, midstream and telecommunications infrastructure. As of December 31, 2018 , we had received $11.2 billion of capital commitments to our infrastructure funds, which include approximately $7.2 billion of total capital commitments in our new KKR Global Infrastructure Investors III fund, and $1.1 billion of capital commitments to this strategy through separately managed accounts and co-investment vehicles.

Real Estate

Our real estate equity platform targets real estate investment opportunities globally, across United States, Western Europe and Asia-Pacific. Our equity investments include direct investments in real property, debt, special situations transactions and businesses with significant real estate holdings that can benefit from KKR's involvement and operational expertise. We seek to partner with real estate owners, lenders, operators, and developers to provide flexible capital to respond to transaction specific needs, including the outright purchase or financing of existing assets or companies and the funding of future development or acquisition opportunities. Through this strategy, we have made real estate equity investments in residential and commercial assets. We have also established investment platforms with strategic partners to invest in commercial real estate in Germany and the United States. As of December 31, 2018 , we have received $3.9 billion of capital commitments through our real estate equity investment funds.

Our real estate credit platform provides capital solutions for real estate transactions with a focus on commercial mortgage-backed securities, whole loans and subordinated debt. As of December 31, 2018 , we managed approximately $2.3 billion of assets in our real estate credit strategy, which include KKR Real Estate Finance Trust Inc. ("KREF"), a NYSE-listed real estate investment trust ("REIT"), and $1.1 billion of capital commitments through our real estate credit fund focused on the risk retention tranches of CMBS transactions.

Real Asset Investment Process

Our energy, infrastructure and real estate funds have a similar investment process as that described under "—Private Equity." Investment teams for a particular real asset strategy formally present potential investments to the applicable strategy oriented investment committee or the portfolio manager, as applicable, which monitors our due diligence practices and approves an investment before it is made. Most of our real asset strategies also have a portfolio management committee that works with our investment professionals from the date on which an investment is made until the time it is exited in order to ensure that strategic and operational objectives are accomplished and that the performance of the investment is closely monitored. In addition to leveraging the resources of the firm, our energy, infrastructure and real estate investment teams typically partner with technical experts and operators to manage our real asset investments.

Real Asset Fund Structures

Our energy, infrastructure and real estate funds generally have investment periods of up to 6 years and generally have a fund term of up to 13 years. Management fees for such funds generally range from 0.75% to 1.5% on committed capital, invested capital or net asset value during the investment period and on invested capital or net asset value for investments thereafter, subject to certain adjustments. These funds generally have performance hurdles of 8% to 10% subject to a catch-up allocation to the general partner after the hurdle has been reached. Thereafter the general partners of such funds generally share in 10% to 20% of net profits realized by limited partners.

Core Investments Strategy

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

Public Markets

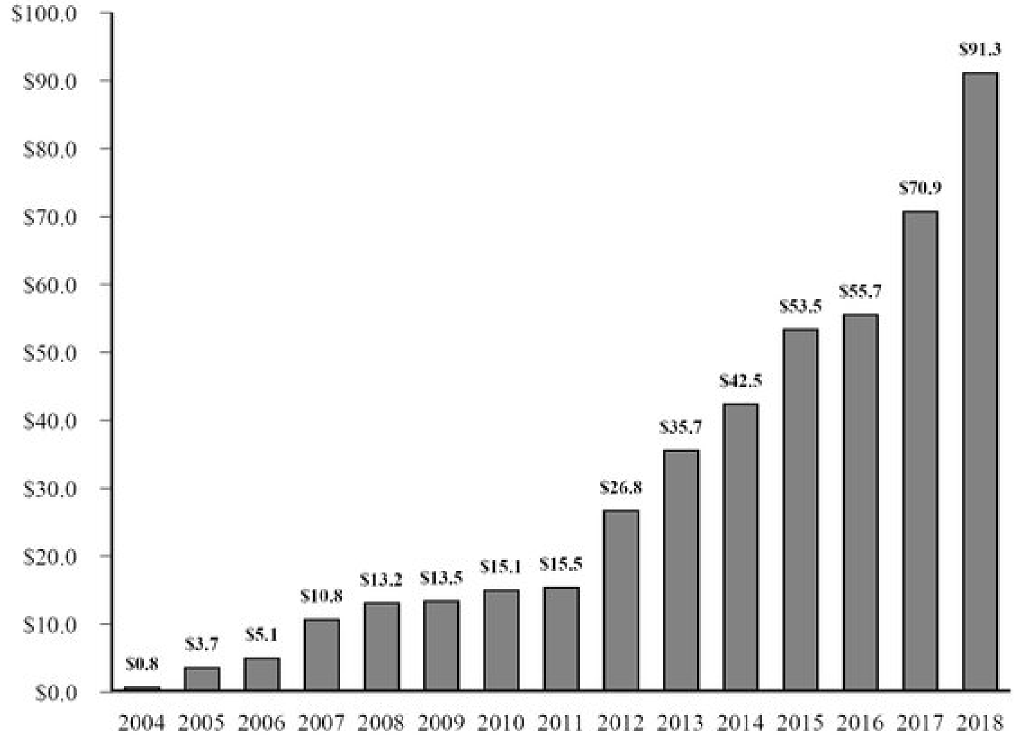
Through our Public Markets business line, we operate our combined credit and hedge funds platforms. Our credit business invests capital in (i) leveraged credit strategies, including leveraged loans, high-yield bonds, opportunistic credit and revolving credit strategies, and (ii) alternative credit strategies, including special situations and private credit strategies such as direct lending and private opportunistic credit (or mezzanine) investment strategies. The funds, CLOs, separately managed accounts, investment companies registered under the Investment Company Act of 1940 (the "Investment Company Act"), including business development companies ("BDCs"), and alternative investment funds ("AIFs") in our leveraged credit and alternative credit strategies are managed by KKR Credit Advisors (US) LLC, which is an SEC-registered investment adviser and KKR Credit Advisors (Ireland) Unlimited Company, regulated by the Central Bank of Ireland ("CBI"). Our Public Markets business line also includes our hedge funds platform, which consists of strategic partnerships with third-party hedge fund managers in which KKR owns a minority stake (which we refer to as "hedge fund partnerships"). Our hedge fund partnerships offer a variety of investment strategies, including hedge fund-of-funds, equity hedge funds and credit hedge funds.

We intend to continue to grow the Public Markets business line by leveraging our global investment platform, experienced investment professionals and the ability to adapt our investment strategies to different market conditions to capitalize on investment opportunities that may arise at various levels of the capital structure and across market cycles.

On April 9, 2018, we completed the transaction (the "FS Investments Transaction") to form FS/KKR Advisor, LLC ("FS/KKR Advisor"), a new strategic BDC partnership with Franklin Square Holdings, L.P. ("FS Investments"), to provide investment advisory services to two BDCs previously advised and sub-advised by KKR Credit Advisors (US) LLC, and four BDCs previously advised by FS Investments. We own a 50% interest in FS/KKR Advisor. In December 2018, one of the BDCs previously advised by KKR Credit Advisors (US) LLC and one of the BDCs previously advised by FS Investments merged to create FS KKR Capital Corp., a BDC listed on the NYSE and advised by FS/KKR Advisor. As of December 31, 2018 , our BDC platform had approximately $16.8 billion in combined AUM. We report all of the AUM of the BDCs in our AUM.

The following chart presents the growth in the AUM of our Public Markets business line from the commencement of its operations in August 2004 through December 31, 2018 .

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



(1) For years 2006 through 2008, AUM are presented pro forma for the KPE Transaction and, therefore, exclude the net asset value of KPE and its former commitments to our investment funds. AUM of acquired businesses and pro rata AUM of hedge fund partnerships in which KKR has made an investment are included in the years on and after the completion of the respective acquisitions or transactions, as applicable.

(2) In 2015 our definition of AUM was amended to include (i) KKR's pro rata portion of AUM managed by third-party hedge fund managers in which KKR holds a minority stake and (ii) capital commitments for which we are eligible to receive fees or carried interest upon deployment of capital. AUM for all prior periods has been adjusted to include such changes.

Credit

Performance

We generally review our performance in our credit business by investment strategy.

Our leveraged credit strategies principally invest through separately managed accounts, BDCs, CLOs and investment funds. In certain cases, these strategies have meaningful track records and may be compared to widely-known indices. The following table presents information regarding larger leveraged credit strategies managed by KKR from inception to December 31, 2018 . However, the information presented below is not intended to be representative of any past or future performance for any particular period other than the period presented below. Past performance is no guarantee of any future result.

Leveraged Credit Strategies: Inception-to-Date Annualized Gross Performance vs. Benchmark by Strategy

($ in millions)	Inception Date	Gross Returns	Net Returns	Benchmark (1)	Benchmark Gross Returns
Bank Loans Plus High Yield	Jul 2008	7.46%	6.83%	65% S&P/LSTA Loan Index, 35% BoAML HY Master II Index (2)	5.71%
Opportunistic Credit (3)	May 2008	12.06%	10.08%	50% S&P/LSTA Loan Index, 50% BoAML HY Master II Index (3)	5.96%
Bank Loans	Apr 2011	4.90%	4.30%	S&P/LSTA Loan Index (4)	3.75%
High-Yield	Apr 2011	6.13%	5.55%	BoAML HY Master II Index (5)	5.41%
Bank Loans Conservative	Apr 2011	4.21%	3.62%	S&P/LSTA BB-B Loan Index (6)	3.74%
European Leveraged Loans (7)	Sep 2009	4.97%	4.45%	CS Inst West European Leveraged Loan Index (8)	4.31%
High-Yield Conservative	Apr 2011	5.47%	4.89%	BoAML HY BB-B Constrained (9)	5.35%
European Credit Opportunities (7)	Sept 2007	5.20%	4.30%	S&P European Leveraged Loans (All Loans) (10)	4.17%
Revolving Credit (11)	May 2015	N/A	N/A	N/A	N/A

(1) The benchmarks referred to herein include the S&P/LSTA Leveraged Loan Index (the "S&P/LSTA Loan Index"), S&P/LSTA U.S. B/BB Ratings Loan Index (the "S&P/LSTA BB-B Loan Index"), the Bank of America Merrill Lynch High Yield Master II Index (the "BoAML HY Master II Index"), the BofA Merrill Lynch BB-B US High Yield Index (the "BoAML HY BB-B Constrained"), the Credit Suisse Institutional Western European Leveraged Loan Index (the "CS Inst West European Leveraged Loan Index"), and S&P European Leveraged Loans (All Loans). The S&P/LSTA Loan Index is a daily tradable index for the U.S. loan market that seeks to mirror the market-weighted performance of the largest institutional loans that meet certain criteria. The S&P/ LSTA BB-B Loan Index is comprised of loans in the S&P/LSTA Loan Index, whose rating is BB+, BB, BB-, B+, B or B-. The BoAML HY Master II Index is an index for high-yield corporate bonds. It is designed to measure the broad high-yield market, including lower-rated securities. The BoAML HY BB-B Constrained is a subset of the BoAML HY Master II Index including all securities rated BB1 through B3, inclusive. The CS Inst West European Leveraged Loan Index contains only institutional loan facilities priced above 90 , excluding TL and TLa facilities and loans rated CC, C or are in default. The S&P European Leveraged Loan Index reflects the market-weighted performance of institutional leveraged loan portfolios investing in European credits. While the returns of our leveraged credit strategies reflect the reinvestment of income and dividends, none of the indices presented in the chart above reflect such reinvestment, which has the effect of increasing the reported relative performance of these strategies as compared to the indices. Furthermore, these indices are not subject to management fees, incentive allocations, or expenses.

(2) Performance is based on a blended composite of Bank Loans Plus High Yield strategy accounts. The benchmark used for purposes of comparison for the Bank Loans Plus High Yield strategy is based on 65% S&P/LSTA Loan Index and 35% BoAML HY Master II Index.

(3) The Opportunistic Credit strategy invests in high-yield securities and corporate loans with no preset allocation. The benchmark used for purposes of comparison for the Opportunistic Credit strategy presented herein is based on 50% S&P/LSTA Loan Index and 50% BoAML HY Master II Index. Funds within this strategy may utilize third-party financing facilities to enhance investment returns. In cases where financing facilities are used, the amounts drawn on the facility are deducted from the assets of the fund in the calculation of net asset value, which tends to increase returns when net asset value grows over time and decrease returns when net asset value decreases over time.

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

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

(6) Performance is based on a composite of portfolios that primarily invest in leveraged loans rated B-/Baa3 or higher. The benchmark used for purposes of comparison for the Bank Loans Conservative strategy is based on the S&P/LSTA BB-B Loan Index.

(7) The returns presented are calculated based on local currency.

(8) Performance is based on a composite of portfolios that primarily invest in higher quality leveraged loans. The benchmark used for purposes of comparison for the European Leveraged Loans strategy is based on the CS Inst West European Leveraged Loan Index.

(9) Performance is based on a composite of portfolios that primarily invest in high-yield securities rated B or higher. The benchmark used for purposes of comparison for the High-Yield Conservative strategy is based on the BoAML HY BB-B Constrained Index.

(10) Performance is based on a composite of portfolios that primarily invest in European institutional leveraged loans. The benchmark used for purposes of comparison for the European Credit Opportunities strategy is based on the S&P European Leveraged Loans (All Loans) Index.

(11) This strategy has not called any capital as of December 31, 2018 . As a result, the gross and net return performance measures are not meaningful and are not included above.

Our alternative credit strategies primarily invest in more illiquid instruments through private investment funds, BDCs and separately managed accounts. The following table presents information regarding our Public Markets alternative credit commingled funds where investors are subject to capital commitments from inception to December 31, 2018 . Some of these funds have been investing for less than 24 months, and thus their performance is less meaningful and not included below. In addition, the information presented below is not intended to be representative of any past or future performance for any particular period other than the period presented below. Past performance is no guarantee of any future result.

Alternative Credit Strategies: Fund Performance

		Amount		Fair Value of Investments						
Public Markets Investment Funds	**Inception Date**	**Commitment**	**Invested (1)**	**Realized (1)**	**Unrealized**	**Total Value**	**Gross IRR (2)**	**Net IRR (2)**	**Multiple of Invested Capital (3)**	**Gross Accrued Carried Interest**
				($ in Millions)						
Special Situations Fund	Dec 2012	$ 2,274.3	$ 2,272.7	$ 1,436.2	$ 1,248.6	$ 2,684.8	4.8%	2.8 %	1.2	$ —
Special Situations Fund II	Dec 2014	3,475.9	2,140.4	127.9	2,235.8	2,363.7	5.4%	3.0 %	1.1	—
Mezzanine Partners	Mar 2010	1,022.8	913.9	1,060.1	302.0	1,362.1	13.1%	8.5 %	1.5	66.8
Private Credit Opportunities Partners II	Dec 2015	2,245.1	848.5	27.0	821.8	848.8	1.6%	(0.6)%	1.0	—
Lending Partners	Dec 2011	460.2	405.3	434.9	70.4	505.3	6.5%	5.0 %	1.2	—
Lending Partners II	Jun 2014	1,335.9	1,179.1	900.7	630.0	1,530.7	11.9%	9.6 %	1.3	45.0
Lending Partners III	Apr 2017	1,497.8	396.9	—	446.7	446.7	N/A	N/A	N/A	3.9
Lending Partners Europe	Mar 2015	847.6	538.1	87.4	512.7	600.1	9.6%	6.1 %	1.1	—
Other Alternative Credit Vehicles	Various	8,409.0	4,397.9	2,820.6	3,019.7	5,840.3	N/A	N/A	N/A	122.4
Unallocated Commitments (4)	Various	450.0	—	—	—	—	N/A	N/A	N/A	—
All Funds		$ 22,018.6	$ 13,092.8	$ 6,894.8	$ 9,287.7	$ 16,182.5				$ 238.1

(1) Recycled capital is excluded from the amounts invested and realized.

(2) These credit funds utilize third-party financing facilities to provide liquidity to such funds, and in such event IRRs are calculated from the time capital contributions are due from fund investors to the time fund investors receive a related distribution from the fund. The use of such financing facilities generally decreases the amount of invested capital that would otherwise be used to calculate IRRs, which tends to increase IRRs when fair value grows over time and decrease IRRs when fair value decreases over time. IRRs measure the aggregate annual compounded returns generated by a fund's investments over a holding period and are calculated taking into account recycled capital. Net IRRs presented are calculated after giving effect to the allocation of realized and unrealized carried interest and the payment of any applicable management fees. Gross IRRs are calculated before giving effect to the allocation of carried interest and the payment of any applicable management fees.

(3) The multiples of invested capital measure the aggregate value generated by a fund's investments in absolute terms. Each multiple of invested capital is calculated by adding together the total realized and unrealized values of a fund's investments and dividing by the total amount of capital invested by the investors. The use of financing facilities generally decreases the amount of invested capital that would otherwise be used to calculate multiples of invested capital, which tends to increase multiples when fair value grows over time and decrease multiples when fair value decreases over time. Such amounts do not give effect to the allocation of any realized and unrealized returns on a fund's investments to the fund's general partner pursuant to a carried interest or the payment of any applicable management fees and are calculated without taking into account recycled capital.

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

For additional information regarding impact of market conditions on the value and performance of our investments, see "Risk Factors—Risks Related to Our Business—Difficult market and economic conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial prospects and condition" and "Risk Factors—Risks Related to the Assets We Manage—The historical returns attributable to our funds, including those presented in this report, should not be considered as indicative of the future results of our funds or our balance sheet investments, of our future results or the performance of our common stock."

Investment Approach

Our approach to making investments focuses on creating investment portfolios that seek to generate attractive risk-adjusted returns by selecting investments that may be made at attractive prices, subjecting investments to regular monitoring and oversight, and, for more liquid investments, making buy and sell decisions based on price targets and relative value parameters. The firm employs both "top-down" and "bottom-up" analyses when making investments. Our top-down analysis involves, as appropriate, a macro analysis of relative asset valuations, long-term industry trends, business cycles, regulatory trends, interest rate expectations, credit fundamentals and technical factors to target specific industry sectors and asset classes in which to invest. From a bottom-up perspective, our investment decision is predicated on an investment thesis that is developed using our proprietary resources and knowledge and due diligence.

Sourcing and Selecting Investments

We source investment opportunities through a variety of channels, including internal deal generation strategies and the firm's global network of contacts at major companies, corporate executives, commercial and investment banks, financial intermediaries, other private equity sponsors and other investment and advisory institutions. We are also provided with opportunities to invest, in certain strategies where appropriate, in the securities of KKR's private equity portfolio companies, though there are limitations across the platform on the availability and maximum size of such KKR-affiliated investments.

Due Diligence and the Investment Decision

Once a potential investment has been identified, our investment professionals screen the opportunity and make a preliminary determination concerning whether we should proceed with further diligence. When evaluating the suitability of an investment for our funds, we typically employ a relative value framework and subject the investment to due diligence. This review considers many factors including, as appropriate, expected returns, capital structure, credit ratings, historical and projected financial data, the issuer's competitive position, the quality and track record of the issuer's management team, margin stability, and industry and company trends. Investment professionals use the services of outside advisors and industry experts as appropriate to assist them in the due diligence process and, when relevant and permitted, leverage the knowledge and experience of our Private Markets investment professionals. Strategy-specific investment committees monitor our due diligence practices.

Monitoring Investments

We monitor our portfolios of investments using, as applicable, daily, quarterly and annual analyses. Daily analyses include morning market meetings, industry and company pricing runs, industry and company reports and discussions with the firm's Private Markets investment professionals on an as-needed basis. Quarterly analyses include the preparation of quarterly operating results, reconciliations of actual results to projections and updates to financial models (baseline and stress cases). Annual analyses involve conducting internal audits, and testing compliance with monitoring and documentation requirements.

Credit Strategies

Our credit business pursues investments in leveraged credit strategies, such as leveraged loans, high-yield bonds, opportunistic credit and revolving credit strategies, and alternative credit strategies, such as special situations, direct lending and private opportunistic credit (or mezzanine) strategies. We pursue these investments across a range of vehicles, including investment funds and separately managed accounts, for which we receive a fee and in certain cases an incentive fee or carried interest.

We also manage structured credit vehicles in the form of CLOs that hold leveraged loans, high-yield bonds or a combination of both. CLOs are typically structured as special purpose investment vehicles that acquire, monitor and, to varying degrees, manage a pool of credit assets. CLOs generally serve as long-term financing for leveraged credit investments and as a way to reduce refinancing risk, reduce maturity risk and secure a fixed cost of funds over an underlying market interest rate. We typically receive a fee for managing CLOs.

We also serve as the registered investment adviser or sub-adviser to registered investment companies. The management fees we are paid for managing registered investment companies are generally subject to contractual rights that require their board of directors to provide prior notice in order to terminate our investment management services. Following the completion of the transaction to form a strategic BDC partnership with FS Investments in April 2018, FS/KKR Advisor serves as the investment adviser to the BDCs in our BDC platform.

Leveraged Credit. Our leveraged credit strategies are principally directed at investing in leveraged loans, high-yield bonds or a combination of both. Our opportunistic credit strategy seeks to deploy capital across investment themes that take advantage of credit market dislocations, spanning asset types and liquidity profiles. Our revolving credit strategy invests in senior secured revolving credit facilities.

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

- *Special Situations.* We seek to make opportunistic investments largely in stressed or distressed companies through our special situations investment strategy. These investments include distressed investments (including post- restructuring equity), control-oriented opportunities, rescue financing (debt or equity investments made to address covenant, maturity or liquidity issues), debtor-in-possession or exit financing, and other event-driven investments in debt or equity.

- *Private Credit.* Our private credit strategies seek to leverage the knowledge and relationships developed in the leveraged credit business. These strategies include direct lending and private opportunistic credit strategies. Through our direct lending strategy, we seek to make investments in proprietarily sourced primarily senior debt financings for middle-market companies. Through our private opportunistic credit strategy, we seek to make investments in directly sourced third-party mezzanine and mezzanine-like transactions and also seek asset-based credit and structured credit opportunities across financial and hard assets. These investments often consist of mezzanine debt, which generates a current yield, coupled with marginal equity exposure with additional upside potential.

Hedge Funds

Our hedge fund platform consists of strategic partnerships with third-party hedge fund managers in which KKR owns a minority stake. This includes a 34.6% interest in Marshall Wace, a global alternative investment manager specializing in long/short equity products, and a 24.9% interest in BlackGold Capital Management L.P. ("BlackGold"), a credit-oriented investment manager focused on energy and hard asset investments. We also own a 39.9% interest in, and are entitled to receive certain other payments from, PAAMCO Prisma Holdings, LLC ("PAAMCO Prisma"), an investment manager focused on liquid alternative investment solutions, including hedge fund-of-fund portfolios.

On November 14, 2018, we sold all of our 24.6% interest in Nephila Capital Ltd. ("Nephila"), an investment manager focused on investing in natural catastrophe and weather risk, as part of an acquisition of Nephila by a third-party buyer.

Public Markets AUM and Vehicle Structures

As of December 31, 2018 , our Public Markets business line had $91.3 billion of AUM, comprised of $35.5 billion of assets managed in our leveraged credit strategies (which include $2.2 billion of assets managed in our opportunistic credit strategy and $1.8 billion of assets managed in our revolving credit strategy), $6.6 billion of assets managed in our special situations strategy, $22.8 billion of assets managed in our private credit strategies, $25.7 billion of assets managed through our hedge fund platform, and $0.7 billion of assets managed in other strategies. Our private credit strategies include $17.0 billion of assets managed in our direct lending strategy and $5.8 billion of assets managed in our private opportunistic credit (or mezzanine) strategy.

The table below presents information as of December 31, 2018 , based on the investment funds, vehicles or accounts offered by our Public Markets business line. Our funds, vehicles and accounts have been sorted based upon their primary investment strategies. However, the AUM and FPAUM presented for each line in the table includes certain investments from non-primary investment strategies, which are permitted by their investment mandates, for purposes of presenting the fees and other terms for such funds, vehicles and accounts.

($ in millions)	AUM	FPAUM	Typical Management Fee Rate	Incentive Fee / Carried Interest	Preferred Return	Duration of Capital
Leveraged Credit:						
Leveraged Credit SMAs/Funds	$ 18,915	$ 17,645	0.10%-1.10%	Various (1)	Various (1)	Subject to redemptions
CLOs	13,026	13,026	0.40%-0.50%	Various (1)	Various (1)	10-14 Years (2)
Total Leveraged Credit	31,941	30,671				
Alternative Credit: (3)						
Special Situations	6,846	4,382	0.90%-1.75% (4)	10.00-20.00%	7.00-12.00%	8-15 Years (2)
Private Credit	10,073	4,202	0.50%-1.50%	10.00-20.00%	5.00-8.00%	8-15 Years (2)
Total Alternative Credit	16,919	8,584				
Hedge Funds (5)	25,685	18,144	0.50%-2.00%	Various (1)	Various (1)	Subject to redemptions
BDCs (6)	16,779	16,779	0.60%	8.00%	7.00%	Indefinite
Total	$ 91,324	$ 74,178				

(1) Certain funds and CLOs are subject to a performance fee in which the manager or general partner of the funds share up to 20% of the net profits earned by investors in excess of performance hurdles (generally tied to a benchmark or index) and subject to a provision requiring the funds and vehicles to regain prior losses before any performance fee is earned.

(2) Duration of capital is measured from inception. Inception dates for CLOs were between 2013 and 2018 and for separately managed accounts and funds investing in alternative credit strategies from 2009 through 2018.

(3) Our alternative credit funds generally have investment periods of three to five years and our newer alternative credit funds generally earn fees on invested capital during the investment period.

(4) Lower fees on uninvested capital in certain vehicles.

(5) Hedge Funds represent KKR's pro rata portion of AUM and FPAUM of our hedge fund partnerships.

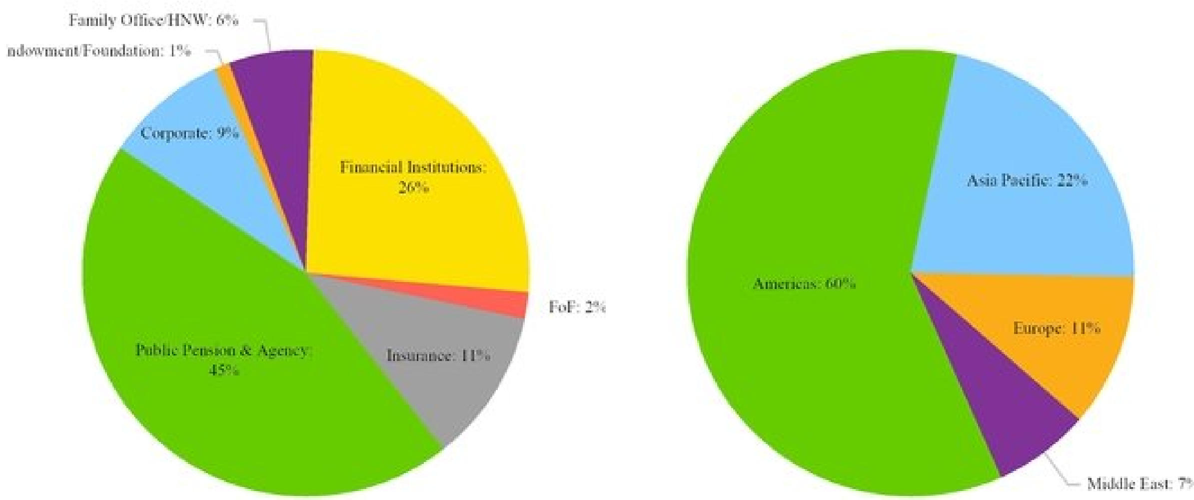
(6) Consists of our BDC platform advised by FS/KKR Advisor. We report all of the AUM of the BDCs in our AUM and FPAUM.

Fundraising and Composition of Fund Investors

We have a Client & Partner Group that is responsible for raising capital for us globally across all products, expanding our client relationships across asset classes and across types of fund investors, developing products to meet our clients' needs, and servicing existing fund investors and products. We also provide fundraising services to certain third-party fund managers in our hedge fund partnerships. As of December 31, 2018 , we had over 80 executives and professionals dedicated to our Client & Partner Group.

As of December 31, 2018 , we had approximately 970 investors in funds across all our strategies, which reflect the addition of 70 investors during the year. On average, a fund investor is invested in approximately two of our products as of December 31, 2018 . The following charts detail our investor base by type and geography as of December 31, 2018 .

Fund Investor Base by Type (1) **Fund Investor Base by Geography (1)**



(1) Based on the AUM of our Private Markets investment funds, Private Markets co-investment vehicles, and Public Markets separately managed accounts and Public Markets investment funds. These charts exclude general partner commitments, assets managed through CLOs, and assets managed by other asset managers with which KKR has formed strategic partnerships where KKR does not hold more than a 50% ownership interest. Allocations are assigned to a type or geographic region according to subscriptions received from a limited partner.

Capital Markets

Our Capital Markets business line is comprised of our global capital markets business, which is integrated with KKR’s other business lines, and serves our firm, our portfolio companies and third-party clients by developing and implementing both traditional and non-traditional capital solutions for investments or companies seeking financing. These services include arranging debt and equity financing, placing and underwriting securities offerings, and providing other types of capital markets services that may result in the firm receiving fees, including underwriting, placement, transaction and syndication fees, commissions, underwriting discounts, interest payments and other compensation, which may be payable in cash or securities, in respect of the activities described above.

Our capital markets business underwrites credit facilities and arranges loan syndications and participations. When we are sole arrangers of a credit facility, we may advance amounts to the borrower on behalf of other lenders, subject to repayment. When we underwrite an offering of securities on a firm commitment basis, we commit to buy and sell an issue of securities and generate revenue by purchasing the securities at a discount or for a fee. When we act in an agency capacity or best efforts basis, we generate revenue for arranging financing or placing securities with capital markets investors. We may also provide issuers with capital markets advice on security selection, access to markets, marketing considerations, securities pricing, and other aspects of capital markets transactions in exchange for a fee. Our capital markets business also provides syndication services in respect of co-investments in transactions participated in by KKR funds or third-party clients, which may entitle the firm to receive syndication fees, management fees and/or a carried interest.

The capital markets business has a global footprint, with local presence and licenses to carry out certain broker-dealer activities in various countries in North America, Europe, Asia-Pacific and the Middle East. Our flagship capital markets subsidiary is KKR Capital Markets LLC, an SEC-registered broker-dealer and a member of the Financial Industry Regulation Authority ("FINRA").

Principal Activities

Through our Principal Activities business line, we manage the firm's own assets on our balance sheet and deploy capital to support and grow our business lines. Typically, the funds in our Private Markets and Public Markets business lines contractually require us, as general partner of the funds, to make sizable capital commitments from time to time. We believe making general partner commitments assists us in raising new funds from limited partners by demonstrating our conviction in a given fund's strategy. We also use our balance sheet to acquire investments in order to help establish a track record for fundraising purposes in new strategies. We may also use our own capital to seed investments for new funds, to bridge capital selectively for our funds' investments or finance strategic acquisitions and partnerships, although the financial results of an acquired business or hedge fund partnership may be reported in our other business lines.

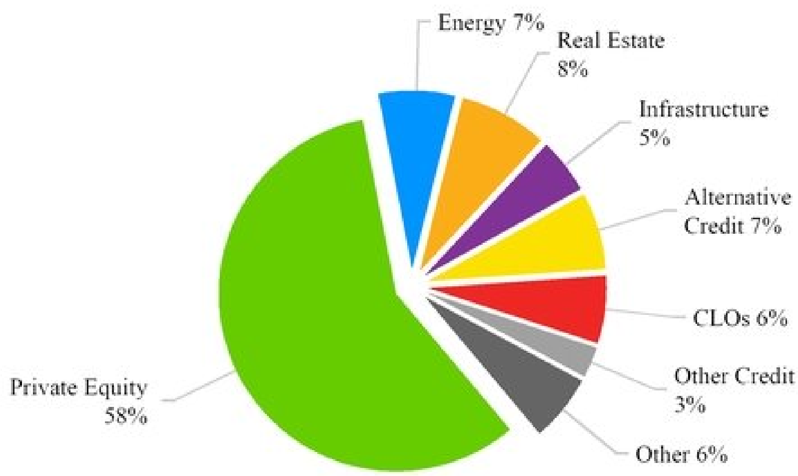
Our Principal Activities business line also provides the required capital to fund the various commitments of our Capital Markets business line when underwriting or syndicating securities, or when providing term loan commitments for transactions involving our portfolio companies and for third parties. Our Principal Activities business line also holds assets that may be utilized to satisfy regulatory requirements for our Capital Markets business line and risk retention requirements for our CLOs.

We also make opportunistic investments through our Principal Activities business line, which include co-investments alongside our Private Markets and Public Markets funds as well as Principal Activities investments that do not involve our Private Markets or Public Markets funds.

We endeavor to use our balance sheet strategically and opportunistically to generate an attractive risk-adjusted return on equity in a manner that is consistent with our fiduciary duties, in compliance with applicable laws, and consistent with our one-firm approach.

The chart below presents the holdings of our Principal Activities business line by asset class as of December 31, 2018 .

Holdings by Asset Class (1)



(1) General partner commitments in our funds are included in the various asset classes shown above. Assets and revenues of other asset managers with which KKR has formed strategic partnerships where KKR does not hold more than 50% ownership interest are not included in our Principal Activities business line but are reported in the financial results of our other business lines. Private Equity includes KKR private equity funds, co-investments alongside such KKR-sponsored private equity funds, certain core equity investments, and other opportunistic investments. Equity investments in other asset classes, such as real estate, special situations and energy appear in these other asset classes. Other Credit consists of certain leveraged credit and specialty finance strategies.

Competition

We compete with other investment managers for both fund investors and investment opportunities. The firm's competitors consist primarily of sponsors of public and private investment funds, real estate development companies, BDCs, investment banks, commercial finance companies and operating companies acting as strategic buyers. We believe that competition for fund investors is based primarily on investment performance, investor liquidity and willingness to invest, investor perception of investment managers' drive, focus and alignment of interest, business reputation, duration of relationships, quality of services, pricing, fund terms including fees, and the relative attractiveness of the types of investments that have been or are to be made. We believe that competition for investment opportunities is based primarily on the pricing, terms and structure of a proposed investment and certainty of execution. In addition to these traditional competitors within the global investment management industry, we also face competition from local and regional firms, financial institutions and sovereign wealth funds in the various countries in which we invest. In certain emerging markets, local firms may have more established relationships with the companies in which we are attempting to invest. These competitors often fall into one of the aforementioned categories but in some cases may represent new types of fund investors, including high net worth individuals, family offices and state-sponsored entities.

There are numerous funds focused on private equity, real assets, growth equity, credit and hedge fund strategies that compete for investor capital. Fund managers have also increasingly adopted investment strategies outside of their traditional focus. For example, funds focused on credit and equity strategies have become active in taking control positions in companies, while private equity funds have acquired minority equity or debt positions in publicly listed companies. This convergence could heighten competition for investments. Furthermore, as institutional fund investors increasingly consolidate their relationships for multiple investment products with a few investment firms, competition for capital from such institutional fund investors may become more acute. However, such consolidation may also lead institutional fund investors to prefer more established investment firms, which could help us compete against newer entrants or investment firms that are smaller in size or offer more limited types of investment strategies.

Some of the entities that we compete with as an investment firm may have greater financial, technical, marketing and other resources and more personnel than us and, in the case of some asset classes, longer operating histories, more established relationships or greater experience. Several of our competitors also have raised, or may raise, significant amounts of capital and have investment objectives that are similar to the investment objectives of our funds, which may create additional competition for investment opportunities. Some of these competitors may also have lower costs of capital and access to funding sources that are not available to us, which may create competitive advantages for them. In addition, some of these competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider range of investments and to bid more aggressively than us for investments. Strategic buyers may also be able to achieve synergistic cost savings or revenue enhancements with respect to a targeted portfolio company, which may provide them with a competitive advantage in bidding for such investments.

Our capital markets business competes primarily with investment banks and independent broker-dealers in North America, Europe, Asia-Pacific and the Middle East. We principally focus our capital markets activities on the firm, our portfolio companies and fund investors, but we also seek to service other third parties. While we generally target customers with whom we have existing relationships, those customers may have similar relationships with the firm's competitors, many of whom will have access to competing securities transactions, greater financial, technical or marketing resources or more established reputations than us.

Competition is also intense for the attraction and retention of qualified employees and consultants. Our ability to continue to compete effectively in our businesses will depend upon our ability to attract new employees and consultants and retain and motivate our existing employees and consultants.

Employees, Consultants and Advisors

As of December 31, 2018 , we employed 1,301 people worldwide:

Investment Professionals	447
Other Professionals	587
Support Staff	267
Total Employees [(1)]	1,301

(1) Does not include operating consultants and other consultants who provide services to us or our funds.

Investment Professionals

Our 447 investment professionals come from diverse backgrounds in private equity, real assets, credit, hedge funds and other asset classes and include executives with operations, strategic consulting, risk management, liability management and finance experience. As a group, these professionals provide us with a strong global team for identifying attractive investment opportunities, creating value and generating superior returns.

Other Professionals

Our 587 other professionals come from diverse backgrounds in capital markets, economics, capital raising, client services, public affairs, finance, tax, legal, compliance, human resources, and information technology. As a group, these professionals provide us with a strong team for overseeing investments and performing capital markets activities, servicing our existing fund investors and creating relationships with new fund investors globally. Additionally, a majority of these other professionals are responsible for supporting the global infrastructure of KKR.

KKR Capstone

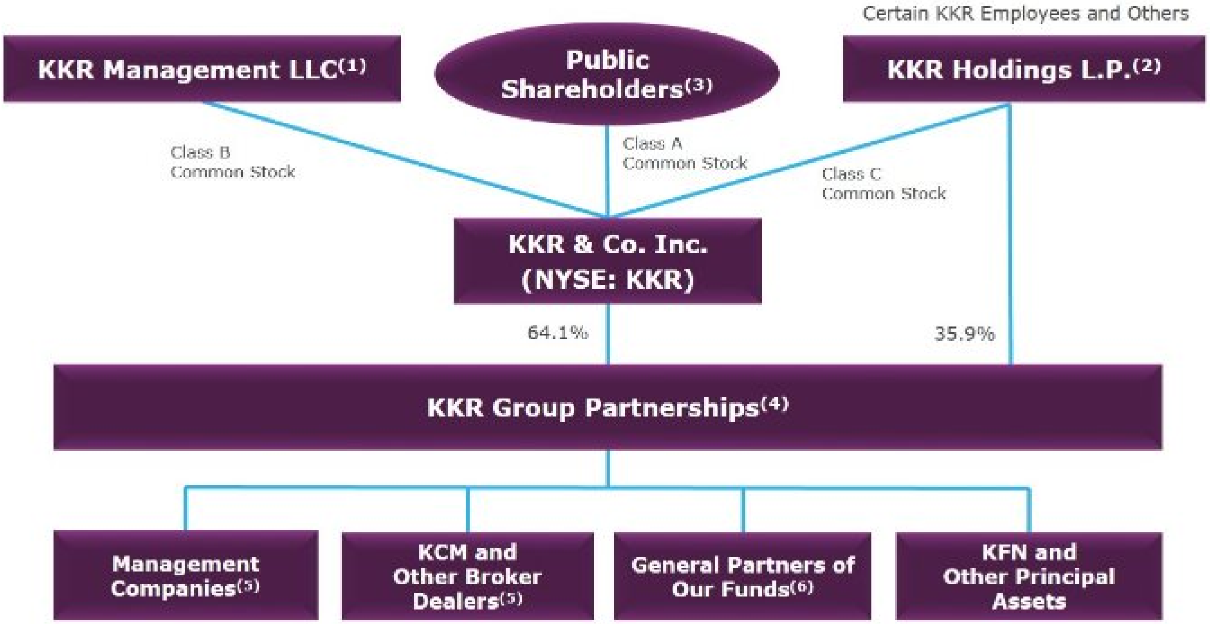
We have developed an institutionalized process for creating value in investments. As part of our effort, we utilize a team of 66 operating consultants at KKR Capstone, who are not KKR employees but work exclusively with our investment professionals and portfolio company management teams or our designees. With professionals in North America, Europe and the Asia-Pacific, KKR Capstone provides additional expertise for assessing investment opportunities and assisting managers of portfolio companies in defining strategic priorities and implementing operational changes. During the initial phases of an investment, KKR Capstone's work seeks to implement our thesis for value creation. These operating consultants may assist portfolio companies in addressing top-line growth, cost optimization and efficient capital allocation and in developing operating and financial metrics. Over time, this work shifts to identifying challenges and taking advantage of business opportunities that arise during the life of an investment. KKR Capstone is consolidated in KKR's financial results for GAAP purposes, but is not a subsidiary or affiliate of KKR.

Senior Advisors and Other Advisors

To complement the expertise of our investment professionals, we have a team of senior advisors and other advisors. While not KKR employees, they provide us with additional operational and strategic insights. The responsibilities of senior advisors and other advisors include serving on the boards of our portfolio companies, helping us source and evaluate individual investment opportunities and assisting portfolio companies with operational matters. These individuals include current and former chief executive officers, chief financial officers and chairpersons of major corporations and others holding leading positions of public agencies worldwide.

Organizational Structure

The following simplified diagram illustrates our organizational structure as of December 31, 2018 , unless otherwise noted. Certain entities depicted below may be held through intervening entities not shown in the diagram.



(1)KKR Management LLC is the sole holder of Class B common stock of KKR & Co. Inc. Class B common stock is the only class of common stock that is entitled to vote generally. KKR Management LLC is owned by senior KKR employees.

(2)KKR Holdings is the holding vehicle through which certain of our current and former employees and other persons indirectly own their interest in KKR. KKR Group Partnership Units that are held by KKR Holdings are exchangeable for shares of Class A common stock on a one-for-one basis, subject to customary conversion rate adjustments for stock splits, stock dividends and reclassifications and compliance with applicable vesting and transfer restrictions. As limited partner interests, these KKR Group Partnership Units are non-voting and do not entitle KKR Holdings to participate in the management of our business and affairs. As of December 31, 2018, KKR Holdings had approximately a 35.9% interest in our business indirectly through its limited partner interests in the KKR Group Partnerships. KKR Holdings also holds Class C common stock that entitles it to cast, with respect to those limited matters that may be submitted to a vote of our Class A common stockholders, a number of votes equal to the number of KKR Group Partnership Units that it holds from time to time.

(3)Includes holders of 13,800,000 shares of Series A Preferred Stock issued on March 17, 2016, 6,200,000 shares of Series B Preferred Stock issued on June 20, 2016 and our Class A common stock.

(4)KKR Group Partnerships include KKR Management Holdings L.P., KKR Fund Holdings L.P. and KKR International Holdings L.P. Following the Conversion, KKR & Co. Inc.'s allocable share of all taxable income of the KKR Group Partnerships is subject to taxation at a corporate rate. As of February 12, 2019, KKR International Holdings L.P. held no assets.

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

(6)40% of the carried interest earned from our investment funds, and, beginning with the quarter ended September 30, 2016, 40% of the management fees that would have been subject to a management fee refund for investment funds that have a preferred return, are allocated to a carry pool, from which carried interest is allocable to our employees and selected other individuals. Beginning with the quarter ended September 30, 2017, 43% of carried interest generated by then-current and future funds is allocated to the carry pool instead of 40% of carried interest. For impacted funds, the incremental 3% replaces the amount of certain management fee refunds that would have been calculated for those funds as performance income compensation. No carried interest has been allocated with respect to co-investments acquired from KPE in the KPE Transaction. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Financial Measures Under GAAP—Expenses—Compensation and Benefits."

Regulation

Our operations are subject to regulation and supervision in a number of jurisdictions. The level of regulation and supervision to which we are subject varies from jurisdiction to jurisdiction and is based on the type of business activity involved. We, in conjunction with our outside advisors and counsel, seek to manage our business and operations in compliance with such regulation and supervision. The regulatory and legal requirements that apply to our activities are subject to change from time to time and may become more restrictive, which may make compliance with applicable requirements more difficult or expensive or otherwise restrict our ability to conduct our business activities in the manner in which they are now conducted. Changes in applicable regulatory and legal requirements, including changes in their enforcement, could materially and adversely affect our business and our financial condition and results of operations. As a matter of public policy, the regulatory bodies that regulate our business activities are generally responsible for safeguarding the integrity of the securities and financial markets and protecting fund investors who participate in those markets rather than protecting the interests of our stockholders.

United States

Regulation as an Investment Adviser

We conduct our advisory business through our investment adviser subsidiaries, including Kohlberg Kravis Roberts & Co. L.P. and its wholly-owned subsidiary KKR Credit Advisors (US) LLC, each of which is registered as an investment adviser with the SEC under the Investment Advisers Act of 1940 (the "Investment Advisers Act"). The investment advisers are subject to the anti-fraud provisions of the Investment Advisers Act and to fiduciary duties derived from these provisions, which apply to our relationships with our advisory clients globally, including funds that we manage. These provisions and duties impose restrictions and obligations on us with respect to our dealings with our fund investors and our investments, including for example restrictions on agency cross and principal transactions. Our registered investment advisers are subject to periodic SEC examinations and other requirements under the Investment Advisers Act and related regulations primarily intended to benefit advisory clients. These additional requirements relate, among other things, to maintaining an effective and comprehensive compliance program, record-keeping and reporting requirements and disclosure requirements. The Investment Advisers Act generally grants the SEC broad administrative powers, including the power to limit or restrict an investment adviser from conducting advisory activities in the event it fails to comply with federal securities laws. Additional sanctions that may be imposed for failure to comply with applicable requirements include the prohibition of individuals from associating with an investment adviser, the revocation of registrations and other censures and fines.

KKR Credit Advisors (US) LLC is also subject to regulation under the Investment Company Act as an investment adviser to a registered investment company. The KKR Income Opportunities Fund is a closed-end management investment company registered under the Investment Company Act. The closed-end management investment company and KKR Credit Advisors (US) LLC are subject to the Investment Company Act and the rules thereunder, which among other things regulate the relationship between a registered investment company and its investment adviser and prohibit or restrict principal transactions and joint transactions.

Regulation as a Broker-Dealer

KKR Capital Markets LLC, one of our subsidiaries, is registered as a broker-dealer with the SEC under the Exchange Act and in all 50 U.S. States and U.S. territories, and is a member of the FINRA. MCS Capital Markets LLC, one of our subsidiaries, is registered as a broker-dealer with the SEC under the Exchange Act and in 35 U.S. States. As registered broker-dealers, KKR Capital Markets LLC and MCS Capital Markets LLC are subject to periodic SEC and FINRA examinations and reviews. A broker-dealer is subject to legal requirements covering all aspects of its securities business, including sales and trading practices, public and private securities offerings, use and safekeeping of customers' funds and securities, capital structure, record-keeping and retention and the conduct and qualifications of directors, officers, employees and other associated persons. These requirements include the SEC's "uniform net capital rule," which specifies the minimum level of net capital that a broker-dealer must maintain, requires a significant part of the broker-dealer's assets to be kept in relatively liquid form, imposes certain requirements that may have the effect of prohibiting a broker-dealer from distributing or withdrawing its capital and subjects any distributions or withdrawals of capital by a broker-dealer to notice requirements. These and other requirements also include rules that limit a broker-dealer's ratio of subordinated debt to equity in its regulatory capital composition, constrain a broker-dealer's ability to expand its business under certain circumstances and impose additional requirements when the broker-dealer participates in securities offerings of affiliated entities. Violations of these requirements may result in censures, fines, the issuance of cease-and-desist orders, revocation of licenses or registrations, the suspension or expulsion from the securities industry of the broker-dealer or its officers or employees or other similar consequences by regulatory bodies.

Ireland

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

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

United Kingdom

We have several subsidiaries which are authorized and regulated by the United Kingdom Financial Conduct Authority (the "FCA") under the Financial Services and Markets Act 2000 ("FSMA"). FSMA and related rules govern most aspects of investment business, including investment management, sales, research and trading practices, provision of investment advice, corporate finance, use and safekeeping of client funds and securities, regulatory capital, record-keeping, margin practices and procedures, approval standards for individuals, anti-money laundering, periodic reporting and settlement procedures. The FCA is responsible for administering these requirements and our compliance with the FSMA and related rules. Violations of these requirements may result in censures, fines, imposition of additional requirements, injunctions, restitution orders, revocation or modification of permissions or registrations, the suspension or expulsion from certain "controlled functions" within the financial services industry of officers or employees performing such functions or other similar consequences.

KKR Capital Markets Limited has permission to engage in a number of regulated activities regulated under FSMA, including dealing as principal or agent and arranging deals in relation to certain types of specified investments and arranging the safeguarding and administration of assets. KKR Capital Markets Limited also currently benefits from a passport under the single market directives to offer services cross border into all countries in the European Economic Area and Gibraltar. Kohlberg Kravis Roberts & Co. Partners LLP has permission to engage in a number of regulated activities including advising on and arranging deals relating to corporate finance business in relation to certain types of specified investments. KKR Credit Advisors (EMEA) LLP has permission to engage in a number of regulated activities including managing, advising on and arranging deals in relation to certain types of specified investments.

Other Jurisdictions

Certain other subsidiaries or funds that we advise are registered with, have been licensed by or have obtained authorizations to operate in their respective jurisdictions outside of the United States. These registrations, licenses or authorizations relate to providing investment advice, broker-dealer activities, marketing of securities and other regulated activities. Failure to comply with the laws and regulations governing these subsidiaries and funds that have been registered, licensed or authorized could expose us to liability and/or damage our reputation.

In Canada, KKR Capital Markets LLC and MCS Capital Markets LLC are also registered as an international dealer under the Securities Act (Ontario). This registration permits us to trade in non-Canadian equity and debt securities with certain types of investors located in Ontario, Canada.

In Japan, KKR Capital Markets Japan Ltd., a joint stock corporation, is registered as a Type I and Type II Financial Instruments Business Operator (broker-dealer) under the Financial Instruments and Exchange Act of Japan, and a money lender under the Money Lending Business Act of Japan.

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

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

In Australia, KKR Australia Pty Limited and KKR Australia Investment Management Pty Limited are Australian financial services licensed and are authorized to provide advice on and deal in financial products for wholesale clients, and are regulated by the Australian Securities and Investments Commission.

In Hong Kong, KKR Capital Markets Asia Limited is licensed by the Securities and Futures Commission in Hong Kong to carry on dealing in securities and advising on securities regulated activities.

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

In Mauritius, KKR Holdings Mauritius, Ltd. and KKR Account Adviser (Mauritius), Ltd. are unrestricted investment advisers authorized to manage portfolios of securities and give advice on securities transactions, and are regulated by the Financial Services Commission, Mauritius.

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

From time to time, one or more of our investment funds or their related investment vehicles may be regulated as a mutual fund by the Cayman Islands Monetary Authority, regulated as an investment limited partnership by CBI, listed on the Irish Stock Exchange, notified with the Financial Services Agency of Japan for sale pursuant to certain private placement exemptions and/or for investment pursuant to certain exemption, registered with the Financial Supervisory Service of the Republic of Korea, licensed by or granted in principal approval from SEBI, subject to the regulatory supervision of the Commission de Surveillance du Secteur Financier of Luxembourg, notified with the Netherlands Authority for Financial Markets for sale pursuant to certain private placement exemptions, or registered under the Investment Company Act.

There are a number of legislative and regulatory initiatives in the United States and in Europe that could significantly affect our business. See "Risk Factors—Risks Related to Our Business—Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could materially and adversely affect our business."

Website and Availability of SEC Filings

Our website address is *www.kkr.com* . Information on our website is not incorporated by reference herein and is not a part of this report. We make available free of charge on our website or provide a link on our website to our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after those reports are electronically filed with, or furnished to, the SEC. To access these filings, go to the "Stockholder (KKR & Co. Inc.)" section of our "Investor Center" page on our website, then click on "SEC Filings." In addition, these reports and the other documents we file with the SEC are available at a website maintained by the SEC at *www.sec.gov* .

From time to time, we may use our website as a channel of distribution of material information. Financial and other material information regarding our company is routinely posted on and accessible at *www.kkr.com* . In addition, you may automatically receive e-mail alerts and other information about our company by enrolling your e-mail address by visiting the "Email Alerts" section under the "Stockholder (KKR & Co. Inc.)" section of the "Investor Center" page at *www.kkr.com* .

ITEM 1A. RISK FACTORS

Investing in our securities involves risk. Persons investing in our securities should carefully consider the risks described below and the other information contained in this report and other filings that we make from time to time with the SEC, including our consolidated financial statements and accompanying notes. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. Our business, financial condition or results of operations could also be materially and adversely affected by additional factors that apply to all companies generally, as well as other risks that are not currently known to us or that we currently view to be immaterial. In any such case, the trading price of our securities could decline and you may lose all or part of your original investment. While we attempt to mitigate known risks to the extent we believe to be practicable and reasonable, we can provide no assurance, and we make no representation, that our mitigation efforts will be successful.

Risks Related to Our Business

Difficult market and economic conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial prospects and condition.

Our business and the businesses of the companies in which we invest are materially affected by financial markets and economic conditions or events throughout the world, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation), trade barriers, commodity prices, currency exchange rates and controls and national and international political circumstances (including wars, terrorist acts or security operations). For example, rising trade tensions between the United States and China, growing uncertainty regarding Brexit, and the decision by the U.S. Federal Reserve to raise its benchmark interest rate in September and December of 2018 have contributed to the volatility in the U.S. stock markets in late 2018 and early 2019, which have adversely impacted the valuations of certain of our investments as of December 31, 2018. In addition, the unprecedented turmoil in the global financial markets during 2008 and 2009 provoked significant volatility of securities prices, contraction in the availability of credit and the failure of a number of companies, including leading financial institutions, and had a material adverse effect on our businesses and the businesses of the companies in which we invest. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Environment" for a discussion of recent developments in market and business conditions that may affect our business.

Such financial markets and economic conditions are outside our control and may affect the level and volatility of securities prices and liquidity and as a result, the value of our investments and our financial results. In addition, we may not be able to or may choose not to manage our exposure to these conditions and/or events. If not otherwise offset, declines in the equity, commodity and debt in the markets would likely cause us to write down our investments and the investments of our funds. For example, during the global financial crisis in 2008 and 2009, valuations of our private equity funds declined across all geographies, with investments in private equity funds marked down to as low as 67% of original cost and multiples of invested capital reaching as low as 0.5x, 0.6x, 0.7x and 0.8x for the European Fund II, European Fund III, 2006 Fund and Asian Fund, respectively, as of March 31, 2009. Our profitability may also be materially and adversely affected by our fixed costs and the possibility that we would be unable to scale back other costs within a time frame sufficient to match any decreases in net income relating to a downturn in market and economic conditions.

Unfavorable market and economic conditions may reduce opportunities for our funds to make, exit and realize value from their investments. Challenging market and economic conditions, including those caused by changes in tax laws and other regulatory restrictions, may make it difficult for us to find suitable investments for our funds or secure financing for investments on attractive terms. Such conditions may also result in reduced opportunities for our funds to exit and realize value from their existing investments and lower-than-expected returns on existing investments. Although the equity markets are not the only means by which we exit investments, in challenging equity markets, our funds may experience greater difficulty in realizing value from investments. In addition, when financing is not available or becomes too costly, it is difficult for potential buyers to raise sufficient capital to purchase our funds' investments. Consequently, we may earn lower-than-expected returns on investments, which could cause us to realize diminished or no carried interest.

We generally raise capital for a successor fund following the substantial and successful deployment of capital from the existing fund. In the event of poor performance by existing funds, our ability to raise new funds is impaired. Our fundraising may also be negatively impacted by any change in or rebalancing of fund investors' asset allocation policies. During periods of unfavorable fundraising conditions, fund investors may negotiate for lower fees, different fee sharing arrangements for transaction or other fees, and other concessions. The outcome of such negotiations could result in our agreement to terms that are materially less favorable to us than for prior funds we have managed. Our current funds, including all our recent private equity funds, have performance hurdles, which require us to generate a specified return on investment prior to our right to receive carried interest. This requirement will likely be in all our future funds, and the hurdle rate could increase for our future funds. In addition, successor funds raised by us when such unfavorable circumstances described above exist would also likely result in smaller funds than our comparable predecessor funds. Fund investors may also seek to redeploy capital away from certain of our credit or other non-private equity investment vehicles, which permit redemptions on relatively short notice, in order to meet liquidity needs or invest in other asset classes or with other managers. Any of these developments could materially and adversely affect our future revenues, net income, cash flow, financial condition or ability to retain our employees. See "—Our inability to raise additional or successor funds (or raise successor funds of a comparable size as our predecessor funds) could have a material adverse impact on our business" and "—Our investors in future funds may negotiate to pay us lower management fees, reimburse us for fewer expenses or change the economic terms of our future funds, including with respect to transaction fees, management fees or monitoring fees, to be less favorable to us than those of our existing funds, which could materially and adversely affect our revenues or profitability."

During periods of difficult market or economic conditions or slowdowns (which may occur across one or more industries, sectors or geographies), companies in which we have invested may experience decreased revenues, financial losses, credit rating downgrades, difficulty in obtaining access to financing and increased funding costs. These companies may also have difficulty in expanding their businesses and operations or be unable to meet their debt service obligations or pay other expenses as they become due, including amounts payable to us. Negative financial results in our funds' portfolio companies may result in lower investment returns for our investment funds, which could materially and adversely affect our operating results and cash flow. To the extent the operating performance of such portfolio companies (as well as valuation multiples) deteriorate or do not improve, our funds may sell those assets at values that are less than we projected or even at a loss, thereby significantly affecting those funds' performance and consequently our operating results and cash flow and resulting in lower or no carried interest being paid to us. Adverse conditions may also increase the risk of default with respect to private equity, credit and other investments that we manage or the abandonment or foreclosure of our real asset investments. Even if economic and market conditions do improve broadly, adverse conditions in particular sectors may also cause our performance to suffer. Finally, low interest rates related to monetary stimulus, economic stagnation or deflation may negatively impact expected returns on all types of investments as the demand for relatively higher return assets increases and the supply decreases.

In addition, our capital markets business generates fees through a variety of activities in connection with the issuance and placement of equity and debt securities and credit facilities, with the size of fees generally correlated to overall transaction sizes. As a result, adverse conditions in financial markets as described above, as well as lower level of transaction activities involving our funds' investments, which can be unpredictable and outside our control, may negatively impact both the frequency and size of fees generated by our capital markets business.

Changes in the debt financing markets may negatively impact the ability of our investment funds, their portfolio companies and strategies pursued with our balance sheet assets to obtain attractive financing for their investments or to refinance existing debt and may increase the cost of such financing or refinancing if it is obtained, which could lead to lower-yielding investments and potentially decrease our net income.

In the event that our funds are unable to obtain committed debt financing for potential acquisitions or can only obtain debt at an increased interest rate or on unfavorable terms, our funds may have difficulty completing otherwise profitable acquisitions or may generate profits that are lower than would otherwise be the case, either of which could lead to a decrease in the investment income earned by us. Any failure by lenders to provide previously committed financing can also expose us to potential claims by sellers of businesses that we may have contracted to purchase. Similarly, certain of the strategies pursued with our balance sheet assets rely on the use of leverage, including the issuance of CLOs, and other secured and unsecured borrowings. Our ability to generate returns on these assets would be reduced to the extent that changes in market conditions, including continued increase by the U.S. Federal Reserve of its benchmark interest rate, cause the cost of our financing to increase relative to the income that can be derived from the assets acquired and financed. Similarly, our portfolio companies regularly utilize the corporate debt markets in order to obtain financing for their operations. To the extent that credit markets render such financing difficult to obtain or more expensive, this may negatively impact the operating performance of those portfolio companies and, therefore, the investment returns on our funds. In addition, to the extent that conditions in the credit markets impair the ability of our portfolio companies to refinance or extend maturities on their outstanding debt, either on favorable terms or at all, the operating performance of those portfolio companies may be negatively impacted, which could impair the value of our investment in those portfolio companies and lead to a decrease in the investment income earned by us. In some cases, the inability of our portfolio companies to refinance or extend maturities may result in the inability of those companies to repay debt at maturity or pay interests when due, and may cause the companies to sell assets, undergo a recapitalization or seek bankruptcy protection, any of which would also likely impair the value of our investment and lead to a decrease in investment income earned by us.

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

A substantial portion of the long-term indebtedness incurred by us, our investment funds and our portfolio companies bears interest at fluctuating interest rates, primarily based on the London interbank offered rate ("LIBOR"). In July 2017, the U.K. Financial Conduct Authority (the authority that regulates LIBOR) announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. It is unclear whether new methods of calculating LIBOR will be established such that it continues to exist after 2021 and has indicated that market participants should not rely on LIBOR being available after 2021. As an alternative to LIBOR, for example, the U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S.-dollar LIBOR with the Secured Overnight Financing Rate ("SOFR"), a new index calculated by short-term repurchase agreements, backed by Treasury securities. Although there have been a few issuances utilizing SOFR or the Sterling Over Night Index Average, an alternative reference rate that is based on transactions, it is unknown whether any of these alternative reference rates will attain market acceptance as replacements for LIBOR. There is currently no definitive successor reference rate to LIBOR and various industry organizations are still working to develop workable transition mechanisms. As such, it is not possible to predict all potential effects of these changes on U.S. and global credit markets. If LIBOR ceases to exist, we, our investments funds and our portfolio companies may need to amend or restructure our existing LIBOR-based debt instruments and any related hedging arrangements that extend beyond 2021, which may be difficult, costly and time consuming. In addition, from time to time our funds invest in floating rate loans and investment securities whose interest rates are indexed to LIBOR. Uncertainty as to the nature of alternative reference rates and as to potential changes or other reforms to LIBOR, or any changes announced with respect to such reforms, may result in a sudden or prolonged increase or decrease in the reported LIBOR rates and the value of LIBOR-based loans and securities, including those of other issuers we or our funds currently own or may in the future own, and may impact the availability and cost of hedging instruments and borrowings, including potentially, an increase to our and our funds' interest expense and cost of capital. Any increased costs or reduced profits as a result of the foregoing may adversely affect our liquidity, results of operations and financial condition.

We have significant liquidity requirements, and adverse market and economic conditions may adversely affect our sources of liquidity, which could adversely affect our business operations in the future.

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

- continue to grow our business lines, including seeding new strategies, funding our capital commitments made to existing and future funds, co-investments and any net capital requirements of our capital markets companies and otherwise supporting investment vehicles that we sponsor;
- warehouse investments in portfolio companies or other investments for the benefit of one or more of our funds, accounts or CLOs pending the contribution of committed capital by the investors in such vehicles, and advancing capital to them for operational or other needs;

- service debt obligations including the payment of obligations at maturity, on interest payment dates or upon redemption, as well as any contingent liabilities that may give rise to future cash payments;
- fund cash operating expenses and contingencies, including for litigation matters;
- payment of additional corporate income taxes following the Conversion;
- pay amounts that may become due under our tax receivable agreement with KKR Holdings;
- pay cash dividends in accordance with our dividend policy for our Class A common stock or the terms of our preferred stock;
- underwrite commitments, advance loan proceeds and fund syndication commitments within our capital markets business;
- make future purchase price payments in connection with our proprietary acquisitions, such as our hedge fund partnership with Marshall Wace and our purchase of incremental equity interest in Corporate Capital Trust, Inc., to the extent not paid by newly issued Class A common stock;
- acquire other assets for our Principal Activities business line, including our office space, other businesses, investments and assets, some of which may be required to satisfy regulatory requirements for our capital markets business or risk retention requirements for CLOs (to the extent it continues to apply); and
- repurchase our Class A common stock pursuant to the share repurchase program or other securities issued by us.

These liquidity requirements are significant and, in some cases, involve capital that will remain invested for extended periods of time. As of December 31, 2018, we have approximately $5.3 billion of remaining unfunded capital commitments to our investment funds. Our commitments to our funds will require significant cash outlays over time, and there can be no assurance that we will be able to generate sufficient cash flows from realizations of investments to fund them. We have also used our balance sheet to provide credit support to our general partner's obligations to our funds and to support certain transactions by our funds.

In addition, as of December 31, 2018, we had $22.3 billion of indebtedness outstanding under our credit facilities and debt securities on a GAAP basis and $3.3 billion of indebtedness outstanding under our credit facilities and debt securities on a segment basis, and $1.8 billion of cash and cash equivalents on a GAAP basis and $2.5 billion of cash and short-term investments on a segment basis. The segment-based measures exclude the assets and liabilities of our investment funds, CLOs and CMBS, and other consolidated entities that are not subsidiaries of KKR & Co. Inc., but include KKR Financial Holdings LLC's ("KFN") debt obligations, which as of December 31, 2018, consisted of $948.5 million, which do not provide for recourse to KKR beyond the assets of KFN. Our $1.0 billion corporate revolving credit facility is scheduled to mature in 2023. Depending on market conditions, we may not be able to refinance or renew all or part of these senior notes or our corporate revolving credit facility, or find alternate sources of financing (including issuing equity), on commercially reasonable terms or at all. Furthermore, the incurrence of additional debt by us or our subsidiaries in the future could result in downgrades of our existing corporate credit ratings, which could limit the availability of future financing and increase our costs of borrowing.

In addition, the underwriting commitments for our capital markets business may require significant cash obligations, and these commitments may also put pressure on our liquidity. The holding company for our capital markets business has entered into a credit agreement that provides for revolving borrowings of up to $500 million, which can only be used in connection with our capital markets business, including placing and underwriting securities offerings, and a 364-day revolving credit agreement that provides for revolving borrowings of up to $750 million, which can only be used to facilitate the settlement of debt transaction syndicated by our capital markets business. To the extent we commit to buy and sell an issue of securities in firm commitment underwritings or otherwise, we may be required to borrow under these revolving credit facilities to fund such obligations, which, depending on the size and timing of the obligations, may limit our ability to enter into other underwriting arrangements or similar activities, service existing debt obligations or otherwise grow our business. Further, these facilities are scheduled to mature in 2021 and 2019, respectively, and depending on the market conditions, we may not be able to refinance or renew them on commercially reasonable terms or at all. Regulatory net capital requirements may also limit the ability of our broker-dealer subsidiaries to participate in underwriting or other transactions or to allocate our capital more efficiently across our businesses.

Our other liquidity requirements include potential future purchase price payments in connection with strategic partnerships with third-party hedge fund managers like Marshall Wace, based on the respective performance of these businesses or the exercise of certain options. In the fourth quarter of 2018, due to the exercise of one of the options agreed to between Marshall Wace and KKR, we acquired an additional 5.0% interest in Marshall Wace, for which we paid a combination of cash and shares of our Class A common stock. In addition, in connection with the development of a new KKR office in New York City, we will be required to pay for our acquisition of the property in 2019 and to pay for the construction of the office, which is expected to be completed in 2020.

In the event that our liquidity requirements were to exceed available liquid assets for the reasons specified above or for any other reasons, we could be forced to sell assets or seek to raise debt or equity capital on unfavorable terms. For further discussion of our liquidity needs, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity."

The "clawback" provisions in our governing agreements may give rise to a contingent obligation that may require us to return or contribute amounts to our funds and fund investors.

The partnership documents governing our carry-paying funds, including funds relating to private equity, growth equity, infrastructure, energy, real estate, special situations, private credit opportunities, direct lending, revolving credit and core investments, generally include a "clawback" provision that, if triggered, may give rise to a contingent obligation requiring the general partner to return amounts to the fund for distribution to the fund investors at the end of the life of the fund. Under a clawback obligation, upon the liquidation of a fund, the general partner is required to return, typically on an after-tax basis, previously distributed carry to the extent that, due to the diminished performance of later investments, the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, including the effects of any performance thresholds. We would continue to be subject to the clawback obligation even if carry has been distributed to current or former employees or other personnel through our carry pool, and we would be required to seek other sources of liquidity to fund such an obligation if such carry is not returned to us by them. As of December 31, 2018 , no carried interest with respect to funds for which we are responsible for repayment was subject to this clawback obligation, assuming that all such carry-paying funds were liquidated at their December 31, 2018 fair values. Had the investments in such carry-paying funds been liquidated at zero value, the clawback obligation would have been $2.0 billion .

Carry distributions may give rise to clawback obligations that may be allocated to us and our principals who participate in the carry pool. In addition, guarantees of or similar arrangements relating to clawback obligations in favor of third-party investors in an individual investment partnership by entities we own may limit distributions of carried interest more generally.

Strategic investor partnerships have longer investment periods and invest in multiple strategies, which may increase the possibility of a "netting hole," which will result in less carried interest for us, as well as clawback liabilities.

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

Our earnings and cash flow are highly variable due to the nature of our business and we do not intend to provide earnings guidance, each of which may cause the value of interests in our business to be volatile.

Our earnings are highly variable from quarter to quarter due to the volatility of investment returns of most of our funds, other investment vehicles and our balance sheet assets and the fees earned from our businesses. We recognize earnings on investments in our funds based on our allocable share of realized and unrealized gains (or losses) reported by such funds and for certain of our recent funds, when a performance hurdle is achieved. During times of market volatility the fair value of our funds and our balance sheet assets are more variable, and as publicly traded equity securities currently represent a significant proportion of the assets of many of our funds and balance sheet assets, volatility in the equity markets may have a significant impact on our reported results. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Fair Value Measurements" for a discussion of the impact of equity markets on the value of private equity investments. A decline in realized or unrealized gains, a failure to achieve a performance hurdle or an increase in realized or unrealized losses, would adversely affect our net income.

Fee income, which we recognize when contractually earned, can vary due to fluctuations in AUM, the number of investment transactions made by our funds, the number of portfolio companies we manage, the fee provisions contained in our funds and other investment products and transactions by our capital markets business. In any particular quarter, fee income may vary significantly due to the variances in size and frequency of monitoring fees (including termination payments), transaction fees or fees received by our capital markets business. Our total management, monitoring and transaction fees (net of fee credits) for the years ended December 31, 2018, 2017 and 2016 were $1,569.1 million, $1,309.0 million and $906.0 million, respectively, on a GAAP basis, and $1,853.9 million, $1,502.0 million and $1,074.9 million, respectively, on a segment basis. We may create new funds or investment products or vary the terms of our funds or investment products (for example our funds now include performance hurdles), which may alter the composition or mix of our income from time to time. In particular, in our newer private equity and other funds, we have agreed to return to our fund investors all monitoring and transaction fees generated by the fund's investments, which resulted in a decrease of our monitoring and transaction fee income. We may also experience fluctuations in our results from quarter to quarter, including our revenue and net income, due to a number of other factors, including changes in the values of our funds' investments, changes in the amount of distributions or interest earned in respect of investments, changes in our operating expenses, the degree to which we encounter competition and general market and economic conditions. In addition, our earnings and cash flows are dependent in part on the performance of KFN, a specialty finance company that we acquired in 2014, and are subject to the risks to KFN's businesses as described elsewhere in the report. Although KFN is a subsidiary of KKR, KFN has its own indebtedness outstanding. The terms of its indebtedness impose limitations on KFN's current and future operations and may restrict its ability to make distributions to KKR. For the years ended December 31, 2018, 2017 and 2016, our net income attributable to KKR & Co. Inc. Class A Common Stockholders on a GAAP basis was $1,097.7 million , $984.9 million and $287.1 million , respectively, and our after-tax distributable earnings on a segment basis was $1,597.2 million, $1,355.6 million and $1,341.5 million, respectively. Such fluctuations may lead to variability in the value of interests in our business and cause our results for a particular period not to be indicative of our performance in future periods. It may be difficult for us to achieve steady growth in net income and cash flow on a quarterly basis, which could in turn lead to large adverse movements in the value of interests in our business.

The timing and receipt of carried interest from our investment funds are unpredictable and will contribute to the volatility of our cash flows. For example, with respect to our private equity funds, carried interest is distributed to the general partner of a private equity fund with a clawback provision only after all of the following are met: (i) a realization event has occurred (e.g., sale of a portfolio company, dividend, etc.); (ii) the fund has achieved positive overall investment returns since its inception, in excess of performance hurdles where applicable; and (iii) with respect to investments with a fair value below cost (which we refer to as a netting hole), cost has been returned to fund investors in an amount sufficient to reduce remaining cost to the investments' fair value. Carried interest payments from investments depend on our funds' performance and opportunities for realizing gains, which may be limited. It takes a substantial period of time to identify attractive investment opportunities, to raise all the funds needed to make an investment and then to realize the cash value (or other proceeds) of an investment through a sale, public offering or other exit. To the extent an investment is not profitable, no carried interest will be received from our funds with respect to that investment and, to the extent such investment remains unprofitable, we will only be entitled to a management fee on that investment. Furthermore, certain vehicles and separately managed accounts may not provide for the payment of any carried interest at all. Even if an investment proves to be profitable, it may be several years before any profits can be realized in cash. We cannot predict when, or if, any realization of investments will occur. In addition, if finance providers, such as commercial and investment banks, make it difficult for potential purchasers to secure financing to purchase companies in our investment funds' portfolio, it may decrease potential realization events and the potential to earn carried interest. A downturn in the equity markets would also make it more difficult to exit investments by selling equity securities. If we were to have a realization event in a particular quarter, the event may have a significant impact on our cash flows during the quarter that may not be replicated in subsequent quarters. A decline in realized or unrealized gains, or an increase in realized or unrealized losses, would adversely affect our investment income, which could further increase the volatility of our quarterly results.

The timing and receipt of carried interest also vary with the life cycle of certain of our funds. Our carry-paying funds that have completed their investment periods and are able to realize mature investments, sometimes referred to as being in a "harvesting period," are more likely to make larger distributions than our carry-paying funds that are in their fund raising or investment periods that precede the harvesting period. During times when a significant portion of our AUM is attributable to carry-paying funds that are not in their harvesting periods, we may receive substantially lower carried interest distributions.

In addition, we have formed strategic partnerships with third-party hedge fund managers in which KKR owns a minority stake (which we refer to as "hedge fund partnerships"). These third-party hedge fund managers offer a variety of investment strategies, including hedge fund-of-funds, equity hedge funds and credit hedge funds. As a result, we are indirectly exposed to the volatility and fluctuations in financial results of these hedge fund managers. For example, certain funds managed by the hedge fund managers have "high-water mark" provisions whereby if the funds have experienced losses in prior periods, the fund managers will not be able to earn incentive fees with respect to a fund investor's account until the net asset value of the fund investor's account exceeds the highest period end value on which incentive fees were previously paid. The incentive fees the hedge fund managers earn are therefore dependent on the net asset value of these funds, which could add to volatility in our quarterly results and cash flow.

A decline in the pace or size of investment by our funds would result in our receiving less revenue from fees.

The transaction and management or monitoring fees that we earn are driven in part by the pace at which our funds make investments and the size of those investments. Any decline in that pace or the size of investments would reduce our revenue from transaction and management or monitoring fees. Likewise, during an attractive selling environment, our funds may capitalize on increased opportunities to exit investments. Any increase in the pace at which our funds exit investments, if not offset by new commitments and investments, would reduce future management fees. Additionally, in certain of our funds that derive management fees only on the basis of invested capital, the pace at which we make investments, the length of time we hold such investment and the timing of disposition will directly impact our revenues. Many factors could cause such a decline in the pace of investment or the transaction and management or monitoring fees we receive, including:

- the inability of our investment professionals to identify attractive investment opportunities;
- competition for such opportunities among other potential acquirers;
- unfavorable market and economic conditions;
- decreased availability of capital or financing on attractive terms;
- our failure to consummate identified investment opportunities because of business, regulatory or legal complexities and adverse developments in the U.S. or global economy or financial markets;
- terms we may agree with or provide to our fund investors or investors in separately managed accounts with respect to fees such as increasing the percentage of transaction or other fees we may share with our fund investors; and
- new regulations, guidance or other actions provided or taken by regulatory authorities.

Our inability to raise additional or successor funds (or raise successor funds of a comparable size as our predecessor funds) could have a material adverse impact on our business.

Our current private equity funds and certain other funds and investment vehicles have a finite life and a finite amount of commitments from fund investors. Once a fund nears the end of its investment period, our success depends on our ability to raise additional or successor funds in order to keep making investments and, over the long term, earning management fees (although our funds and investment vehicles continue to earn management fees after the expiration of their investment periods, they are generally at a reduced rate). Even if we are successful in raising successor funds, to the extent we are unable to raise successor funds of a comparable size to our predecessor funds or the extent that we are delayed in raising such successor funds, our revenues may decrease as the investment period of our predecessor funds expire and associated fees decrease. For example, European Fund IV was smaller than its predecessor fund and North America Fund XI was smaller than its predecessor fund. The performance of our funds also impacts our ability to raise capital, and deterioration in the performance of our funds would result in challenges to future fundraising. The evolving preferences of our fund investors may necessitate that alternatives to the traditional investment fund structure, such as separately managed accounts, smaller funds and co-investment vehicles, become a larger part of our business going forward. This could increase our cost of raising capital at the scale we have historically achieved. Furthermore, in order to raise capital for new strategies and products without drawing capital away from our existing products, we will need to seek new sources of capital such as individual investors.

Our ability to raise new funds could also be hampered if the general appeal of private equity and alternative investments were to decline. An investment in a limited partner interest in a private equity fund is less liquid than an exchange traded instrument and the returns on such investment may be more volatile than an investment in securities for which there is a more active and transparent market. Private equity and alternative investments could fall into disfavor as a result of concerns about liquidity and short-term performance. Institutional investors in private equity funds that have suffered from decreasing returns, liquidity pressure, increased volatility or difficulty maintaining target asset allocations may materially decrease or temporarily suspend making new investments in private equity funds. Such concerns could be exhibited, in particular, by public pension funds, which have historically been among the largest investors in alternative assets. Many public pension funds are significantly underfunded and their funding problems have been, and may in the future be, exacerbated by economic downturn. Concerns with liquidity could cause such public pension funds to reevaluate the appropriateness of alternative investments, and other institutional investors may reduce their overall portfolio allocations to alternative investments. This could result in a smaller overall pool of available capital in our industry. There is no assurance that the amount of commitments investors are making to alternative investment funds will continue at recent levels or that our ability to raise capital from investors will not be hampered.

In addition, the asset allocation rules or regulations or investment policies to which such third-party investors are subject could inhibit or restrict the ability of third-party investors to make investments in our investment funds. Coupled with a lack of distributions from their existing investment portfolios, many of these investors may have been left with disproportionately outsized remaining commitments to, and invested capital in, a number of investment funds, which may significantly limit their ability to make new commitments to third-party managed investment funds such as those advised by us.

Fund investors may also seek to redeploy capital away from certain of our credit or other non-private equity investment vehicles, which permit redemptions on relatively short notice in order to meet liquidity needs or invest in other asset classes. We believe that our ability to avoid excessive redemption levels primarily depends on our funds' continued satisfactory performance, although redemptions may also be driven by other factors important to our fund investors, including their need for liquidity and compliance with investment mandates, even if our performance is superior. Investors' liquidity needs tend to be more pronounced during periods of market volatility. Any such redemptions would decrease our AUM and revenues.

In addition, the Dodd Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), under what has become known as the "Volcker Rule," broadly prohibits depository institution holding companies (including foreign banks with U.S. branches, agencies or commercial lending companies and certain insurance companies), insured depository institutions and their subsidiaries and controlled affiliates, or "banking entities," from investing in "covered funds," including third-party private equity funds like ours. As a result, banking entities, subject to certain limited exemptions, had to conform their existing covered fund investments and relationships to the Volcker Rule, and will be limited in their ability to undertake new contractual commitments to private equity funds like ours. In addition to federal law, changes in state and local law may limit investment activities of state pension plans and insurance companies.

The number of funds raising capital varies from year to year, and in years where relatively few funds are raising capital, the growth of our AUM, FPAUM and associated fees may be significantly lower. There is no assurance that fundraises for new strategies or successor funds will experience similar success as our existing or predecessor funds in the future.

Our investors in future funds may negotiate to pay us lower management fees, reimburse us for fewer expenses or change the economic terms of our future funds, including with respect to transaction fees, management fees or monitoring fees, to be less favorable to us than those of our existing funds, which could materially and adversely affect our revenues or profitability.

In connection with raising new funds or securing additional investments in existing funds, we negotiate terms for such funds and investments with our fund limited partners. The outcome of such negotiations could result in our agreement to terms that are materially less favorable to us than the terms of prior funds we have advised or funds advised by our competitors. Such terms could restrict our ability to raise investment funds with investment objectives or strategies that compete with existing funds, reduce fee revenues we earn, reduce the percentage of profits on third-party capital in which we share, increase the performance hurdle required to be generated on investment prior to our right to receive carried interest, add expenses and obligations for us in managing the fund or increase our potential liabilities. Furthermore, as institutional investors increasingly consolidate their relationships with investment firms and competition becomes more acute, we may receive more requests to modify the terms in our new funds. Certain of our newer funds also include more favorable terms for fund investors that commit to early closes for our funds. Additionally, in certain funds, we have agreed to charge management fees based on invested capital or net asset value as opposed to charging management fees based on committed capital. In certain cases, we have provided "fee holidays" to certain investors during which we do not charge management fees for a fixed period of time (such as the first six months). Agreement to terms that are materially less favorable to us could result in a material decrease in our profitability.

Certain institutional investors have also publicly criticized certain fund fee and expense structures, including monitoring fees and transaction fees. We have received and expect to continue to receive requests from a variety of fund investors and groups representing such investors to decrease fees and to modify our carried interest and incentive fee structures, which could result in a reduction or delay in the timing of receipt of the fees and carried interest and incentive fees we earn. The SEC has focused on certain fund fees and expenses, including whether such fees and expenses were appropriately disclosed to fund limited partners, and such focus may lead to increased publicity that could cause fund investors to further resist our receipt of certain fees and expense reimbursements. In our recent flagship private equity funds, we have increased the percentage of transaction and monitoring fees that are credited against fund management fees to 100% of the amount of the transaction and monitoring fees attributable to that fund.

In addition, certain institutional investors, including sovereign wealth funds and public pension funds, have demonstrated an increased preference for alternatives to the traditional investment fund structure, such as separately managed accounts, specialized funds and co-investment vehicles. We also have entered into strategic investor partnerships with specific investors whereby we manage that investor's capital across a variety of our products on separately negotiated terms. There can be no assurance that such alternatives will be as profitable to us as the traditional investment fund structure, and the impact such a trend could have on our results of operations, if widely implemented, is unclear. Moreover, certain institutional investors are demonstrating a preference to in-source their own investment professionals and to make direct investments in alternative assets without the assistance of investment advisers like us. Such institutional investors may become our competitors and could cease to be our clients.

Any agreement to or changes in terms less favorable to us could materially and adversely affect our revenues and profitability.

The investment management business is intensely competitive, which could have a material adverse impact on our business.

We compete as an investment manager for both fund investors and investment opportunities. The investment management business is highly fragmented, with our competitors consisting primarily of sponsors of public and private investment funds, real estate development companies, BDCs, investment banks, commercial finance companies and operating companies acting as strategic buyers of businesses. We believe that competition for fund investors is based primarily on:

- investment performance;
- investor liquidity and willingness to invest;
- investor perception of investment managers' drive, focus and alignment of interest;
- business reputation;
- the duration of relationships with fund investors;
- the quality of services provided to fund investors;
- pricing;
- fund terms (including fees); and
- the relative attractiveness of the types of investments that have been or will be made.

We believe that competition for investment opportunities is based primarily on the pricing, terms and structure of a proposed investment and certainty of execution.

A number of factors serve to increase our competitive risks:

- a number of our competitors in some of our businesses may have greater financial, technical, marketing and other resources and more personnel than we do, and, in the case of some asset classes or geographic regions, longer operating histories, more established relationships, greater expertise or better reputation;
- fund investors may materially decrease their allocations in new funds due to their experiences following an economic downturn, the limited availability of capital, regulatory requirements or a desire to consolidate their relationships with investment firms;

- some of our competitors may have agreed to terms on their investment funds or products that are more favorable to fund investors than our funds or products, such as lower management fees, greater fee sharing or higher performance hurdles for carried interest, and therefore we may be forced to match or otherwise revise our terms to be less favorable to us than they have been in the past;
- some of our funds may not perform as well as competitors' funds or other available investment products;
- our competitors have raised or may raise significant amounts of capital, and many of them have similar investment objectives and strategies to our funds, which may create additional competition for investment opportunities and may reduce the size and duration of pricing inefficiencies that many alternative investment strategies seek to exploit;
- some of these competitors may also have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us with respect to investment opportunities;
- some of our competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments;
- some of our competitors may be subject to less regulation or less regulatory scrutiny and accordingly may have more flexibility to undertake and execute certain businesses or investments than we do and/or bear less expense to comply with such regulations than we do;
- there are relatively few barriers to entry impeding the formation of new funds, including a relatively low cost of entering these businesses, and the successful efforts of new entrants into our various lines of business, including major commercial and investment banks and other financial institutions, have resulted in increased competition;
- some fund investors may prefer to invest with an investment manager that is not publicly traded, is smaller or manages fewer investment products; and
- other industry participants will from time to time seek to recruit our investment professionals and other employees away from us.

We may lose investment opportunities in the future if we do not match investment prices, structures and terms offered by competitors. Our competitors that are corporate buyers may be able to achieve synergistic cost savings in respect of an investment, which may provide them with a competitive advantage in bidding for an investment. Alternatively, we may experience decreased investment returns and increased risks of loss if we match investment prices, structures and terms offered by competitors. Moreover, as a result, if we are forced to compete with other investment firms on the basis of price, we may not be able to maintain our current fund fee, carried interest or other terms. There is a risk that fees and carried interest in the alternative investment management industry will decline, without regard to the historical performance of a manager. Fee or carried interest income reductions on existing or future funds, without corresponding decreases in our cost structure, could materially and adversely affect our revenues and profitability.

In addition, if interest rates were to rise or if market conditions for competing investment products become or are more favorable and such products begin to offer rates of return superior to those achieved by our funds, the attractiveness of our funds relative to investments in other investment products could decrease. This competitive pressure could materially and adversely affect our ability to make successful investments and limit our ability to raise future funds, either of which would adversely impact our business, results of operations and cash flow.

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

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

In addition, tax laws, regulations or treaties newly enacted or enacted in the future may cause us to revalue our net deferred tax assets and have a material change to our effective tax rate and tax liabilities. For example, the Tax Cuts and Jobs Act, which was enacted in December 2017 and amended various aspects of U.S. federal income tax legislation (the "2017 Tax Act"), has resulted in various changes to U.S. tax laws, including meaningful reduction to the U.S. federal corporate income tax rate and a partial limitation on the deductibility of business interest expense, which could have a material effect on our business operations and our funds' investment activities. These and other changes from the 2017 Tax Act, including the changes to the carryback and carryforward of net operating losses, U.S. taxation on earnings from international business operations and certain modifications to the Section 162(m) of the Code, could also have a significant effect on the business of our portfolio companies. Additionally, foreign and state and local governments may enact tax laws in response to the 2017 Tax Act that could result in further changes to foreign and state and local taxation and materially affect our financial position and results of operations.

The U.S. Congress, the Organization for Economic Co-operation and Development (the "OECD") and other government agencies in jurisdictions in which we and our affiliates invest or do business have maintained a focus on issues related to the taxation of multinational companies, such as KKR. The OECD has made changes to numerous long-standing tax principles through its base erosion and profit shifting ("BEPS") project, which looks at various different ways in which domestic tax rules around the world, and the bilateral double tax treaties that govern the interplay between them, could be amended to address perceived profit shifting among affiliated entities. Several of the proposed measures, including measures covering treaty abuse (including an anti-abuse "principal purpose" test that would deny treaty benefits to the extent that obtaining such benefit was one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in such benefit), the deductibility of interest expense, local nexus requirements, transfer pricing and hybrid mismatch arrangements are potentially relevant to some of our structures and could have an adverse tax impact on our funds, investors and/or our portfolio companies. Some member countries have been moving forward on the BEPS agenda but, because timing of implementation and the specific measures adopted will vary among participating states, significant uncertainty remains regarding the impact of BEPS proposals. If implemented, these and other proposals could result in a loss of tax treaty benefits and increased taxes on income from our investments.

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

We depend on the efforts, skills, reputations and business contacts of our employees, including our founders, Henry Kravis and George Roberts, and other key personnel, the information and deal flow they and others generate during the normal course of their activities and the synergies among the diverse fields of expertise and knowledge held by our professionals. Accordingly, our success depends on the continued service of these individuals, who are not obligated to remain employed with us. The loss of the services of any of them could have a material adverse effect on our revenues, net income and cash flows and could harm our ability to maintain or grow AUM in existing funds or raise additional funds in the future.

Our employees and other key personnel possess substantial experience and expertise and have strong business relationships with investors in our funds and other members of the business community. As a result, the loss of these personnel could jeopardize our relationships with investors in our funds and members of the business community and result in the reduction of AUM or fewer investment opportunities. For example, if any of our key personnel were to join or form a competing firm, our business, results of operations and financial condition could suffer.

Furthermore, the agreements governing our committed capital funds generally provide that in the event certain "key persons" (for example, investment professionals who are named as "key executives" for certain geographically or product focused funds) cease to actively manage a fund or be substantially involved in KKR activities, investors in the fund will be entitled to reduce, in whole or in part, their capital commitments available for further investments on an investor-by-investor basis. In the case of certain of our fully paid-up funds, investors may be permitted to terminate their investment in the event a "key persons" provision is triggered, which could possibly lead to a liquidation of those funds. In addition, the occurrence of such a "key person" event could cause us to agree to less favorable ongoing terms with respect to the affected fund. Although we periodically engage in discussions with the limited partners of our funds regarding a waiver of such provisions with respect to executives involved in geographically or product focused funds whose departures have occurred or are anticipated, such waiver is not guaranteed, and our limited partners' refusal to provide a waiver may have a material adverse effect on our revenue, net income and cash flow.

If we cannot retain and motivate our employees and other key personnel and recruit, retain and motivate new employees and other key personnel, our business, results of operations and financial condition could be materially and adversely affected.

Our most important asset is our people, and our continued success is highly dependent upon the efforts of our employees and other key personnel, and to a substantial degree on our ability to retain and motivate our employees and other key personnel and to strategically recruit, retain and motivate new talented employees, including qualified investment professionals. However, we may not be successful in these efforts as the market for talented and qualified candidates is extremely competitive. Our ability to recruit, retain and motivate our employees is dependent on our ability to offer highly attractive incentive opportunities. Under the 2017 Tax Act, investments must be held for more than three years, rather than the prior requirement of more than one year, for carried interest to be treated for U.S. federal income tax purposes as capital gain. The longer holding period requirement may result in some of our carried interest being treated as ordinary income, which would materially increase the amount of taxes that our employees and other key personnel would be required to pay, thereby adversely affecting our ability to offer attractive incentive opportunities. In addition, following the 2017 Tax Act, the tax treatment of carried interest may continue to be an area of focus for policymakers and government officials, which could result in a further regulatory action by federal or state governments. For example, certain states, including New York and California, have proposed legislation to levy additional state tax on carried interest, which may also negatively affect our ability to attract and retain employees and key personnel. Similarly, changes in the United Kingdom with respect to the taxation of carried interest, including the treatment of certain carried interest returns as income, which became effective from April 6, 2016, may impact our ability to recruit, retain and motivate employees and key personnel in the United Kingdom. In addition, there have been proposed laws and regulations that sought to regulate the compensation of certain of our employees. See "—Extensive regulation of our business affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could materially and adversely affect our business." The loss of even a small number of our investment professionals could jeopardize the performance of our funds and other investment products, which would have a material adverse effect on our results of operations. Efforts to retain or attract employees, including our investment professionals, may result in significant additional expenses, which could materially and adversely affect our profitability.

Many of our employees hold interests in our business through KKR Holdings. These individuals historically received financial benefits from our business in the form of distributions and amounts funded by KKR Holdings and through their direct and indirect participation in the value of KKR Group Partnership Units held by KKR Holdings. While all of our employees receive base salaries from us, annual cash bonuses for certain employees were historically borne by KKR Holdings from its cash reserves based upon distributions on a portion of KKR Group Partnership Units held by KKR Holdings. However, substantially all units in KKR Holdings have been allocated to certain employees and non-employee operating consultants, and upon their vesting, distributions on vested units would belong to such unitholders and not be available to fund annual cash bonuses. In addition, under its dividend policy, KKR intends to make equal quarterly dividends to holders of its Class A common stock in a fixed amount per share per quarter. In 2018, no annual cash bonuses were borne by KKR Holdings. Although KKR Holdings may fund a portion of the cash bonus payments from its cash reserves, if any, in future periods, we likely will continue to utilize our own funds for most, if not all, of the cash bonus payments. In that event, either our profit margins or our employee retention or both may be adversely impacted. There can be no assurance that the carry pool will have sufficient cash available to continue to make such cash payments in the future and fluctuations from the distributions generated from the carry pool, if not offset by funds from other sources, including other performance-based income, could render our compensation less attractive. In any of these circumstances, a higher percentage of our revenue would be paid out in the form of cash compensation, which could have a material adverse impact on our profit margins. Currently 40% or 43%, as applicable, of the carried interest earned from our investment funds is allocated to our carry pool. We are not permitted under our certificate of incorporation to increase the percentage of carried interest allocable to the carry pool without the consent of a majority of our independent directors.

We have granted equity awards from our Equity Incentive Plan and expect to grant equity awards from our New Equity Incentive Plan, which has caused and will cause dilution. If we increase the use of equity awards in the future, expense associated with equity-based compensation may increase materially. For example, in connection with compensation in 2018, we allocated equity awards relating to 5.5 million shares of Class A common stock under our Equity Incentive Plan and KKR Holdings granted 0.5 million KKR Holdings units to certain senior employees. These KKR Holdings awards were granted from outstanding but previously unallocated units of KKR Holdings, and consequently these grants did not increase the number of KKR Holdings units outstanding or outstanding shares of KKR Class A common stock on a fully-diluted basis. The value of our Class A common stock may drop in value or be volatile, which may make our equity less attractive to our employees.

In July 2015, the SEC proposed rules, as mandated by the Dodd-Frank Act, requiring companies to develop and enforce recovery policies that in the event of an accounting restatement, "claw back" from current and former executive officers incentive-based compensation they would not have received based on the restatement. In April and May 2016, the SEC also issued for public comment revised proposed rules designed to prohibit certain incentive-based compensation arrangements deemed to encourage inappropriate risk taking by covered financial institutions by providing "excessive" compensation, fees or benefits or that could lead to material losses. To date, however, the SEC has not adopted the proposed rules. Depending on the outcome of the rule making process, the application of these rules to us could require us to substantially revise our compensation strategy, increase our compensation and other costs, and materially and adversely affect our ability to recruit and retain qualified employees. In addition, less carried interest from the carry pool may be allocated to certain of our employees, which may result in less cash payments to such employees. To the extent our equity incentive or carry pool programs are not effective, we may be limited in our ability to attract, retain and motivate talented employees and other key personnel and we may need to increase the level of cash compensation that we pay.

In addition, there is no guarantee that the confidentiality and restrictive covenant agreements to which our employees and other key personnel are subject, together with our other arrangements with them, will prevent them from leaving us, joining our competitors or otherwise competing with us. Depending on which entity is a party to these agreements and/or the laws applicable to them, we may not be able to, or may choose not to, enforce them or become subject to lawsuits or other claims, and certain of these agreements might be waived, modified or amended at any time without our consent. Even when enforceable, these agreements expire after a certain period of time, at which point each of our employees and other key personnel are free to compete against us and solicit our fund investors and employees. See "Certain Relationships and Related Transactions, and Director Independence—Confidentiality and Restrictive Covenant Agreements."

We strive to maintain a work environment that reinforces our culture of collaboration, motivation and alignment of interests with fund investors. If we do not continue to develop and implement the right processes and tools to manage our changing enterprise and maintain our culture, our ability to compete successfully and achieve our business objectives could be impaired, which could materially and adversely affect our business, results of operations and financial condition.

Operational risks and data security breaches may disrupt our businesses, result in losses or limit our growth.

We rely heavily on our financial, accounting and other data processing systems and on the systems of third parties who provide services to us. If any of these systems do not operate properly or are disabled, we could suffer financial loss, a disruption of our businesses, liability to our funds, regulatory intervention or reputational damage. In addition, we operate in businesses that are highly dependent on information systems and technology. For example, we face operational risk from errors made in the execution, confirmation or settlement of transactions. We also face operational risk from transactions not being properly recorded, evaluated or accounted for in our funds. In particular, our Public Markets business line is highly dependent on our ability to process and evaluate, on a daily basis, transactions across markets and geographies in a time-sensitive, efficient and accurate manner. Our and our third-party service providers' information systems and technology may not continue to be able to accommodate our growth, may not be suitable for new products and strategies and may be subject to security risks, and the cost of maintaining such systems and technology may increase from our current level. Such a failure to accommodate growth, or an increase in costs related to such information systems and technology, could have a material adverse effect on our business. Furthermore, most of our administrative personnel and our information system and technology infrastructure are located in our New York City office, and any disruption in the operation of, or inability to access, our New York City office could have a significant impact on our business. We are also dependent on an increasingly concentrated group of third-party vendors that we do not control for hosting solutions and technologies. A disaster or a disruption in technology or infrastructure that supports our businesses, including a disruption involving electronic communications or other services used by us, our vendors or third parties with whom we conduct business, or directly affecting our principal offices, could have a material adverse impact on our ability to continue to operate our business without interruption. Our business continuation or disaster recovery programs may not be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse us for our losses, if at all.

Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. We face various security threats on a regular basis, including ongoing cyber-security threats to and attacks on our information technology infrastructure that are intended to gain access to our proprietary information, destroy data or disable, degrade or sabotage our systems. Although we take protective measures and endeavor to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to unauthorized access, theft, misuse, computer viruses or other malicious code, and other events that could have a security impact. We may be exposed to a more significant risk if these acts are taken by state actors. We and our employees have been and expect to continue to be the target of fraudulent calls and emails, and the subject of impersonations and fraudulent requests for money, and other forms of activities. The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means. In addition, cyber-security has become a top priority for regulators around the world. Many jurisdictions in which we operate have laws and regulations relating to data privacy, cyber-security and protection of personal information, including the General Data Protection Regulation in the European Union that became effective in May 2018. Some jurisdictions have also enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data. Breaches in security could potentially jeopardize our, our employees' or our fund investors' or counterparties' confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our, our employees', our fund investors', our counterparties' or third parties' operations, which could result in significant losses, increased costs, disruption of our business, liability to our fund investors and other counterparties, regulatory intervention or reputational damage. Furthermore, if we experience a cyber-security incident and fail to comply with the relevant laws and regulations, it could result in regulatory investigations and penalties, which could lead to negative publicity and may cause our fund investors and clients to lose confidence in the effectiveness of our security measures. Finally, we rely on third-party service providers for certain aspects of our business, including for certain information systems, legal services, technology, administration, tax and compliance matters. These third-party service providers could also experience any of the above cyber-security threats, fraudulent activities or security breaches, and as a result, unauthorized individuals could improperly gain access to our confidential data. Any interruption or deterioration in the performance of these third parties or cyber-security incidents involving these third parties could impair the quality of our and our funds' operations and could impact our reputation and materially and adversely affect our businesses and limit our ability to grow.

Our portfolio companies also rely on data processing systems and the secure processing, storage and transmission of information, including payment and health information. A disruption or compromise of these systems could have a material adverse effect on the value of these businesses. Our funds may invest in strategic assets having a national or regional profile or in infrastructure, the nature of which could expose them to a greater risk of being subject to a terrorist attack or security breach than other assets or businesses. Such an event may have material adverse consequences on our investment or assets of the same type or may require portfolio companies to increase preventative security measures or expand insurance coverage.

Our organizational documents do not limit our ability to enter into new lines of businesses, and we may expand into new investment strategies, geographic markets and businesses, each of which may result in additional risks and uncertainties in our businesses.

We intend, to the extent that market conditions warrant, to seek to grow our businesses by increasing AUM in existing businesses, pursuing new investment strategies (including investment opportunities in new asset classes), developing new types of investment structures and products (such as separately managed accounts and structured products), and expanding into new geographic markets and businesses. We have in the past opened offices in Asia and the Middle East, and also developed a capital markets business in the United States, Europe, the Middle East and Asia-Pacific, which we intend to grow and diversify. We have also launched a number of new investment initiatives in areas such as real estate, energy, infrastructure, growth equity and core investments. Introducing new types of investment structures and products could increase the complexities involved in managing such investments, including to ensure compliance with regulatory requirements and terms of the investment. See "—We may not be successful in executing upon or managing the complexities of new investment strategies, markets and businesses, which could adversely affect our business, results of operations and financial condition."

Our organic growth strategy focuses on providing resources to foster the development of new product offerings and business strategies by our investment professionals and launching successor and related products, such that our new strategies achieve a level of scale and profitability. Given our diverse platform, these initiatives could create conflicts of interests with existing products, increase our costs and expose us to new market risks, and legal and regulatory requirements. The success of our organic growth strategy will also depend on, among other things, our ability to correctly identify and create products that appeal to the limited partners of our funds and vehicles. While we have made significant expenditures to develop these new strategies and products, there is no assurance that they will achieve a satisfactory level of scale and profitability. To raise new funds and pursue new strategies, we have and expect to continue to use our balance sheet to warehouse seed investments, which may decrease the liquidity available for other parts of our business. If a new strategy or fund does not develop as anticipated and such investments are not ultimately transferred to a fund, we may be forced to realize losses on these retained investments.

We have and may continue to pursue growth through acquisitions of other investment management companies, acquisitions of critical business partners, strategic partnerships or other strategic initiatives, which may include entering into new lines of business. In addition, we expect opportunities will arise to acquire other alternative or traditional investment managers. For example, we have expanded our European credit business with our acquisition of Avoca in 2014. We have also made minority investments in hedge fund managers, and we have entered into joint ventures with third parties to participate in new real estate investment strategies. On April 2018, we completed our transaction to form FS/KKR Advisor, a strategic BDC partnership with FS Investments, to provide investment advisory services to BDCs previously advised by us and FS Investments. To the extent we make strategic investments or acquisitions, undertake other strategic initiatives or enter into a new line of business, we will face numerous risks and uncertainties, including risks associated with:

- our ability to successfully negotiate and enter into beneficial arrangements with our counterparties;
- the required investment of capital and other resources;
- the incurrence of substantial transaction-related costs including non-recurring transaction-related costs;
- delays or failure to complete an acquisition or other transaction in a timely manner or at all due to a failure to obtain shareholder or regulatory approvals or satisfy any other closing conditions, which may subject us to damages or require us to pay significant costs;

- lawsuits challenging an acquisition or unfavorable judgments in such lawsuits, which may prevent the closing of the transaction, cause delays, or require us to incur substantial costs including in costs associated with the indemnification of directors;
- the possibility that we have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk or liability or have not appropriately planned for such activities;
- the possibility of diversion of management's time and attention from our core business;
- the possibility of disruption of our ongoing business;
- the failure to realize the anticipated benefits from an acquired business or strategic partnership in a timely manner, if at all;
- combining, integrating or developing operational and management systems and controls including an acquired business's internal controls and procedures;
- integration of the businesses including the employees of an acquired business;
- potential increase in concentration of the investors in our funds;
- disagreements with joint venture partners or other stakeholders in strategic partnerships;
- the additional business risks of the acquired business and the broadening of our geographic footprint, including the risks associated with conducting operations in foreign jurisdictions such as taxation;
- properly managing conflicts of interests;
- our ability to obtain requisite regulatory approvals and licenses without undue cost or delay and without being required to comply with material restrictions or material conditions that would be detrimental to us or to the combined organization; and
- regulatory scrutiny or litigation exposure due to the activities of the acquired business, hedge fund partners or joint venture partners.

Entry into new strategies or certain lines of business may subject us to new laws and regulations with which we are not familiar, or from which we are currently exempt, and may lead to increased litigation and regulatory risk and costs. If a new business generates insufficient revenues or if we are unable to efficiently manage our expanded operations, our results of operations will be adversely affected. Our strategic initiatives include joint ventures or the acquisition of minority interests in third parties, in which case we will be subject to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputational damage relating to, systems, controls and personnel that are not under our control.

We may not be successful in executing upon or managing the complexities of new investment strategies, markets and businesses, which could adversely affect our business, results of operations and financial condition.

Our growth strategy is based, in part, on the expansion of our platform through selective investment in, and development or acquisition of, businesses and investment strategies complementary to our business. The expansion into new products and geographies has demanded greater management attention and dedication of resources to manage the increasing complexity of operations and regulatory compliance. This growth strategy involves a number of risks, including the risk that: the expected synergies from a newly developed product or strategic alliance will not be realized; the expected results will not be achieved; new strategies are not appropriately planned for or integrated into the firm; the new strategies may conflict, detract from or compete against our existing businesses; the investment process, controls and procedures that we have developed around our existing platform will prove insufficient or inadequate; or our information systems and technology, including related security systems, may prove to be inadequate. We have also entered into strategic investor partnerships and established separately managed accounts, which lack the scale of our traditional funds and are more costly to administer. The prevalence of these accounts may also present conflicts and introduce complexity in the deployment of capital. The offering of investment products to retail investors, including any funds registered under the Investment Company Act, our BDCs and KREF, may result in increased compliance and litigation costs. We may also incur significant charges in connection with such investments, which ultimately may result in significant losses and costs. Such losses could adversely impact our business, results of operations and financial condition, as well as harm our professional reputation.

If we are unable to syndicate the securities or indebtedness or realize returns on investments financed with our balance sheet assets, our liquidity, business, results of operations and financial condition could be materially and adversely affected.

Our balance sheet assets provide us with a significant source of capital to grow and expand our business, increase our participation in our transactions and underwrite commitments in our capital markets business. We have used our balance sheet assets to underwrite loans, securities or other financial instruments, which we generally expect to syndicate to third parties. We also entered into an arrangement with a third party that reduces our risk associated with holding unsold securities when underwriting certain debt transactions, which enables our capital markets business to underwrite a larger amount. To the extent that we are unable to syndicate our commitments to third parties or our risk reduction arrangement does not fully perform as anticipated, we may be required to sell such investments at a significant loss or hold them indefinitely. If we are required to retain investments on our balance sheet for an extended period of time, our results would be directly impacted by the performance of such investments and it would also impair our capital markets business' ability to complete additional transactions, either of which could materially and adversely affect our business, results of operations and financial condition.

We generally have a larger balance sheet than many of our competitors, and consequently, the performance of these balance sheet assets has a greater impact on our results of operations. Our success in deploying our balance sheet assets and generating returns on this capital will depend, among other things, on the availability of suitable opportunities after giving priority in investment opportunities to our advised investment funds, the level of competition from other companies that may have greater financial resources and our ability to value potential development or acquisition opportunities accurately and negotiate acceptable terms for those opportunities. To the extent we are unsuccessful in deploying our balance sheet assets, our business and financial results may suffer. In addition, as our balance sheet assets have been a significant source of capital for new strategies, to the extent that such strategies are not successful or our balance sheet assets cease to provide adequate liquidity, we would be limited in our ability to seed new businesses or support our existing business as effectively as contemplated. See "—We may not be successful in executing upon or managing the complexities of new investment strategies, markets and businesses, which could adversely affect our business, results of operations and financial condition."

Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could materially and adversely affect our business.

Our business is subject to extensive regulation, including periodic examinations, inquiries and investigations by governmental and self-regulatory organizations in the jurisdictions in which we operate around the world. Many of these regulators, including U.S. federal and state and foreign government agencies and self-regulatory organizations, are empowered to impose fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and-desist orders or the suspension or expulsion of applicable licenses and memberships. Any of the foregoing may damage our relationships with existing fund investors, impair our ability to raise capital for successor funds, impair our ability to carry out certain investment strategies, or contravene provisions concerning compliance with law in agreements to which we are a party. Even if a sanction is not imposed or the sanction imposed against us or our personnel by a regulator were small in monetary amount, the adverse publicity relating to the regulatory activity or imposition of these sanctions could harm our reputation and cause us to lose existing fund investors or fail to gain new fund investors.

In addition, actions by regulators against other investment managers can cause changes in business practices that could materially and adversely affect our business, results of operations and financial condition. In recent years, the private equity industry has come under increased regulatory and news media scrutiny with governmental officials and regulators, including the SEC, focusing on the private equity industry's fees, allocation of expenses to funds, valuation practices, allocation of fund investment opportunities, particularly co-investment opportunities, and disclosures to fund investors. In recent years, the SEC's focus areas included, among others, the acceleration of monitoring fees, the allocation of broken-deal expenses, the disclosure, use and compensation of operating partners or consultants, outside business activities of firm principals and employees, group purchasing arrangements, disclosure of affiliated service providers, general conflicts of interest disclosures, electronic messaging, cyber-security, data privacy and protection, foreign bribery and corruption, and policies covering insider trading, business continuity and transition planning. While it is unclear whether the SEC will continue its pursuit of these or other focus areas, the SEC's examination and enforcement program continues generally to focus on the alternative investment management industry in which we operate.

Any changes or potential changes in the regulatory framework applicable to our business, including the changes and potential changes described below, as well as adverse news media attention, may: impose additional expenses or capital requirements on us; limit our fundraising for our investment products; result in limitations in the manner in which our business is conducted; have an adverse impact upon our results of operations, financial condition, reputation or prospects; impair employee retention or recruitment; and require substantial attention by senior management. It is impossible to determine the extent of the impact of any new laws, regulations, initiatives or regulatory guidance that may be proposed or may become law on our business or the markets in which we operate. If enacted, any new law, regulation, initiatives or regulatory guidance could negatively impact our funds and us in a number of ways, including: increasing our costs and the cost for our funds of investing, borrowing, hedging or operating; increasing the funds' or our regulatory operating costs; imposing additional burdens on the funds' or our staff; and potentially requiring the disclosure of sensitive information. In addition, we may be materially and adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. New laws, regulations, initiatives or regulatory guidance could make compliance more difficult or more expensive, affect the manner in which we conduct business and divert significant management and operational resources and attention from our business. Moreover, an increase in regulatory investigations and new or enhanced reporting requirements of the trading and other investment activities of alternative investment management funds and firms, including our funds and us, is possible. Such investigations and reporting requirements could impose additional expenses on us, require the attention of senior management, increase the complexity of managing our business, or result in fines or other sanctions if we or any of our funds are deemed to have violated any law or regulations.

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

Financial Stability Oversight Council ("FSOC"). Established under the Dodd-Frank Act, the FSOC is an inter-agency body charged with, among other things, designating systemically important nonbank financial companies for heightened prudential supervision and making recommendations regarding the imposition of enhanced regulatory standards regarding capital, leverage, conflicts and other requirements for financial firms deemed to pose a systemic threat to U.S. financial stability. The FSOC applies a three-stage review process to determine whether to designate a nonbank financial company as systemically important, with the level of scrutiny increasing at each stage. During the first stage, the FSOC applies a broad set of uniform quantitative metrics to identify nonbank financial companies that warrant additional review. In this first stage, the FSOC considers whether a nonbank financial company has at least $50 billion in total consolidated assets and whether it meets other thresholds relating to credit default swaps ("CDS") outstanding, derivative liabilities, loans and bonds outstanding, a minimum leverage ratio of total consolidated assets to total equity of 15 to 1, and a short-term debt ratio of debt (with maturities less than 12 months) to total consolidated assets of 10%. A company that meets both the asset test and at least one of the other thresholds will be subject to additional review in Stage 2. There is little guidance that specifically addresses the FSOC's method of calculating the relevant thresholds. It is possible that the FSOC could determine that we have $50 billion or more in total consolidated assets and that we satisfy one or more of the other Stage 1 criteria outlined above. Additional uncertainty is created because the FSOC retains authority to designate any nonbank financial company as systemically important, even if the company does not meet the Stage 1 criteria. Historically, the FSOC focused on potential systemic risks arising from asset management products and activities. It is unclear whether the FSOC will continue to focus on this area. More recently, the FSOC has discussed the potential adoption of an "activities-based approach for monitoring and addressing potential risks to U.S. financial stability," although no formal action has yet been taken to modify its interpretive guidance on nonbank financial company designations. Similarly, in a report issued on November 17, 2017, the U.S. Treasury Department recommended that the FSOC adopt an "activities-based or industry-wide approach," under which the FSOC would (1) review potential risks to financial stability arising from "activities and products," (2) work with relevant regulators to address any such risk identified by the FSOC, and (3) consider individual firms for designation only after consultation with relevant regulators. If the FSOC were to designate us as a systemically important nonbank financial company, we would become subject to supervision by the U.S. Federal Reserve and a heightened degree of regulation, including more stringent standards relating to capital, leverage, liquidity, risk management, resolution planning, credit exposure reporting and concentration limits, restrictions on acquisitions, and annual stress testing by the U.S. Federal Reserve. There can be no assurance that nonbank financial firms such as us will not become subject to the aforementioned restrictions or other requirements for financial firms deemed to be systemically important to the financial stability of the U.S. economy.

On December 18, 2014, the FSOC issued a notice seeking public comment on potential systemic risks from asset management products and activities, focusing in particular on (1) liquidity and redemption risks, (2) use of leverage, (3) operational functions and (4) resolution-related issues. On November 16, 2016, the FSOC reiterated its focus on these risk areas, as well as securities lending, in a public statement on its review of asset management products and activities. According to the notice and statement, the FSOC has not made any final determination regarding the existence or nature of any potential risks to financial stability posed by the asset management industry.

Regulation of Swaps. As mandated by the Dodd-Frank Act, the Commodity Futures Trading Commission (the "CFTC") has proposed or adopted a series of rules to establish a comprehensive new regulatory framework for swaps. Under Title VII of the Dodd-Frank Act, the CFTC has assumed regulatory authority over many types of swaps. As a result:

- Operating pooled funds that trade swaps, or providing investment advice to clients that trade swaps is a basis for registration with the CFTC, absent an applicable exemption. Although not mandated by the Dodd-Frank Act, the CFTC in 2012 issued a final rule that rescinded an exemption from CFTC registration for commodity pool operators in connection with privately offered funds. Operating our funds in a manner consistent with one or more exemptions from registration with the CFTC may limit the activities of certain of our funds, and monitoring and analysis of these exemptions requires management and operational resources and attention. Registration with the CFTC, if required, could impact our operations and add additional costs associated with ongoing compliance.

- The Dodd-Frank Act also imposes regulatory requirements on the trading of swaps, including requirements that most swaps be executed on an exchange or "swap execution facility" and cleared through a central clearing house. Although these requirements presently apply only to certain classes of interest rate swaps and CDS, the CFTC may mandate central execution and clearing with respect to additional classes of swaps in the future.

- CFTC regulations employ quantitative tests and thresholds to determine whether entities are "swap dealers" or "major swap participants" that must register in the appropriate category and comply with capital, margin, record keeping, reporting and business conduct rules. Our funds could become subject to the requirement to register as major swap participants due to changes to the funds' investment strategy or valuations, or revisions to the thresholds for registration.

- On December 5, 2016, the CFTC re-proposed rules instituting position limits on certain physical commodity futures contracts that, if finalized as proposed, would limit positions in futures contracts on 25 agricultural, energy and metals commodities, including swaps and options that are economically equivalent to those commodity futures contracts. On the same day, the CFTC finalized rules updating and restating its requirement that commonly owned and commonly controlled accounts and entities aggregate positions, absent an exemption, for position limit purposes. While these final aggregation rules currently expressly apply only to agricultural products for CFTC purposes, the CFTC may determine to expand them, and registered futures exchanges currently apply essentially identical rules to cover oil and gas and other commodities. If the proposed position limits rules are adopted in substantially the form proposed and if the aggregation rules are applied by the CFTC or the exchanges in a way such that we do not qualify for an exemption, we could be required to aggregate the positions of our various investment funds and the positions of our portfolio companies for which we control trading, which in turn may require us and our portfolio companies to limit our trading activities, and impact the ability of our investment funds to invest or remain invested in certain derivatives, or engage in otherwise profitable acquisitions in particular industries. The Dodd-Frank Act also requires the SEC to establish position limits on security-based swaps, which rules could have a similar impact on our business.

- The CFTC and banking regulators have adopted, and the SEC has proposed, rules regarding margin and capital requirements for most uncleared or "over-the-counter" swaps. These rules generally require swap dealers and major swap participants to collect and post a minimum amount of margin when trading with other covered entities and financial end-users. These requirements could increase the cost of trading in the derivative markets, which could in turn make it more expensive and difficult for us or our funds to enter into swaps and other derivatives in the normal course of our business and reduce the effectiveness of the funds' and our investment strategies. In certain cases, using non-deliverable forward transactions to hedge non-deliverable currencies such as the Indian rupee, South Korean won, Malaysian ringgit and Indonesian rupiah may be cost prohibitive or impractical to execute, because of the margin requirements or capital reserve required to be held against potential derivative liabilities. These rules could also adversely impact liquidity in derivatives markets, which could expose our funds and us to greater risks and reduce hedging opportunities in connection with their trading activities. Variation margin requirements for uncleared swaps became effective in 2017, and initial margin requirements for uncleared swaps are expected to be phased in through 2020, depending on the aggregate notional amount of over-the-counter swaps traded by the funds and us.

- In September 2016, the U.S. Federal Reserve issued for public comment a proposed rule that, if adopted as proposed, would impose significant capital and other prudential requirements on the physical commodities activities of certain banking organizations. The implementation of these or other new regulations could increase the cost of trading in the commodities and derivative markets, which could in turn make it more expensive and difficult for us or our funds to enter into swaps and other derivatives in the normal course of our business. Moreover, these increased regulatory responsibilities and increased costs could reduce trading levels in the commodities and derivative markets by a number of market participants, which could in turn adversely impact liquidity in the markets and expose our funds to greater risks in connection with their trading activities.

Other Regulations under the Dodd-Frank Act. The Dodd-Frank Act amended the Exchange Act to compensate and protect whistleblowers who voluntarily provide original information to the SEC and establishes a fund to be used to pay whistleblowers who will be entitled to receive a payment equal to between 10% and 30% of certain monetary sanctions imposed in a successful government action resulting from the information provided by the whistleblower. The CFTC has adopted a similar whistleblower program. In addition, in October 2011, the SEC adopted a rule requiring certain advisers to private funds to periodically file reports on Form PF, as required under the Dodd-Frank Act. Large private fund advisers including advisers with at least $1.5 billion in assets under management attributable to hedge funds and advisers with at least $2 billion in assets under management attributable to private equity funds are subject to more detailed and in certain cases more frequent reporting requirements. The information is to be used by the FSOC in monitoring risks to the U.S. financial system. These regulations increase our compliance costs and could result in adverse regulatory actions against us.

Although it is possible that Congress or the current administration could modify and relax regulatory requirements and restrictions that were adopted in response to the financial crisis, the timing and scope of such modifications remain uncertain and may not materialize.

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

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

The AIFMD is currently subject to a legislative review by the European Commission. It is not clear at this time what changes to the AIFMD, if any, may be implemented and what impact any such changes would have on our business.

In July 2014, revisions to the Markets in Financial Instruments Directive (known as "MiFID I"), consisting of the revised directive, "MiFID II," and a new related regulation, "MiFIR," came into force. MiFID II and MiFIR began applying to our European operations since January 2018. MiFID II and MiFIR introduced a number of new requirements for providing investment services and trading financial instruments in regards to transaction reporting, transparency, market infrastructure, securities and derivatives trading, and conduct of business rules, including new harmonized rules for authorization of EU branches of third-country firms seeking to provide certain investment services in the European Union. The application of MiFID II and MiFIR increased regulatory burdens on a number of our subsidiaries, which could result in increased costs, and any failure to comply with the requirements, even in areas where there is legal uncertainty, could result in enforcement action, including, but not limited to, fines.

In July 2016, the Market Abuse Regulation (known as "MAR") became effective. Under MAR, certain of our European subsidiaries are required to, among other things, implement systems and controls regarding inside information, follow record keeping and other prescribed procedures for market soundings, and provide conflicts of interest and other relevant disclosure when providing investment recommendations. These requirements may increase the regulatory and compliance burden for a number of our European subsidiaries, which could result in increased costs, and any failure to comply with the requirements could result in enforcement action, including, but not limited to, fines.

In the European Union, credit institutions and certain investment firms are subject to the provisions of the Capital Requirements Directive IV ("CRD IV") and the Capital Requirements Regulation. These pieces of legislation implement the capital and liquidity standards promulgated by the Basel Committee on Banking Supervision (commonly referred to as "Basel III"), and impose various governance and remuneration obligations. CRD IV has enhanced our financial reporting obligations and subjected us to new reporting requirements, which increases costs and the risk of non-compliance. Compliance with Basel III may result in significant costs to banking organizations, which, in turn, could result in higher borrowing costs for us and our portfolio companies, and may reduce access to certain types of credit.

Three of our subsidiaries (established in the UK and Ireland) are subject to the remuneration-related requirements of CRD IV, as well as similar requirements under the AIFMD. Additionally, the European Banking Authority has published final guidelines on sound remuneration policies under CRD IV which set out the requirements for remuneration policies, group application and proportionality, along with criteria for the allocation of remuneration as fixed and variable and details on the disclosures required under the Capital Requirements Regulation. These measures required changes in our compensation structures for key personnel, thereby potentially affecting these subsidiaries' ability to recruit and retain these personnel.

Other EU bank regulatory initiatives that could result in higher borrowing costs for us and our portfolio companies or reduce access to certain types of credit include the European Banking Authority's guidelines on limits to exposures to shadow banking entities which carry out banking activities outside a regulated framework under EU law (including funds employing leverage on a substantial basis, within the meaning of AIFMD and its implementing rules, and credit funds), which entered into force on January 1, 2017, and guidelines on leveraged lending, proposed in November 2016 and modeled on U.S. leveraged lending guidelines.

In August 2012, the regulation on OTC Derivatives, Central Counterparties and Trade Repositories (also known as the European Market Infrastructure Regulation, or "EMIR") became effective. EMIR applies to derivatives transactions in which one of the parties is established in the European Union, and may in some circumstances apply to transactions between two non-EU counterparties where these contracts have a direct, substantial and foreseeable effect within the European Union. The European Commission adopted an equivalence decision for the United States in March 2016. However, ongoing regulatory uncertainty regarding the interaction between U.S. and EU requirements for central clearing and related activities could result in duplicative regulatory obligations in the two jurisdictions and could increase our costs of compliance. The implementation of any new regulations could increase the cost of trading in the commodities and derivative markets, which could in turn make it more expensive and difficult for us or our funds to enter into swaps and other derivatives in the normal course of our business. Moreover, these increased regulatory responsibilities and increased costs could reduce trading levels in the commodities and derivative markets by a number of market participants, which could in turn adversely impact liquidity in the markets and expose our funds to greater risks in connection with their trading activities.

A number of other EU financial regulatory initiatives have the potential to materially and adversely affect our business. For example, the new Securitisation Regulation that became effective in 2019 established requirements for, among other things, due diligence, risk retention and disclosure regarding certain of our European investments, subsidiaries and CLOs. Also, future acquisitions by KKR or our funds could lead to application of the European Union's Financial Conglomerates Directive, which establishes a prudential regime for financial conglomerates to address perceived risks associated with large cross-sector businesses, and could increase the costs of investing in insurance companies, investment firms and banks located in the European Union. Other EU financial regulatory initiatives such as the Short Selling Regulation, which limits naked short selling of sovereign bonds and stocks, the Bank Recovery and Resolution Directive, which established a recovery and resolution framework for EU credit institutions and investment firms, and a new regulation on reporting and transparency of securities financing transactions, which requires all such transactions to be reported to trade repositories, places additional reporting requirements on investment managers and introduces prior risk disclosures and written consent before assets are rehypothecated, may all impact the complexity and cost of conducting our business in the European Union. The European Union has adopted, and may in the future adopt, additional risk retention and due diligence requirements in respect of various types of EU-regulated investors that, among other things, restrict investors from taking positions in securitization, increase the capital costs of originator, sponsor or original lender of a securitization, and require retaining a larger net economic interest in the securitization, which may adversely affect the profitability of us, our funds or our CLOs and the leveraged loan market generally. The implementation of these new requirements could increase our and our funds' or CLOs' costs and the complexity of managing our business and could result in fines if we or any of our funds or CLOs were deemed to have violated any of the new regulations.

The General Data Protection Regulation, which became effective in May 2018, imposes stringent data protection requirements and provides for significant penalties for noncompliance. Any inability, or perceived inability, to adequately address privacy and data protection concerns, or comply with applicable laws, regulations, policies, industry standards, contractual obligations, or other legal obligations, even if unfounded, could result in additional cost and liability and could damage our reputation and materially and adversely affect our business.

Brexit. On March 29, 2017, the government of the United Kingdom made a formal notification to the European Council under Article 50 of the Treaty of the European Union, which triggered a two-year period during which the terms of the United Kingdom's exit from the European Union, commonly known as "Brexit," were negotiated. The U.K. government’s draft agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union was defeated in the House of Commons on January 15, 2019. As a result, the final terms of the United Kingdom's exit from the European Union are, and will remain for the immediate future, unclear. The United Kingdom may leave the European Union without any agreement as to the terms of its withdrawal or the future economic relationship between the United Kingdom and the European Union (a so-called "No Deal" Brexit). It is also possible that the United Kingdom will withdraw its notification to leave the European Union or that there will be a second referendum on Brexit. The resulting legal and regulatory uncertainty in this regard may impact our business in a number of ways, not all of which are currently readily apparent, with the materiality of any risks dependent in large part on actions to be taken by the United Kingdom and the European Union. This uncertainty may adversely affect our ability to source investments and the value of our investments that are located in the United Kingdom, or those that conduct business in or derive revenues from, the United Kingdom. Following Brexit, our subsidiaries that are authorized and regulated by the U.K. Financial Conduct Authority may no longer be able to avail themselves of passporting rights to provide services in other EU Member States, while our Central Bank of Ireland-authorized alternative investment fund manager may no longer benefit from the EU marketing passport to market products to investors in the United Kingdom. While we have sought to take protective measures to allow us to continue to conduct our business in both the United Kingdom and the European Union, Brexit may increase our cost of raising capital, underwriting and distributing securities and conducting business generally and interfere with our ability to market our products and provide our services. Changes in regulation may also impair our ability to recruit, retain and motivate new employees and retain key employees. The United Kingdom's exit could also lead to instability in the European Union, including potential withdrawal by other Member States, which would greatly amplify the adverse events described in this paragraph.

Other Regulations of the Financial Markets. Certain requirements imposed by regulators are designed primarily to ensure the integrity of the financial markets and are not designed to protect holders of interests in our business or our funds. Consequently, these regulations often serve to limit our activities. In addition to many of the regulations and proposed regulations described above under "—Recent and Potential Regulatory Changes in the United States" and "—EU-Wide Regulations," U.S. federal bank regulatory agencies and the European Central Bank have issued leveraged lending guidance covering transactions characterized by a degree of financial leverage, although in the United States, the status of this guidance is uncertain as the U.S. Government Accountability Office determined, in October 2017, that the guidance is subject to review under the Congressional Review Act. If applied by the U.S. federal bank regulatory agencies in its current form, such guidance would limit the amount or availability of debt financing available to borrowers and may increase the cost of financing we are able to obtain for our transactions and may cause the returns on our investments to suffer.

In 2016, the SEC proposed a rule that would require registered investment advisers to adopt and implement written business continuity plans and transition plans based upon the particular risks associated with the individual adviser's operations and address several specified factors. Under the current administration, there is some uncertainty as to whether the proposed rule will be adopted as proposed or at all. While it remains to be seen what the final rule, if adopted, will require, compliance with such a rule may impose additional costs on us.

In April 2018, the SEC proposed a rule that would require a broker-dealer, or a natural person who is an associated person of a broker-dealer, to act in the best interest of a retail customer when making a recommendation of any securities transaction or investment strategy involving securities, without placing the financial or other interest of the broker, dealer or natural person who is an associated person of a broker-dealer making the recommendation ahead of the interest of the retail customer. The term "retail customer" is defined in the proposal as a person (including an entity) who uses such a recommendation primarily for personal, family or household purposes, without reference to investor sophistication or net worth. The "best interest" standard would be satisfied through compliance with certain disclosure, duty of care, and conflict of interest mitigation obligations. While it is unclear whether the proposed rule will be adopted in its current form or at all, if adopted, compliance with such a rule will impose additional costs to us, in particular with respect to our product offerings and investment platforms that include retail investors.

Certain of the funds we manage that engage in originating, lending and/or servicing loans, may consider investments that would subject us to state and federal regulation, borrower disclosure requirements, limits on fees and interest rates on some loans, state lender licensing requirements and other regulatory requirements in the conduct of their business. If our funds make these investments, they may also be subject to consumer disclosures and substantive requirements on consumer loan terms and other federal regulatory requirements applicable to consumer lending that are administered by the Consumer Financial Protection Bureau. These state and federal regulatory programs are designed to protect borrowers.

State and federal regulators and other governmental entities have authority to bring administrative enforcement actions or litigation to enforce compliance with applicable lending or consumer protection laws, with remedies that can include fines and monetary penalties, restitution of borrowers, injunctions to conform to law, or limitation or revocation of licenses and other remedies and penalties. In addition, lenders and servicers may be subject to litigation brought by or on behalf of borrowers for violations of laws or unfair or deceptive practices. If we enter into transactions that subject us to these risks, failure to conform to applicable regulatory and legal requirements could be costly and have a detrimental impact on certain of our funds and ultimately on us

Portfolio Company Legal and Regulatory Environment. We are subject to certain laws, such as certain environmental laws, takeover laws, anti-bribery, trade sanctions, trade control, anti-money laundering and anti-corruption laws, escheat or abandoned property laws, antitrust laws and data privacy and data protection laws that may impose requirements on us and our portfolio companies as an affiliated group. As a result, we could become jointly and severally liable for all or part of fines imposed on our portfolio companies or be fined directly for violations committed by portfolio companies, and such fines imposed directly on us could be greater than those imposed on the portfolio company. Moreover, portfolio companies may seek to hold us responsible if any fine imposed on them is increased because of their membership in a larger group of affiliated companies. For example, on April 2, 2014, the European Commission announced that it had fined 11 producers of underground and submarine high voltage power cables a total of 302 million euro for participation in a ten-year market and customer sharing cartel. Fines were also imposed on parent companies of the producers involved, including Goldman Sachs, the former parent company of one of the cartel members. Similarly, on February 16, 2018, the U.S. Department of Justice named a private equity sponsor as a co-defendant in a False Claims Act case against one of its portfolio companies, alleging that the private equity sponsor had an active involvement in managing the company and in developing its strategy to use illegal kickback payments to increase reimbursements. In addition, compliance with certain laws or contracts could also require us to commit significant resources and capital towards information gathering and monitoring thereby increasing our operating costs. For example, because we may indirectly hold voting securities in public utilities subject to regulation by the Federal Energy Regulatory Commission ("FERC"), including entities that may hold FERC authorization to charge market-based rates for sales of wholesale power and energy, we may be subject to certain FERC regulations, including regulations requiring us and our portfolio companies to collect, report and keep updated substantial information concerning our ownership of such voting interests and voting interests in other related energy companies, corporate officers, and our direct and indirect investment in such utilities and related companies. Such rules may subject our portfolio companies and us to costly and burdensome data collection and reporting requirements.

In the United States, certain statutes may subject us or our funds to the liabilities of our portfolio companies. The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also referred to as the "Superfund," requires cleanup of sites from which there has been a release or threatened release of hazardous substances, and authorizes the U.S. Environmental Protection Agency to take any necessary response action at Superfund sites, including ordering potentially responsible parties liable for the release to pay for such actions. Potentially responsible parties are broadly defined under CERCLA and could include us.

In addition, we or certain of our investment funds could potentially be held liable under U.S. Employee Retirement Income Security Act of 1974 ("ERISA") for the pension obligations of one or more of our portfolio companies if we or the investment fund were determined to be a "trade or business" under ERISA and deemed part of the same "controlled group" as the portfolio company under such rules, and the pension obligations of any particular portfolio company could be material. On March 28, 2016, a Federal District Court judge in Massachusetts ruled that two private equity funds affiliated with Sun Capital were jointly and severally responsible for unfunded pension liabilities of a Sun Capital portfolio company. While neither fund held more than an 80% ownership interest of the portfolio company, the percentage required under existing regulations to find liability, the court found the funds had formed a partnership-in-fact conducting a trade or business and that as a result each fund was jointly and severally liable for the portfolio company's unfunded pension liabilities. If the rationale of this decision were to be applied by other courts, we or certain of our investment funds could be held liable under ERISA for certain pension obligations of portfolio companies. In addition, if the rationale of this decision were expanded to apply also for U.S. federal income tax purposes, then certain of our investors could be subject to increased U.S. income tax liability or filing obligations in certain contexts. Similar laws that could be applied with similar results also exist outside of the United States.

Similarly, our portfolio companies may be subject to contractual obligations which may impose obligations or restrictions on their affiliates. The interpretation of such contractual provisions will depend on local laws. Given that we do not control all of our portfolio companies and that our portfolio companies generally operate independently of each other, there is a risk that we could contravene one or more of such laws, regulations and contractual arrangements due to limited access and opportunities to monitor compliance. In addition, compliance with these laws or contracts could require us to commit significant resources and capital towards information gathering and monitoring thereby increasing our operating costs.

Complex regulations may limit our ability to raise capital, increase the costs of our capital raising activities and may subject us to penalties .

We regularly rely on exemptions in the United States from various requirements of the Securities Act, the Exchange Act, the Investment Company Act, the Commodity Exchange Act and ERISA in conducting our investment management activities. These exemptions are sometimes highly complex and may in certain circumstances depend on compliance by third parties whom we do not control. If for any reason these exemptions were to become unavailable to us, we could become subject to additional restrictive and costly registration requirements, regulatory action or third-party claims and our business could be materially and adversely affected. For example, in raising new funds, we typically rely on private placement exemptions from registration under the Securities Act, including Rule 506 of Regulation D. However, Rule 506 becomes unavailable to issuers (including our funds) if the issuer or any of its "covered persons" (certain officers and directors and also certain third parties including, among others, promoters, placement agents and beneficial owners of 20% of outstanding voting securities of the issuer) has been the subject of a "disqualifying event," which includes a variety of criminal, regulatory and civil matters (so-called "bad actor" disqualification). If our funds or any of the covered persons associated with our funds is subject to a disqualifying event, one or more of our funds could lose the ability to raise capital in a Rule 506 private offering for a significant period of time, which could significantly impair our ability to raise new funds, and, therefore, could materially and adversely affect our business, results of operations and financial condition. In addition, if certain of our employees or any potential significant investor has been the subject of a disqualifying event, we could be required to reassign or terminate such an employee or we could be required to refuse the investment of such an investor, which could impair our relationships with investors, harm our reputation or make it more difficult to raise new funds. See "—Risks Related to Our Organizational Structure—If we were deemed to be an 'investment company' subject to regulation under the Investment Company Act, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business."

We are and will become further subject to additional regulatory and compliance burdens as we expand our product offerings and investment platform to include retail investors. For example, funds in our Public Markets business line are registered under the Investment Company Act as investment companies. These funds and KKR Credit Advisors (US) LLC, which currently serves as their investment adviser, are subject to the Investment Company Act and the rules thereunder, which, among other things, regulate the relationship between a registered investment company and its investment adviser and prohibit or severely restrict principal transactions and joint transactions. On April 2018, we completed our transaction to form FS/KKR Advisor, a strategic BDC partnership with FS Investments, to provide investment advisory services to BDCs previously advised by us and FS Investments. BDCs are subject to certain restrictions and prohibitions under the Investment Company Act. If any of the BDCs advised by FS/KKR Advisor fails to meet the requirements for a BDC, it may be regulated as a closed-end investment company under the Investment Company Act and become subject to substantially more regulatory restrictions, which could limit its operating flexibility and in turn result in decreased profitability for FS/KKR Advisor. As our business expands we may be required to make additional registrations under the Investment Company Act or similar laws, including in jurisdictions outside the United States. Compliance with these rules will increase our compliance costs and create potential for additional liabilities and penalties the management of which would divert management's attention from our business and investments.

Rule 206(4)-5 under the Investment Advisers Act regulates "pay to play" practices by investment advisers involving campaign contributions and other payments to elected officials or candidates for political office who are able to exert influence on government clients. Among other restrictions, the rule prohibits investment advisers from providing advisory services for compensation to a government client for two years, subject to very limited exceptions, after the investment adviser, its senior executives or its personnel involved in soliciting investments from government entities make contributions to certain candidates and officials in position to influence the hiring of an investment adviser by such government client. Advisers are required to implement compliance policies designed, among other matters, to track contributions by certain of the adviser's employees and engagements of third parties that solicit government entities and to keep certain records in order to enable the SEC to determine compliance with the rule. There has also been similar rule-making on a state-level regarding "pay to play" practices by investment advisers, including in California and New York. FINRA has released its own set of "pay to play" regulations that effectively prohibit the receipt of compensation from state or local government agencies for solicitation and distribution activities within two years of a prohibited contribution by a broker-dealer or one of its covered associates. Any failure on our part to comply with these rules could cause us to lose compensation for our advisory services or expose us to significant penalties and reputational damage.

Federal, state and foreign anti-corruption and trade sanctions laws applicable to us and our portfolio companies create the potential for significant liabilities and penalties and reputational harm .

We are subject to a number of laws and regulations governing payments and contributions to political persons or other third parties, including restrictions imposed by the Foreign Corrupt Practices Act ("FCPA"), as well as trade sanctions and trade control laws administered by the Office of Foreign Assets Control ("OFAC"), the U.S. Department of Commerce and the U.S. Department of State. The FCPA is intended to prohibit bribery of foreign governments and their officials and political parties, and requires public companies in the United States to keep books and records that accurately and fairly reflect those companies' transactions. OFAC, the U.S. Department of Commerce and the U.S. Department of State administer and enforce various trade control laws and regulations, including economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign states, organizations and individuals. These laws and regulations implicate a number of aspects of our business, including servicing existing fund investors, finding new fund investors, and sourcing new investments, as well as activities by the portfolio companies in our investment portfolio or other controlled investments. Some of these regulations provide that penalties can be imposed on us for the conduct of a portfolio company, even if we have not ourselves violated any regulation.

The Iran Threat Reduction and Syrian Human Rights Act of 2012 ("ITRA") expanded the scope of U.S. sanctions against Iran and requires public reporting companies to disclose in their annual or quarterly reports certain dealings or transactions the company or its affiliates "knowingly" engaged in during the previous reporting period involving Iran or other individuals and entities targeted by certain OFAC sanctions. In some cases, ITRA requires companies to disclose these types of dealings or transactions even if they are permissible under U.S. law or are conducted outside of the United States by a foreign affiliate. If any such activities are disclosed in a periodic report, we are required to separately file, concurrently with such report, a notice of such disclosure. The SEC is required to post this notice on its website and send the report to the U.S. President and certain U.S. Congressional committees. The U.S. President thereafter is required to initiate an investigation and, within 180 days of initiating such an investigation, to determine whether sanctions should be imposed. Disclosure of such activity, even if such activity is not subject to sanctions under applicable law, and any sanctions actually imposed on us or our affiliates as a result of these activities, could harm our reputation and have a negative impact on our business.

Similar laws in non-U.S. jurisdictions, such as EU sanctions or the U.K. Bribery Act, as well as other applicable anti-bribery, anti-corruption, anti-money laundering, or sanction or other export control laws in the United States and abroad, may also impose stricter or more onerous requirements than the FCPA, OFAC, the U.S. Department of Commerce and the U.S. Department of State, and implementing them may disrupt our business or cause us to incur significantly more costs to comply with those laws. Different laws may also contain conflicting provisions, making compliance with all laws more difficult. If we fail to comply with these laws and regulations, we could be exposed to claims for damages, civil or criminal financial penalties, reputational harm, incarceration of our employees, restrictions on our operations and other liabilities, which could materially and adversely affect our business, results of operations and financial condition. In addition, we may be subject to successor liability for FCPA violations or other acts of bribery, or violations of applicable sanctions or other export control laws committed by companies in which we or our funds invest or which we or our funds acquire.

We face significant liabilities and damage to our professional reputation as a result of litigation allegations and negative publicity.

The activities of our businesses, including the investment decisions we make and the activities of our employees in connection with our portfolio companies, may subject us and them to the risk of litigation by third parties, including fund investors dissatisfied with the performance or management of our funds, holders of our or our portfolio companies' debt or equity, and a variety of other potential litigants. See Item 8. Financial Statements and Supplementary Data—Note 18 "Commitments and Contingencies—Litigation." For example, we, our funds and certain of our employees are each exposed to the risks of litigation relating to investment activities of our funds and actions taken by the officers and directors (some of whom may be KKR employees) of portfolio companies, such as lawsuits by other shareholders of our public portfolio companies or holders of debt instruments of companies in which our funds have significant investments. We are also exposed to risks of litigation, investigation or negative publicity in the event of any transactions that are alleged not to have been properly considered and approved under applicable law.

Although investors in our funds do not have legal remedies against us, the general partners of our funds, our funds, our employees or our affiliates solely based on their dissatisfaction with the investment performance of those funds, such investor may have remedies against us, the general partners of our funds, our funds, our employees or our affiliates to the extent any losses result from fraud, negligence, willful misconduct or other similar misconduct. While the general partners and investment advisers to our investment funds, including their directors, officers, employees and affiliates, are generally indemnified to the fullest extent permitted by law with respect to their conduct in connection with the management of the business and affairs of our investment funds, such indemnity generally does not extend to actions determined to have involved fraud, gross negligence, willful misconduct or other similar misconduct. If any civil or criminal lawsuits were brought against us and resulted in a finding of substantial legal liability or culpability, the lawsuit could materially and adversely affect our business, results of operations and financial condition or cause significant reputational harm to us, which could seriously impact our business.

Furthermore, the current rise of populist political movements could result in negative public sentiment toward globalization, free trade, capitalism and financial institutions, which may lead to heightened scrutiny and criticisms of our business and our investments. The risk of reputational harm is elevated by the prevalence of Internet and social media usage and the increased public focus on behaviors and externalities of business activities. We depend to a large extent on our business relationships and our reputation for integrity and high-caliber professional services to attract and retain fund investors and qualified professionals and to pursue investment opportunities for our funds. As a result, allegations of improper conduct by private litigants or regulators, whether the ultimate outcome is favorable or unfavorable to us, as well as negative publicity and press speculation about us, our investment activities or the private equity industry in general, whether or not valid, may harm our reputation, which may be more damaging to our business than to other types of businesses.

With a workforce composed of many highly-paid professionals, we face the risk of litigation relating to claims for compensation or other damages, which may, individually or in the aggregate, be significant in amount. The cost of settling any such claims could negatively impact our business, results of operations and financial condition.

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

We have formed and may continue to form investment vehicles seeking investment from retail investors, which may subject us to additional risk of litigation and regulatory scrutiny. See "—Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could materially and adversely affect our business." We have and expect to continue to distribute products through new channels, including through unaffiliated firms, and we may not be able to effectively monitor or control the manner of their distribution, which could result in litigation against us, including with respect to, among other things, claims that products distributed through such channels are distributed to customers for whom they are unsuitable or distributed in any other inappropriate manner. The distribution of products through new channels whether directly or through market intermediaries, including in the retail channel, could expose us to additional regulatory risk in the form of allegations of improper conduct and/or actions by state and federal regulators against us with respect to, among other things, product suitability, conflicts of interest and the adequacy of disclosure to customers to whom our products are distributed through those channels.

In addition, investment adviser subsidiaries of KKR externally manage a number of publicly traded permanent capital vehicles, including KREF (a REIT listed on the NYSE) and KKR Income Opportunities Fund (a closed-end management investment company). FS KKR Capital Corp. (a BDC listed on the NYSE) is advised by FS/KKR Advisor, in which we own a 50% interest. We may enter into new investment management agreements with other publicly traded permanent capital vehicles in the future. Publicly traded permanent capital vehicles allow us to invest in longer-term strategies and secure stable fee streams, while providing liquidity to such vehicle's equity investors. However, these vehicles are subject to the heightened regulatory requirements applicable to public companies, including compliance with the laws and regulations of the SEC, the Exchange Act, the Sarbanes-Oxley Act of 2002 and the national securities exchanges on which their securities are listed, among others. These requirements will place increased demands on senior employees, require administrative, operational and accounting resources, and incur significant expenses. Failure to comply with these requirements could result in a civil lawsuit, regulatory penalties, enforcement actions, or potentially lead to suspension of trading or de-listing from an exchange. Furthermore, if the shareholders of these vehicles were to be dissatisfied with the investment performance or disagree with investment strategies employed by us, they may seek to cause the board of directors of the relevant vehicle to terminate the investment management agreement with us or change the terms of such agreement in a manner that is less favorable to us. As publicly traded entities, these permanent capital vehicles also face additional litigation risk, including class actions and other shareholder lawsuits, which would distract senior employees, including investment professionals.

Misconduct of our employees, consultants or sub-contractors or by our portfolio companies could harm us by impairing our ability to attract and retain clients and subjecting us to significant legal liability and reputational harm.

There is a risk that our employees, consultants or sub-contractors could engage in misconduct that adversely affects our business. We are subject to a number of obligations and standards arising from our business and our authority over the assets we manage. The violation of these obligations and standards by any of our employees, consultants or sub-contractors would adversely affect our clients and us. We may also be adversely affected if there is misconduct by senior management of portfolio companies in which we invest, even though we may be unable to control or mitigate such misconduct. Such misconduct may also negatively affect the valuation of the investments in such portfolio companies. Our current and former employees, consultants or sub-contractors and those of our portfolio companies may also become subject to allegations of sexual harassment, racial and gender discrimination or other similar misconduct, which, regardless of the ultimate outcome, may result in adverse publicity that could significantly harm our and such portfolio company's brand and reputation. Furthermore, our business often requires that we deal with confidential matters of great significance to companies in which we may invest. If our employees, consultants or sub-contractors were improperly to use or disclose confidential information, we could suffer serious harm to our reputation, financial position and current and future business relationships, as well as face potentially significant litigation or investigation. It is not always possible to detect or deter such misconduct, and the precautions we take may not be effective in all cases. If any of our employees, consultants or sub-contractors or the employees of portfolio companies were to engage in misconduct or were to be accused of such misconduct, our business and our reputation could be materially and adversely affected.

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

KKR Capital Markets LLC and our other broker-dealer subsidiaries may act as an underwriter, syndicator or placement agent in securities offerings and, through affiliated entities, loan syndications. We may incur losses and be subject to reputational harm to the extent that, for any reason, we are unable to sell securities or indebtedness we purchased or placed as an underwriter, syndicator or placement agent at the anticipated price levels or at all. As an underwriter, syndicator or placement agent, we also may be subject to potential liability for material misstatements or omissions in prospectuses and other offering documents relating to offerings our broker-dealer subsidiaries underwrite, syndicate or place. In certain situations, our broker-dealer subsidiaries may have liabilities arising from transactions in which our investment fund may participate as a purchaser of securities, which could constitute a conflict of interest or subject us to damages or reputational harm.

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

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

Furthermore, in the event of the insolvency of a prime broker and/or custodian, our funds may not be able to recover equivalent assets in full as they will rank among the prime broker's and custodian's unsecured creditors in relation to assets that the prime broker or custodian borrows, lends or otherwise uses. In addition, our and our funds' cash held with a prime broker or custodian may not be segregated from the prime broker's or custodian's own cash, and our funds therefore may rank as unsecured creditors in relation to that cash. The inability to recover assets from the prime broker or custodian could have a material adverse impact on the performance of our funds and our business, results of operations and financial condition. Counterparties have generally reacted to recent market volatility by tightening their underwriting standards and increasing their margin requirements for all categories of financing, which has the result of decreasing the overall amount of leverage available and increasing the costs of borrowing. Many of our funds have credit lines, and if a lender under one or more of these credit lines were to become insolvent, we may have difficulty replacing the credit line and one or more of our funds may face liquidity problems.

Default risk may arise from events or circumstances that are difficult to detect, foresee or evaluate. In addition, concerns about, or a default by, one large market participant could lead to significant liquidity problems for other market participants, which may in turn expose us to significant losses. We may not accurately anticipate the impact of market stress or counterparty financial condition, and as a result, we may not have taken sufficient action to reduce these risks effectively, which, if left unmitigated, could have a material adverse effect on our business, results of operations and financial condition.

Risks Related to the Assets We Manage

As an investment manager, we sponsor and manage funds that make investments worldwide on behalf of third-party investors and, in connection with those activities, are required to deploy our own capital in those investments. The investments of these funds are subject to many risks and uncertainties which, to the extent they are material, are discussed below. In addition, we have investments on our balance sheet, which we manage for our own behalf. These risks, as they apply to our balance sheet investments, may have a greater impact on our results of operations and financial conditions as we directly bear the full risk of our balance sheet investments. As a result, the gains and losses on such assets are reflected in our net income and the risks set forth below relating to the assets that we manage will directly affect our operating performance.

The historical returns attributable to our funds, including those presented in this report, should not be considered as indicative of the future results of our funds or our balance sheet investments, of our future results or the performance of our common stock.

We have presented in this report certain information relating to our investment returns, such as net and gross IRRs, multiples of invested capital and realized and unrealized investment values for funds that we have sponsored and managed. The historical and potential future returns of the funds that we manage are not directly linked to returns on KKR Group Partnership Units.

Moreover, historical returns of our funds may not be indicative of the future results that you should expect from our funds or our balance sheet investments. In particular, the future results may differ significantly from their historical results for the following reasons, among others:

- the rates of returns of our funds reflect unrealized gains as of the applicable valuation date that may never be realized, which may adversely affect the ultimate value realized from those funds' investments;
- the historical returns that we present in this report derive largely from the performance of our earlier private equity funds, whereas future fund returns will depend increasingly on the performance of our newer funds, which may have little or no investment track record, and in particular, you will not benefit from any value that was created in our funds prior to the KPE Transaction to the extent such value has been realized and we may be required to repay excess amounts previously received in respect of carried interest in our funds if, upon liquidation of the fund, we have received carried interest distributions in excess of the amount to which we were entitled;
- the future performance of our funds will be affected by macroeconomic factors, including negative factors arising from disruptions in the global financial markets that may not have been prevalent in the periods relevant to the historical return data included in this report;
- in some historical periods, the rates of return of some of our funds have been positively influenced by a number of investments that experienced a substantial decrease in the average holding period of such investments and rapid and substantial increases in value following the dates on which those investments were made; those trends and rates of return may not be repeated in the future as the actual or expected length of holding periods related to investments is likely longer than such historical periods;
- our newly established funds may generate lower returns during the period that they take to deploy their capital;
- our funds' returns have benefited from investment opportunities and general market conditions in certain historical periods that may not repeat themselves, and there can be no assurance that our current or future funds will be able to avail themselves of comparable investment opportunities or market conditions; and
- we may create new funds and investment products in the future that reflect a different asset mix in terms of allocations among funds, investment strategies, geographic and industry exposure, vintage year and economic terms.

In addition, our historical rates of return reflect our historical cost structure, which has varied and may vary further in the future. Certain of our newer funds, for example, have lower fee structures and also have performance hurdles. Future returns will also be affected by the risks described elsewhere in this report, including risks of the industry sectors and businesses in which a particular fund invests and changes in laws. See "—Risks Related to Our Business—Difficult market and economic conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial prospects and condition."

Valuation methodologies for certain assets in our funds and on our balance sheet can be subjective and the fair value of assets established pursuant to such methodologies may never be realized, which could result in significant losses for our funds and us.

There are no readily ascertainable market prices for a substantial majority of illiquid investments of our investment funds, our finance vehicles or other assets on our balance sheet. When determining fair values of investments, we use the last reported market price as of the statement of financial condition date for investments that have readily observable market prices. When an investment does not have a readily available market price, the fair value of the investment represents the value, as determined by us in good faith, at which the investment could be sold in an orderly disposition over a reasonable period of time between willing parties other than in a forced or liquidation sale. There is no single standard for determining fair value in good faith and in many cases fair value is best expressed as a range of fair values from which a single estimate may be derived. When making fair value determinations for our private equity investments, we typically use a market multiples approach that considers a specified financial measure (such as EBITDA) and/or a discounted cash flow analysis. Real asset investments in infrastructure, energy and real estate are valued using one or more of the discounted cash flow analysis, market comparables analysis and direct income capitalization, which in each case incorporates significant assumptions and judgments, and in certain cases may utilize the services of independent valuation firms. Credit investments are valued using values obtained from dealers or market makers, and where these values are not available, credit investments are valued by us based on ranges of valuations determined by an independent valuation firm.

Each of these methodologies requires estimates of key inputs and significant assumptions and judgments. We also consider a range of additional factors that we deem relevant, including the applicability of a control premium or illiquidity discount, the presence of significant unconsolidated assets and liabilities, any favorable or unfavorable tax attributes, the method of likely exit, financial projections, estimates of assumed growth rates, terminal values, discount rates including risk free rates, capital structure, risk premiums, commodity prices and other factors, and determining these factors may involve a significant degree of our management's judgment and the judgment of management of our portfolio companies.

Because valuations, and in particular valuations of investments for which market quotations are not readily available, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, determinations of fair value may differ materially from the values that would have resulted if a ready market had existed. Even if market quotations are available for our investments, such quotations may not reflect the value that we would actually be able to realize because of various factors, including possible illiquidity associated with a large ownership position, subsequent illiquidity in the market for a company's securities, future market price volatility or the potential for a future loss in market value based on poor industry conditions or the market's view of overall company and management performance. Our stockholders' equity could be adversely affected if the values of investments that we record is materially higher than the values that are ultimately realized upon the disposal of the investments and changes in values attributed to investments from quarter to quarter may result in volatility in our AUM and such changes could materially affect the results of operations that we report from period to period. There can be no assurance that the investment values that we record from time to time will ultimately be realized and that we will be able to realize the investment values that are presented in this report.

Because there is significant uncertainty in the valuation of, or in the stability of the value of, illiquid investments, the fair values of investments reflected in an investment fund's or finance vehicle's net asset value ("NAV") do not necessarily reflect the prices that would actually be obtained by us on behalf of the fund or finance vehicle when such investments are realized. For example, there may be liabilities such as unknown or uncertain tax exposures with respect to investments, especially those outside the United States, which may not be fully reflected in valuations. Realizations at values significantly lower than the values at which investments have been reflected in prior fund NAVs would result in losses for the applicable fund and the loss of potential carried interest and other fees. Also, if realizations of our investments produce values materially different than the carrying values reflected in prior fund NAVs, fund investors may lose confidence in us, which could in turn result in difficulty in raising capital for future funds.

In addition, because we value our entire portfolio only on a quarterly basis, subsequent events that may have a material impact on those valuations may not be reflected until the next quarterly valuation date.

Our investments are impacted by various economic conditions that are difficult to quantify or predict, which may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our results of operations and financial condition.

Our investments are impacted by various economic conditions that are difficult to quantify or predict, which may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our results of operations and financial condition. For example:

- Global equity markets, which may be volatile, significantly impact the valuation of our portfolio companies and, therefore, the investment income that we recognize. For our investments that are publicly listed and thus have readily observable market prices, global equity markets have a direct impact on valuation. For other investments, these markets have an indirect impact on valuation as we typically utilize market multiples (i.e. stock price of comparable companies divided by earnings or cash flow) as a critical input to ascertain fair value of our investments that do not have readily observable market prices. In addition, the valuation for any particular period may not be realized at the time of disposition. For example, because our private equity funds often hold very large amounts of the securities of their portfolio companies, the disposition of these securities often takes place over a long period of time, which can further expose us to volatility risk. In addition, the receptivity of equity markets to initial public offerings, as well as subsequent secondary equity offerings by companies already public, impacts our ability to realize investment gains. Unfavorable market conditions, market volatility and other factors may also adversely impact our strategic partnerships with third-party hedge fund managers by influencing the level or pace of subscriptions or redemptions from the funds managed by our partners.

- Changes in credit markets can also impact valuations and may have offsetting results depending on the valuation methodology used. For example, we typically use a discounted cash flow analysis as one of the methodologies to ascertain the fair value of our investments that do not have readily observable market prices. If applicable interest rates rise, then the assumed cost of capital for those portfolio companies would be expected to increase under the discounted cash flow analysis, and this effect would negatively impact their valuations if not offset by other factors. Rising U.S. interest rates may also negatively impact certain foreign currencies that depend on foreign capital flows. Conversely, a fall in interest rates can positively impact valuations of certain portfolio companies if not offset by other factors. These impacts could be substantial depending upon the magnitude of the change in interest rates. In certain cases, the valuations obtained from the discounted cash flow analysis and the other primary methodology we use, the market multiples approach, may yield different and offsetting results. For example, the positive impact of falling interest rates on discounted cash flow valuations may offset the negative impact of the market multiples valuation approach and may result in less of a decline in value than for those investments that had a readily observable market price. Finally, low interest rates related to monetary stimulus and economic stagnation may also negatively impact expected returns on all investments, as the demand for relatively higher return assets increases and supply decreases.

- Foreign exchange rates can materially impact the valuations of our investments that are denominated in currencies other than the U.S. dollar. For example, U.S. dollar appreciation relative to other currencies is likely to cause a decrease in the dollar value of non-U.S. investments to the extent unhedged.

- Conditions in commodity markets impact the performance of our portfolio companies and other investments in a variety of ways, including through the direct or indirect impact on the cost of the inputs used in their operations as well as the pricing and profitability of the products or services that they sell. The price of commodities has historically been subject to substantial volatility, which among other things, could be driven by economic, monetary, political or weather related factors. If our funds' operator or our portfolio companies are unable to raise prices to offset increases in the cost of raw materials or other inputs, or if consumers defer purchases of or seek substitutes for the products of our funds or such portfolio companies, our funds or such portfolio companies could experience lower operating income which may in turn reduce the valuation of such funds' investments or those portfolio companies. The value of energy investments generally increase or decrease with the increase or decrease, respectively, of energy commodity prices and in particular with long-term forecasts for such energy commodity prices. Given our investments in oil and gas companies and assets, the value of this portfolio and the investment income we realize is sensitive to oil and gas prices. The volatility of commodity prices also makes it difficult to predict commodity price movements. Apart from our energy investments, a number of our other investments may be dependent to varying degrees on the energy sector through, for example, the provision of equipment and services used in energy exploration and production. These companies may benefit from an increase or suffer from a decline in commodity prices.

Changes in these factors can have a significant effect on the results of the valuation methodologies used to value our portfolio, and our reported fair values for these assets could vary materially if these factors from prior quarters were to change significantly. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Environment."

Global and regional economic conditions have a substantial impact on the value of investments. See "—Risks Related to Our Business—Difficult market and economic conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial prospects and condition."

Dependence on significant leverage in investments by our funds and our balance sheet assets could adversely affect our ability to achieve attractive rates of return on those investments.

Because many of our funds' investments and our balance sheet investments often rely heavily on the use of leverage, our ability to achieve attractive rates of return will depend on our continued ability to access sufficient sources of indebtedness at attractive rates. For example, our credit funds use varying degrees of leverage when making investments. Similarly, in many private equity investments, indebtedness may constitute 70% or more of a portfolio company's total debt and equity capitalization, including debt that may be incurred in connection with the investment, and a portfolio company's indebtedness may also increase in recapitalization transactions subsequent to the company's acquisition. The absence of available sources of sufficient debt financing for extended periods of time could therefore materially and adversely affect our funds and our portfolio companies. U.S. federal bank regulatory agencies and the European Central Bank have issued leveraged lending guidance covering transactions characterized by a degree of financial leverage. Such guidance may limit the amount or availability of debt financing and may increase the cost of financing we are able to obtain for our transactions and may cause the returns on our investments to suffer. See "—Risks Related to Our Business—Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could materially and adversely affect our business."

An increase in either the general levels of interest rates or in the risk spread demanded by sources of indebtedness such as we experienced during the global financial crisis in 2008 and 2009 would make it more expensive to finance those investments. In addition, increases in interest rates could decrease the value of fixed-rate debt investments that our balance sheet assets, finance vehicles or our funds make. Increases in interest rates could also make it more difficult to locate and consummate private equity and other investments because other potential buyers, including operating companies acting as strategic buyers, may be able to bid for an asset at a higher price due to a lower overall cost of capital or their ability to benefit from a higher amount of cost savings following the acquisition of the asset. In addition, a portion of the indebtedness used to finance private equity investments often includes high-yield debt securities issued in the capital markets. Capital markets are volatile, and there may be times when we might not be able to access those markets at attractive rates, or at all, when completing an investment.

Investments in highly leveraged entities are also inherently more sensitive to declines in revenues, increases in expenses and interest rates and adverse economic, market and industry developments. The incurrence of a significant amount of indebtedness by an entity could, among other things:

- subject the entity to a number of restrictive covenants, terms and conditions, any violation of which would be viewed by creditors as an event of default and could materially impact our ability to realize value from our investment;
- allow even moderate reductions in operating cash flow to render it unable to service its indebtedness;
- give rise to an obligation to make mandatory prepayments of debt using excess cash flow, which might limit the entity's ability to respond to changing industry conditions to the extent additional cash is needed for the response, to make unplanned but necessary capital expenditures or to take advantage of growth opportunities;
- limit the entity's ability to adjust to changing market conditions, thereby placing it at a competitive disadvantage compared to its competitors who have relatively less debt;
- limit the entity's ability to engage in strategic acquisitions that might be necessary to generate attractive returns or further growth; and
- limit the entity's ability to obtain additional financing or increase the cost of obtaining such financing, including for capital expenditures, working capital or other general corporate purposes.

A leveraged company's income and equity also tend to increase or decrease at a greater rate than would otherwise be the case if money had not been borrowed. As a result, the risk of loss associated with a leveraged company is generally greater than for comparable companies with comparatively less debt. For example, leveraged companies could default on their debt obligations due to a decrease in revenues and cash flow precipitated by an economic downturn or by poor relative performance at such a company. Similarly, the leveraged nature of some of our investments in real assets increases the risk that a decline in the fair value of the underlying real asset will result in their abandonment or foreclosure. For example, if the property-level debt on a particular investment has reached its maturity and the underlying asset value has declined below its debt-level, we may, in absence of cooperation by the lender in regards to a partial debt-write-off, be forced to put the investment into liquidation. In addition, the 2017 Tax Act partially limits the tax deductibility of interest, which could have a material adverse effect on our funds' investment activities and on operations of a leveraged company.

When our existing portfolio investments reach the point when debt incurred to finance those investments matures in significant amounts and must be either repaid or refinanced, those investments may materially suffer if they have generated insufficient cash flow to repay maturing debt and there is insufficient capacity and availability in the financing markets to permit them to refinance maturing debt on satisfactory terms, or at all. If the financing for such purposes were to be unavailable or uneconomic when significant amounts of the debt incurred to finance our existing portfolio investments start to come due, these investments could be materially and adversely affected. In the event of default or potential default under applicable financing arrangements, one or more of our portfolio companies may go bankrupt, which could give rise to substantial investment losses, adverse claims or litigation against us or our employees and damage to our reputation.

Among the sectors particularly challenged by downturns in the global credit markets (such as the global financial crisis in 2008 and 2009) are the CLO and leveraged finance markets. We have significant exposure to these markets through our CLO subsidiaries, which we principally acquired in the acquisitions of KFN and Avoca. As of December 31, 2018, we indirectly hold below investment grade corporate loans and securities with a $12.7 billion estimated fair market value through our CLO subsidiaries. Each of these subsidiaries is a special purpose company that issued to us and other investors notes secured by a pool of collateral consisting primarily of corporate leveraged loans. In most cases, our CLO holdings are deeply subordinated, representing the CLO subsidiary's substantial leverage, which increases both the opportunity for higher returns as well as the magnitude of losses when compared to holders or investors that rank more senior to us in right of payment. These loans and bonds also generally involve a higher degree of risk than investment grade rated debt, including the risks described in the paragraphs above. Our CLO subsidiaries have historically experienced an increase in downgrades, depreciations in market value and defaults in respect of leveraged loans in their collateral during downturns in credit markets. The CLOs' portfolio profile tests set limits on the amount of discounted obligations a CLO can hold. During any time that a CLO issuer exceeds such a limit, the ability of the CLO's manager to sell assets and reinvest available principal proceeds into substitute assets is restricted. In such circumstances, CLOs may fail certain over-collateralization tests, which would cause diversions of cash flows away from us as holders of the more junior CLO, which may impact our cash flows. The ability of the CLOs to make interest payments to the holders of the senior notes of those structures is highly dependent upon the performance of the CLO collateral. If the collateral in those structures were to experience a significant decrease in cash flow due to an increased default level, payment of all principal and interest outstanding may be accelerated as a result of an event of default or by holders of the senior notes. There can be no assurance that market conditions giving rise to these types of consequences will not occur, re-occur, subsist or become more acute in the future. Because our CLO structures involve complex collateral and other arrangements, the documentation for such structures is complex, is subject to differing interpretations and involves legal risk. These CLOs have served as long-term, non-recourse financing for debt investments and as a way to reduce refinancing risk, reduce maturity risk and secure a fixed cost of funds over an underlying market interest rate. An inability to continue to utilize CLOs or other similar financing vehicles successfully could limit our ability to fund future investments, grow our business or fully execute our business strategy and our results of operations may be materially and adversely affected.

Our CLO subsidiaries regularly use significant leverage to finance their assets. An inability of such subsidiaries to continue to raise or utilize leverage, to refinance or extend the maturities of their outstanding indebtedness or to maintain adequate levels of collateral under the terms of their CLOs could limit their ability to grow their business, reinvest principal cash, distribute cash to us or fully execute their business strategy, and our results of operations may be materially and adversely affected. If these subsidiaries are unable to maintain their operating results and access to capital resources, they could face substantial liquidity problems and might be required to dispose of material assets or operations to meet debt service and other obligations. These CLO strategies and the value of the assets of such CLO subsidiaries are also sensitive to changes in interest rates because these strategies rely on borrowed money and because the value of the underlying portfolio loans can fall when interest rates rise. If interest rates on CLO borrowings increase and the interest rates on the portfolio loans do not also increase, the CLO strategy is unlikely to achieve its projected returns. Also, if interest rates increase in the future, our CLO portfolio will likely experience a reduction in value because it would hold assets receiving below market rates of interest.

Our credit-oriented funds and CLOs may choose to use leverage as part of their respective investment programs and regularly borrow a substantial amount of their capital. The use of leverage poses a significant degree of risk and enhances the possibility of a significant loss in the value of the investment portfolio. A fund may borrow money from time to time to purchase or carry securities or debt obligations or may enter into derivative transactions (such as total return swaps) with counterparties that have embedded leverage. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the securities or debt obligations purchased or carried and will be lost—and the timing and magnitude of such losses may be accelerated or exacerbated—in the event of a decline in the market value of such securities or debt obligations. Gains realized with borrowed funds may cause the fund's NAV to increase at a faster rate than would be the case without borrowings. However, if investment results fail to cover the cost of borrowings, the fund's NAV could also decrease faster than if there had been no borrowings.

Any of the foregoing circumstances could have a material adverse effect on our results of operations, financial condition and cash flow.

The due diligence process that we undertake in connection with our investments may not reveal all facts that may be relevant in connection with an investment.

Before making our investments, we conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. The objective of the due diligence process is to identify attractive investment opportunities based on the facts and circumstances surrounding an investment, to identify possible risks associated with that investment and, in the case of private equity investments, to prepare a framework that may be used from the date of an acquisition to drive operational achievement and value creation. When conducting due diligence, we typically evaluate a number of important business, financial, tax, accounting, environmental, technological, regulatory and legal issues in determining whether or not to proceed with an investment. Outside consultants, legal advisors, accountants and investment banks are involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, we rely on resources available to us, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence process may at times be subjective with respect to newly organized companies or carve-out transactions for which only limited information is available.

Instances of bribery, fraud, accounting irregularities and other improper, illegal or corrupt practices can be difficult to detect, and fraud and other deceptive practices can be widespread in certain jurisdictions. Several of our funds invest in emerging market countries that may not have established laws and regulations that are as stringent as in more developed nations, or where existing laws and regulations may not be consistently enforced. For example, our funds invest throughout jurisdictions that have material perceptions of corruption according to international rating standards (such as Transparency International's Corruption Perceptions Index) such as China, India, Indonesia, Latin America, the Middle East and Africa. Due diligence on investment opportunities in these jurisdictions is frequently more complicated because consistent and uniform commercial practices in such locations may not have developed. Bribery, fraud, accounting irregularities and corrupt practices can be especially difficult to detect in such locations.

The due diligence conducted for certain of our credit strategies, as well as certain private equity and real asset investments, is limited to publicly available information. Accordingly, we cannot be certain that the due diligence investigation that we will carry out with respect to any investment opportunity will reveal or highlight all relevant facts (including fraud, bribery and other illegal activities and contingent liabilities) that may be necessary or helpful in evaluating such investment opportunity, including the existence of contingent liabilities. We also cannot be certain that our due diligence investigations will result in investments being successful or that the actual financial performance of an investment will not fall short of the financial projections we used when evaluating that investment.

Our investment management activities involve investments in relatively high-risk, illiquid assets, and we may fail to realize any profits from these activities for a considerable period of time or lose some or all of the capital invested.

Many of our funds and our balance sheet may hold investments in securities that are not publicly traded. In many cases, our funds or we may be prohibited by contract or by applicable securities laws from selling such securities at many points in time. Our funds or we will generally not be able to sell these securities publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration is available, and then only at such times when we do not possess material nonpublic information. The ability of many of our funds or us to dispose of investments is heavily dependent on the capital markets and in particular the public equity markets. For example, the ability to realize any value from an investment may depend upon the ability to complete an initial public offering of the portfolio company in which such investment is made. Even if the securities are publicly traded, large holdings of securities can often be disposed of only over a substantial length of time, exposing our investment returns to risks of downward movement in market prices during the intended disposition period. Moreover, because the investment strategy of many of our funds, particularly our private equity funds, often entails having representation on our funds' public portfolio company boards, our funds may be restricted in their ability to effect such sales during certain time periods. As many of our funds have a finite term, we could also be forced to dispose of investments sooner than otherwise desirable. Accordingly, under certain conditions, our funds may be forced to either sell securities at lower prices than they had expected to realize or defer sales that they had planned to make, potentially for a considerable period of time. Moreover, we may determine that we may be required to sell our balance sheet assets alongside our funds' investments at such times. We have made and expect to continue to make significant capital investments in our current and future funds and other strategies. Contributing capital to these funds is risky, and we may lose some or all of the principal amount of our investments.

Our investments are subject to a number of inherent risks.

Our results are highly dependent on our continued ability to generate attractive returns from our investments. Investments made by our private equity, credit or other investments involve a number of significant risks inherent to private equity, credit and other investing, including the following:

- companies in which investments are made may have limited financial resources and may be unable to meet their obligations under their securities, which may be accompanied by a deterioration in the value of their equity securities or any collateral or guarantees provided with respect to their debt;

- companies in which investments are made are more likely to depend on the management talents and efforts of a small group of persons and, as a result, the death, disability, resignation or termination of one or more of those persons could have a material adverse impact on their business and prospects;

- companies in which private equity investments are made may be businesses or divisions acquired from larger operating entities that may require a rebuilding or replacement of financial reporting, information technology, operational and other functions;

- companies in which investments are made may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position;

- instances of bribery, fraud and other deceptive practices committed by senior management of portfolio companies in which our funds or we invest may undermine our due diligence efforts with respect to such companies, and if such bribery, fraud or other deceptive practices are discovered, negatively affect the valuation of a fund's investments as well as contribute to overall market volatility that can negatively impact a fund's or our investment program;

- our funds may make investments that they do not advantageously dispose of prior to the date the applicable fund is dissolved, either by expiration of such fund's term or otherwise, resulting in a lower than expected return on the investments and, potentially, on the fund itself;

- our portfolio companies generally have capital structures established on the basis of financial projections based primarily on management's judgments and assumptions, and general economic conditions and other factors may cause actual performance to fall short of these financial projections, which could cause a substantial decrease in the value of our equity holdings in the portfolio company and cause our funds' or our performance to fall short of our expectations;

- executive officers, directors and employees of an equity sponsor may be named as defendants in litigation involving a company in which an investment is made or is being made, and we or our funds may indemnify such executive officers, directors or employees for liability relating to such litigation;

- we advise funds that invest in businesses that operate in a variety of industries that are subject to extensive domestic and foreign regulation (including companies that supply services to governmental agencies), such as the telecommunications industry, the defense and government services industry, the healthcare industry, oil and gas industry, the waste management industry and the food industry, which may involve greater risk due to rapidly changing market and governmental conditions in those sectors;

- our transactions involve complex tax structuring that could be challenged or disregarded, which may result in losing treaty benefits or would otherwise adversely impact our investments; and

- significant failures of our portfolio companies to comply with laws and regulations applicable to them could affect the ability of our funds or us to invest in other companies in certain industries in the future and could harm our reputation.

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

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

Investments in real assets, which may include real estate, infrastructure, oil and gas properties and other energy assets, may expose us to increased risks and liabilities that are inherent in the ownership of real assets. For example:

- Ownership of real assets in our funds or vehicles may increase our risk of liability under environmental laws that impose, regardless of fault, joint and several liability for the cost of remediating contamination and compensation for damages. In addition, changes in environmental laws or regulations or the environmental condition of an investment may create liabilities that did not exist at the time of acquisition that would not have been foreseen. Even in cases where we are indemnified by a seller with respect to an investment against liabilities arising out of violations of environmental laws and regulations, there can be no assurance as to the financial viability of the seller to satisfy such indemnities or our ability to achieve enforcement of such indemnities;

- Ownership of real assets may also present additional risk of liability for personal and property injury or impose significant operating challenges and costs, for example with respect to compliance with zoning, environmental or other applicable laws;

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

- The operation of real assets is exposed to potential unplanned interruptions caused by significant catastrophic or force majeure events. These risks could, among other effects, adversely impact the cash flows available from investments in real assets, cause personal injury or loss of life, damage property, or instigate disruptions of service. In addition, the cost of repairing or replacing damaged assets could be considerable. Repeated or prolonged service interruptions may result in permanent loss of customers, litigation, or penalties for regulatory or contractual non-compliance. Force majeure events that are incapable of, or too costly to, cure may also have a permanent adverse effect on an investment; and

- The management of the business or operations of a real asset may be contracted to a third-party management company unaffiliated with us. Although it would be possible to replace any such operator, the failure of such an operator to adequately perform its duties or to act in ways that are in the best interest of the investment, or the breach by an operator of applicable agreements or laws, rules and regulations, could have an adverse effect on the investment's results of operations and financial condition. Real asset investments may involve the subcontracting of design and construction activities in respect of projects, and as a result our investments are subject to the risk that contractual provisions passing liabilities to a subcontractor could be ineffective, the subcontractor fails to perform services that it has agreed to provide and, in cases where a single subcontractor provides services to various investments, the subcontractor becomes insolvent.

Without limiting the foregoing risks, we note that investments that we have made and will continue to make in the oil and gas industries may present specific environmental, safety and other inherent risks. Such investments are subject to stringent and complex foreign, federal, state and local laws, ordinances and regulations specific to oil and gas industries, including, for example, those governing transportation, exploration and production of oil and natural gas. There are also various conservation laws and regulations applicable to oil and natural gas production and related operations, in addition to regulations governing occupational health and safety, the discharge of materials into the environment and other practices relating to environmental protection. Failure to comply with applicable laws, ordinances and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial obligations and the issuance of orders enjoining some or all of our operations in affected areas. These laws, ordinances and regulations may also restrict the rate of oil and natural gas production below the rate that would otherwise be possible and increase the cost of production, thereby reducing profitability. Our oil and gas investments are subject to other risks, such as:

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

- Currently unforeseen environmental incidents may occur or past non-compliance with environmental laws or regulations may be discovered making it difficult to predict the future costs or impact of compliance;

- The oil and gas industries present inherent risk of personal and property injury, for which we may not be fully insured or indemnified;

- There may be unforeseen or increased regulatory and environmental risks stemming from the use of new technologies, including hydraulic fracturing;

- Our estimated oil, natural gas, and natural gas liquids reserve quantities and future production rates are based on many assumptions that may prove to be inaccurate. Any material inaccuracies in these reserve estimates or the underlying assumptions will materially affect the quantities and value of our reserves;

- The performance of our energy investments depend on the skill, ability and decisions of third-party operators. The success of our investment will depend on their exploitation, development, construction and drilling activities and the timing and cost of drilling, completing and operating wells. Failure of such operators to comply with applicable laws, rules and regulations could result in liabilities to us, reduce the value of our interest in the oil and natural gas properties, and materially and adversely affect our cash flows and results of operations; and

- If commodity prices decline and remain depressed for a prolonged period, a significant portion of our development projects may become uneconomic and cause write-downs of the value of our oil and gas properties, which may reduce the value of our energy investments, have a negative impact on our ability to use these investments as collateral or otherwise have a material adverse effect on our results of operations.

Investments in real estate are subject to the risks inherent in the ownership and operation of real estate and real estate-related businesses and assets. These risks include those associated with the burdens of ownership of real property; general and local economic conditions; changes in supply of and demand for competing properties in an area (as a result, for instance, of overbuilding); fluctuations in the average occupancy; the financial resources of tenants; changes in building, environmental and other laws; energy and supply shortages; various uninsured or uninsurable risks; natural disasters; changes in government regulations (such as rent control); changes in real property tax rates; changes in interest rates; the reduced availability of mortgage funds that may render the sale or refinancing of properties difficult or impracticable; negative developments in the economy that depress travel activity; environmental liabilities; contingent liabilities on disposition of assets; and terrorist attacks, war and other factors that are beyond our control. Our real estate investments are also subject to additional risks, including but not limited to the following:

- The success of certain investments will depend on the ability to restructure and effect improvements in the operations of the applicable properties, and there is no assurance that we will be successful in identifying or implementing such restructuring programs and improvements.

- If we acquire direct or indirect interests in undeveloped land or underdeveloped real property, which may often be non-income producing, they will be subject to the risks normally associated with such assets and development activities, including risks relating to the availability and timely receipt of zoning and other regulatory or environmental approvals, the cost and timely completion of construction (including risks beyond the control of us or our fund, such as weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms.

- The strategy of our real estate funds may be based, in part, on the availability for purchase of assets at favorable prices followed by the continuation or improvement of market conditions or on the availability of refinancing. No assurance can be given that the real estate businesses or assets can be acquired or disposed of at favorable prices or that refinancing will be available.

- Lenders in commercial real estate financing customarily will require a "bad boy" guarantee, which typically provides that the lender can recover losses from the guarantors for certain bad acts, such as fraud or intentional misrepresentation, intentional waste, willful misconduct, criminal acts, misappropriation of funds, voluntary incurrence of prohibited debt and environmental losses sustained by lender. For our acquisitions, "bad boy" guarantees would generally be extended by our funds, our balance sheet or a combination of both depending on the ownership of the relevant asset. In addition, "bad boy" guarantees typically provide that the loan will be a full personal recourse obligation of the guarantor, for certain actions, such as prohibited transfers of the collateral or changes of control and voluntary bankruptcy of the borrower. It is expected that commercial real estate financing arrangements generally will require "bad boy" guarantees and in the event that such a guarantee is called, a fund's or our assets could be materially and adversely affected. Moreover, "bad boy" guarantees could apply to actions of the joint venture partners associated with the investments, and in certain cases the acts of such joint venture partner could result in liability to our funds or us under such guarantees.

- The acquisition, ownership and disposition of real properties carry certain specific litigation risks. Litigation may be commenced with respect to a property acquired in relation to activities that took place prior to the acquisition of such property. In addition, at the time of disposition, other potential buyers may bring claims related to the asset or for due diligence expenses or other damages. After the sale of a real estate asset, buyers may later sue our funds or us for losses associated with latent defects or other problems not uncovered in due diligence.

- Our funds or we may be subject to certain risks associated with investments in particular assets. REITs may be affected by changes in the value of their underlying properties and by defaults by borrowers or tenants. REITs depend on their ability to generate cash flow to make distributions and may be impacted by changes in tax laws or by a failure to qualify for tax-free pass through income. Investments in real estate debt investments may be unsecured and subordinated to a substantial amount of indebtedness. Such debt investments may not be protected by financial covenants. Non-performing real estate loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial write-down of the principal of such loan. Investments in commercial mortgage loans are subject to risks of delinquency, foreclosure and loss of principal. In the event of any default under a mortgage loan held directly by our fund or us, our fund or we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the loan. Investments in assets or businesses that are distressed may have little or no near-term cash flow and involve a high degree of risk. Such investments subject to bankruptcy or insolvency could be subordinated or disallowed.

Infrastructure investments often involve an ongoing commitment to a municipal, state, federal or foreign government or regulatory agencies. The nature of these obligations exposes the owners of infrastructure investments to a higher level of regulatory control than typically imposed on other businesses. They may also rely on complex government licenses, concessions, leases or contracts, which may be difficult to obtain or maintain. Infrastructure investments may require operators to manage such investments, and such operators' failure to comply with laws, including prohibitions against bribing of government officials, may materially and adversely affect the value of such investments and cause us serious reputational and legal harm. Revenues for such investments may rely on contractual agreements for the provision of services with a limited number of counterparties, and are consequently subject to heightened counterparty default risk. The operations and cash flow of infrastructure investments are also more sensitive to inflation and, in certain cases, commodity price risk. Furthermore, services provided by infrastructure investments may be subject to rate regulations by government entities that determine or limit prices that may be charged. Similarly, users of applicable services, or government entities in response to such users, may react negatively to any adjustments in rates, which may reduce the profitability of such infrastructure investments.

Our growth equity strategy invests in emerging and less established companies that are heavily dependent on new technologies.

Our growth equity funds may make investments in companies that are in a conceptual or early stage of development. These companies are often characterized by short operating histories, new technologies and products, quickly evolving markets, management teams that may have limited experience working together and in many cases, negative cash flow, all of which enhance the difficulty of evaluating these investment opportunities and the ultimate success of such investments. Other substantial operational risks to which such companies are subject include: uncertain market acceptance of the company's products or services; a high degree of regulatory risk for new or untried or untested business models, products and services; high levels of competition among similarly situated companies; new competing products and technology; lower barriers to entry and downward pricing pressure; lower capitalizations and fewer financial resources; the potential for rapid organizational or strategic change; and susceptibility to personal misconduct by or departure of key executives or founders. In addition, growth equity companies may be more susceptible to macroeconomic effects and industry downturns, and their valuations may be more volatile depending on the achievement of milestones, such as receiving a governmental license or approval. Growth equity companies also generally depend heavily on intellectual property rights, including patents, trademarks and proprietary products or processes. The ability to effectively enforce patent, trademark and other intellectual property laws in a cost-effective manner will affect the value of many of these companies. The presence of patents or other intellectual property rights belonging to other parties may lead to the termination of the research and development of a portfolio company's particular product. In addition, if a portfolio company infringes on third-party patents or other intellectual property rights, it could be prevented from using certain third-party technologies or forced to acquire licenses in order to obtain access to such technologies at a high cost.

Certain of our funds and CLOs, and our firm through our balance sheet, hold high-yield, below investment grade or unrated debt, or securities of companies that are experiencing significant financial or business difficulties, which generally entail greater risk, and if those risks are realized, it could materially and adversely affect our results of operations, financial condition and cash flow.

Certain of our funds and CLOs, and our firm through our balance sheet, invest in high-yield, below investment grade or unrated debt, including corporate loans and bonds, each of which generally involves a higher degree of risk than investment grade rated debt, and may be less liquid. Issuers of high yield, below investment grade or unrated debt may be highly leveraged, and their relatively high debt-to-equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations. As a result, high yield, below investment grade or unrated debt is often less liquid than investment grade rated debt. Also, investments may be made in loans and other forms of debt that are not marketable securities and therefore are not liquid. In the absence of appropriate hedging measures, changes in interest rates generally will also cause the value of fixed rate debt investments to vary inversely to such changes. The obligor of a debt security or instrument may not be able or willing to pay interest or to repay principal when due in accordance with the terms of the associated agreement and collateral may not be available or sufficient to cover such liabilities. Commercial bank lenders and other creditors may be able to contest payments to the holders of other debt obligations of the same obligor in the event of default under their commercial bank loan agreements. Sub-participation interests in syndicated debt may be subject to certain risks as a result of having no direct contractual relationship with underlying borrowers. Debt securities and instruments may be rated below investment grade by recognized rating agencies or unrated and face ongoing uncertainties and exposure to adverse business, financial or economic conditions and the issuer's failure to make timely interest and principal payments.

Certain of our investment funds, especially in our special situations strategy, and our firm through our balance sheet may hold interests in business enterprises involved in work-outs, liquidations, reorganizations, bankruptcies and similar transactions and may purchase high-risk receivables. An investment in such business enterprises entails the risk that the transaction in which such business enterprise is involved either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the fund of the security or other financial instrument in respect of which such distribution is received. In addition, if an anticipated transaction does not in fact occur, we or the fund may be required to sell the investment at a loss. Investments in troubled companies may also be adversely affected by U.S. federal and state and non-U.S. laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and a bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. Investments in securities and private claims of troubled companies made in connection with an attempt to influence a restructuring proposal or plan of reorganization in a bankruptcy case may also involve substantial litigation, which has the potential to adversely impact us or unrelated funds or portfolio companies. Companies that were not in financial distress at the time we or our funds made investments may in the future require work-outs, liquidations, reorganizations, bankruptcies or similar transactions, and as a result, become subject to the same risks described above. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies, there is a potential risk of loss of the entire investment in such company. Such investments involve a substantial degree of risk, and a decline in value of the assets would have a material adverse effect on our financial performance.

We often pursue investment opportunities that involve business, regulatory, legal or other complexities.

As an element of our investment style, we often pursue complex investment opportunities. This can often take the form of substantial business, regulatory or legal complexity that would deter other investment managers. Our tolerance for complexity presents risks, as such transactions can be more difficult, expensive and time consuming to finance and execute; it can be more difficult to manage or realize value from the assets acquired in such transactions; and such transactions sometimes entail a higher level of regulatory scrutiny, the application of complex tax laws or a greater risk of contingent liabilities. Our transactions involve complex tax structures that are costly to establish, monitor and maintain, and as we pursue a larger number of transactions across multiple assets classes and in multiple jurisdictions, such costs will increase and the risk that a tax matter is overlooked or inadequately or inconsistently addressed will increase. Consequently, we may fail to achieve the desired tax benefit or otherwise decrease the returns of our investments or damage the reputation of our firm. Changes in law and regulation and in the enforcement of existing law and regulation, such as antitrust laws and tax laws, also add complexity and risk to our business. Further, we, directly or through our funds, may acquire an investment that is subject to contingent liabilities, which could be unknown to us at the time of acquisition or, if they are known to us, we may not accurately assess or protect against the risks that they present. Acquired contingent liabilities could thus result in unforeseen losses for us or our funds. In addition, in connection with the disposition of an investment in a portfolio company, we or a fund may be required to make representations about the business and financial affairs of such portfolio company typical of those made in connection with the sale of a business. We or a fund may also be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities by us or a fund, even after the disposition of an investment. Any of these risks could harm the performance of us or our funds.

Our private equity investments are typically among the largest in the industry, which involves certain complexities and risks that are not encountered in small- and medium-sized investments.

Our private equity funds make investments in companies with relatively large capitalizations, which involves certain complexities and risks that are not encountered in small- and medium-sized investments. For example, larger transactions may be more difficult to finance and exiting larger deals may present incremental challenges. In addition, larger transactions may pose greater challenges in implementing changes in the company's management, culture, finances or operations, and may entail greater scrutiny by regulators, interest groups and other third parties. These constituencies may be more active in opposing larger investments by certain private equity firms.

In some transactions, the amount of equity capital that is required to complete a large capitalization private equity transaction may be significant and are required to be structured as a consortium transaction. A consortium transaction involves an equity investment in which two or more private equity firms serve together or collectively as equity sponsors. While we have sought to limit where possible the amount of consortium transactions in which we have been involved, we have participated in a significant number of those transactions. Consortium transactions generally entail a reduced level of control by our firm over the investment because governance rights must be shared with the other consortium investors. Accordingly, we may not be able to control decisions relating to a consortium investment, including decisions relating to the management and operation of the company and the timing and nature of any exit, which could result in the risks described in "—We and our funds have made investments in companies that we do not control, exposing us to the risk of decisions made by others with which we may not agree." Any of these factors could increase the risk that our larger investments could be less successful. The consequences to our investment funds of an unsuccessful larger investment could be more severe given the size of the investment. Moreover, we have significant capital of our own committed in such large investments. For certain large private equity transactions, we may seek to syndicate a portion of our capital commitment to third parties; however, if we are unable to syndicate all or part of such commitment, we may be required to fund the remaining commitment amount from our balance sheet. If we are required to keep on our balance sheet a large portion of the capital commitment that could not be syndicated to third parties, poor performance of such large investment may have a material adverse impact on our financial results. See "—Risks Related to Our Business—If we are unable to syndicate the securities or indebtedness or realize returns on investments financed with our balance sheet assets, our liquidity, business, results of operations and financial condition could be materially and adversely affected" and "—Our funds and our firm through our balance sheet may make a limited number of investments, or investments that are concentrated in certain issuers, geographic regions or asset types, which could negatively affect our performance or the performance of our funds to the extent those concentrated assets perform poorly."

We and our funds have made investments in companies that we do not control, exposing us to the risk of decisions made by others with which we may not agree.

We and our funds hold investments that include debt instruments and equity securities of companies that we do not control, and such investments may comprise an increasing part of our business. Such instruments and securities may be acquired by our funds through trading activities or through purchases of securities from the issuer or we may purchase such instruments and securities on a principal basis. In addition, our funds may acquire minority equity interests, particularly when making private equity investments in Asia, making growth equity investments or sponsoring investments as part of a large investor consortium or through many of our credit funds. Our funds may also dispose of a portion of their majority equity investments in portfolio companies over time in a manner that results in the funds retaining a minority investment. We and our funds, including our newer private equity funds, have made certain minority investments in publicly traded companies.

We have also made minority investments in companies including hedge fund managers on our balance sheet. For example, we have investments in Marshall Wace, BlackGold and PAAMCO Prisma. We also have investments in real estate managers like Drawbridge Realty and German Estate Group AG.

Transactions made by companies we do not control could be viewed as unwanted, damage our reputation, and consequently impair our ability to source transactions in the future. Those investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which we do not agree or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve our interests. These companies may be subject to complex regulatory requirements and instances of non-compliance by them may subject us to reputational harm or in certain cases, liability. We are also reliant on the systems and processes of these companies for, among other, financial information and valuations of our investments in or with them, including hedge fund managers and their funds, but we do not control the decisions and judgments made during such processes. Our investments in hedge fund managers may subject us to additional regulatory complexities or scrutiny if we are deemed to control the company for regulatory purposes, despite our minority interest. These asset managers may also be dependent on their founders and other key persons, and the loss of these key personnel could adversely impact our investment. If any of the foregoing were to occur, the value of the investments held by our funds or by us could decrease and our results of operations, financial condition and cash flow could be materially and adversely affected.

We make investments in companies that are based outside of the United States, which may expose us to additional risks not typically associated with investing in companies that are based in the United States.

Many of our funds invest or have the flexibility to invest a significant portion of their assets in the equity, debt, loans or other securities of issuers that are based outside of the United States. A substantial amount of these investments consist of private equity investments made by our private equity funds and growth equity funds. For example, as of December 31, 2018, approximately 49% of the capital invested in those funds (European Fund and subsequent funds) was attributable to non-U.S. investments. Investing in companies that are based or have significant operations in countries outside of the United States and, in particular, in emerging markets such as China and India, Eastern Europe, South and Southeast Asia, Latin America and Africa, involves risks and considerations that are not typically associated with investments in companies established in the United States. These risks may include the following:

- the possibility of exchange control regulations;
- restrictions on repatriation of profit on investments or of capital invested;
- the imposition of non-U.S. taxes and changes in tax law;

- differences in the legal and regulatory environment, such as the recognition of information barriers, or enhanced legal and regulatory compliance;
- greater levels of corruption and potential exposure to the FCPA and other laws that prohibit improper payments or offers of payments to foreign governments, their officials and other third parties;
- violations of trade sanctions or trade control regimes;
- limitations on borrowings to be used to fund acquisitions or dividends;
- limitations on permissible counterparties in our transactions or consolidation rules that effectively restrict the types of businesses in which we may invest;
- political risks generally, including political and social instability, nationalization, expropriation of assets or political hostility to investments by foreign or private equity investors;
- less liquid markets;
- reliance on a more limited number of commodity inputs, service providers and/or distribution mechanisms;
- adverse fluctuations in currency exchange rates and costs associated with conversion of investment principal and income from one currency into another;
- higher rates of inflation;
- less available current information about an issuer;
- higher transaction costs;
- less government supervision of exchanges, brokers and issuers;
- less developed bankruptcy and other laws;
- greater application of concepts like equitable subordination, which may, in bankruptcy or insolvency, result in the subordination of debt or other senior interests held by our investment funds, vehicles or accounts in companies in which our investment funds, vehicles or accounts also hold equity interests;
- difficulty in enforcing contractual obligations;
- lack of uniform accounting, auditing and financial reporting standards;
- less stringent requirements relating to fiduciary duties;
- fewer investor protections; and
- greater price volatility.

As a result of the complexity of and lack of clear laws, precedent or authority with respect to the application of various income tax laws to our structures, the application of rules governing how transactions and structures should be reported is also subject to differing interpretations. In particular, certain jurisdictions have either proposed or adopted rules that seek to limit the amount of interest that may be deductible where the lender and the borrower are related parties (or where third-party borrowings have been guaranteed by a related party) and in some cases, without regard to whether the lender is a related party, or may seek to interpret existing rules in a more restrictive manner. In addition, the tax authorities of certain countries have sought to disallow tax deductions for transaction and certain other costs at the portfolio company level either on the basis that the entity claiming the deduction does not benefit from the costs incurred or on other grounds. These measures will most likely adversely affect portfolio companies in those jurisdictions in which our investment funds have investments, and limit the benefits of additional investments in those countries. Our business is also subject to the risk that similar measures might be introduced in other countries in which our investment funds currently have investments or plan to invest in the future, or that other legislative or regulatory measures that negatively affect their respective portfolio investments might be promulgated in any of the countries in which they invest.

In addition, certain countries such as Australia, China, India, Japan, Brazil and South Korea, where we have made investments, have sought to tax investment gains derived by nonresident investors, including private equity funds, from the disposition of the equity in companies operating in those countries. In some cases this development is the result of new legislation or changes in the interpretation of existing legislation and local authority assertions that investors have a local taxable presence or are holding companies for trading purposes rather than for capital purposes, or are not otherwise entitled to treaty benefits.

Further, the tax authorities in certain countries, such as Australia, Belgium, China, India, Japan, Denmark, Germany and South Korea have sought to deny the benefits of income tax treaties or EU Directives with respect to withholding taxes on interest and dividends and capital gains of nonresident entities. Benefits of income tax treaties or EU Directives could be denied under each country's general anti-avoidance rules or on the basis that the entity benefiting from such treaty or Directive is not the owner of the income, is a mere conduit inserted primarily to access treaty benefits or Directives, or otherwise lacks substance.

These various proposals and initiatives could result in an increase in taxes paid by our funds and/or increased tax withholding with respect to our fund investors. See "—Risks Related to Our Business—Changes in relevant tax laws, regulations or treaties or an adverse interpretation of these items by tax authorities could adversely impact our effective tax rate and tax liability."

As a result of the complexity of our structures, foreign jurisdictions may seek to tax an additional portion of the fee income associated with our management advisory activity. Foreign jurisdictions may assert that an additional amount of fee income is subject to local tax, potentially reducing our profits associated with such income, although this risk may be mitigated by the availability of foreign tax credits. We or our funds may also inadvertently establish a taxable presence in a jurisdiction because of activities conducted there. Compliance with tax laws and structures in these jurisdictions and the costs of adapting to changes in tax policies require significant oversight and cost.

Although we expect that much of the capital commitments of our funds will be denominated in U.S. dollars, our investments and capital commitments that are denominated in a foreign currency, such as euro, will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. A depreciation of foreign currencies against the U.S. dollar, if not adequately hedged, would reduce the value of our investments in the relevant region, which could adversely impact our financial results. Factors that may affect currency values include trade balances, the ability of countries to pay their national debt, levels of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. We may employ hedging techniques to reduce these risks, but we can offer no assurance that such strategies will be effective or even available at all. If we engage in hedging transactions, we may be exposed to additional risks associated with such transactions. See "—Risk management activities may adversely affect the return on our investments." In addition, various countries and regulatory bodies may implement controls on foreign exchange and outbound remittances of currency, which could impact not only the timing and amount of capital contributions that are required to be made to our funds but also the value, in U.S. dollars, of our investments and investment proceeds. See "Risks Related to Our Business—Difficult market and economic conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial prospects and condition" and "Risks Related to Our Business—Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could materially and adversely affect our business." See also "Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Environment" for a discussion of recent developments in market and business conditions that may affect our business.

Third-party investors in our funds with commitment-based structures may not satisfy their contractual obligation to fund capital calls when requested by us, which could adversely affect a fund's operations and performance.

Investors in certain of our funds make capital commitments to those funds that the funds are entitled to call from those investors at any time during prescribed periods. We depend on fund investors fulfilling their commitments when we call capital from them in order for such funds to consummate investments and otherwise pay their obligations (for example, management fees) when due. Any fund investor that did not fund a capital call would generally be subject to several possible penalties, including having a significant amount of existing investment forfeited in that fund. However, the impact of the penalty is directly correlated to the amount of capital previously invested by the investor in the fund and if an investor has invested little or no capital, for instance early in the life of the fund, then the forfeiture penalty may not be as meaningful. Investors may in the future also negotiate for lesser or reduced penalties at the outset of the fund, thereby inhibiting our ability to enforce the funding of a capital call. If our fund investors were to fail to satisfy a significant amount of capital calls for any particular fund or funds, the operation and performance of those funds could be materially and adversely affected.

Our equity investments and many of our debt investments often rank junior to investments made by others, exposing us to greater risk of losing our investment.

In many cases, the companies in which we or our funds invest have, or are permitted to have, outstanding indebtedness or equity securities that rank senior to our or our fund's investment. By their terms, such instruments may provide that their holders are entitled to receive payments of distributions, interest or principal on or before the dates on which payments are to be made in respect of our or our fund's investment. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a company in which an investment is made, holders of securities ranking senior to our investment would typically be entitled to receive payment in full before distributions could be made in respect of our investment. In addition, debt investments made by us or our funds in our portfolio companies may be equitably subordinated to the debt investments made by third parties in our portfolio companies. After repaying senior security holders, the company may not have any remaining assets to use for repaying amounts owed in respect of our investment. To the extent that any assets remain, holders of claims that rank equally with our investment would be entitled to share on an equal and ratable basis in distributions that are made out of those assets. Also, during periods of financial distress or following insolvency, the ability of us or our funds to influence a company's affairs and to take actions to protect an investment may be substantially less than that of the senior creditors.

Risk management activities may adversely affect the return on our investments.

When managing exposure to market risks, we employ hedging strategies or certain forms of derivative instruments to limit our exposure to changes in the relative values of investments that may result from market developments, including changes in prevailing interest rates, currency exchange rates and commodity prices. The scope of risk management activities undertaken by us is selective and varies based on the level and volatility of interest rates, prevailing foreign currency exchange rates, the types of investments that are made and other changing market conditions. We do not seek to hedge our exposure in all currencies or all investments, which means that our exposure to certain market risks are not limited. Where applicable, we use hedging transactions and other derivative instruments to reduce the effects of a decline in the value of a position, but they do not eliminate the possibility of fluctuations in the value of the position or prevent losses if the value of the position declines. However, such activities can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of the position. Such transactions may also limit the opportunity for gain if the value of a position increases. Moreover, it may not be possible to limit the exposure to a market development that is so generally anticipated that a hedging or other derivative transaction cannot be entered into at an acceptable price.

The success of any hedging or other derivative transactions that we enter into generally will depend on our ability to correctly predict market changes. As a result, while we may enter into such transactions in order to reduce our exposure to market risks, unanticipated market changes may result in poorer overall investment performance than if the hedging or other derivative transaction had not been executed. In addition, the degree of correlation between price movements of the instruments used in connection with hedging activities and price movements in a position being hedged may vary. Moreover, for a variety of reasons, we may not seek or be successful in establishing a perfect correlation between the instruments used in hedging or other derivative transactions and the positions being hedged. An imperfect correlation could prevent us from achieving the intended result and could give rise to a loss. In addition, it may not be possible to fully or perfectly limit our exposure against all changes in the value of its investments, because the value of investments is likely to fluctuate as a result of a number of factors, some of which will be beyond our control or ability to hedge.

While hedging arrangements may reduce certain risks, such arrangements themselves may entail certain other risks. These arrangements may require the posting of cash collateral, including at a time when a fund has insufficient cash or illiquid assets such that the posting of the cash is either impossible or requires the sale of assets at prices that do not reflect their underlying value. Moreover, these hedging arrangements may generate significant transaction costs, including potential tax costs, that reduce the returns generated by a fund. The CFTC has proposed or adopted regulations governing swaps and security-based swaps, which may limit our trading activities and our ability to implement effective hedging strategies or increase the costs of compliance. See "Risks Related to Our Business—Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could materially and adversely affect our business."

Our funds and our firm through our balance sheet may make a limited number of investments, or investments that are concentrated in certain issuers, geographic regions or asset types, which could negatively affect our performance or the performance of our funds to the extent those concentrated assets perform poorly.

The governing agreements of our funds contain only limited investment restrictions and only limited requirements as to diversification of fund investments, either by geographic region or asset type. Our private equity funds generally permit up to 20% of the fund to be invested in a single company. We also advise funds that invest in a single industry such as growth equity, energy, infrastructure or real estate or funds that focus on particular geographic region. During periods of difficult market conditions or slowdowns in these sectors or geographic regions, decreased revenues, difficulty in obtaining access to financing and increased funding costs may be exacerbated by this concentration of investments, which would result in lower investment returns. Because a significant portion of a fund's capital may be invested in a single investment or portfolio company, a loss with respect to such investment or portfolio company could have a material adverse impact on such fund's capital. Accordingly, a lack of diversification on the part of a fund could materially and adversely affect a fund's performance and therefore, our results of operations and financial condition.

Similarly, our balance sheet has significant exposures to certain issuers, industries or asset classes. Because we hold interests in some of our portfolio companies both through our balance sheet investments in our private equity funds and direct co-investments, fluctuation in the fair values of these portfolio companies may have a disproportionate impact on the investment income earned by us as compared to other portfolio companies. In these circumstances, as was the case with energy investments beginning in late 2014 through and into 2018, losses may have an even greater impact on our results of operations and financial condition, as we would directly bear the full extent of such losses. Our balance sheet also has significant exposures to a small group of companies, with our investment in First Data Corporation (NYSE: FDC) representing approximately 10.1% and our top five investments representing approximately 26.3% of our balance sheet's total investments as of December 31, 2018. As a result, our investment income is subject to greater volatility depending on such companies' operating results and other idiosyncratic factors specific to such companies, and in the case of publicly traded companies, our operating results would be impacted by volatility in the public markets generally and in the stock price of such companies. See "—Management's Discussion and Analysis of Financial Condition and Results of Operations—Segment Analysis—Segment Balance Sheet" for information on significant investments held on our balance sheet.

Our business activities may give rise to a conflict of interest with our funds.

As we have expanded and as we continue to expand the number and scope of our businesses, we increasingly confront potential conflicts of interest relating to investment activities among our various funds and also our own account. For example:

- In pursuing the interest of our fund investors, we may take actions that could reduce our AUM or our profits that we could otherwise realize in the short term;
- We may be required to allocate investment opportunities among investment vehicles that may have overlapping investment objectives, including vehicles that may have different fee structures, and among KKR co-investment vehicles (including vehicles in which KKR employees may investment) and third-party co-investors;
- We may, on behalf of our funds or KKR itself, buy, sell, hold or otherwise deal with securities or other investments that may be purchased, sold or held by our other funds or that are otherwise issued by a portfolio company in which our funds invest. Conflicts of interest may arise between a fund, on one hand, and KKR on the other or among our funds including but not limited to those relating to the purchase or sale of investments, the structuring of, or exercise of rights with respect to investment transactions and the advice we provide to our funds. For example we may sell an investment at a different time or for different consideration than our funds;
- We may invest on behalf of our fund or for our own account in a portfolio company of one fund that is a competitor, service provider, supplier, customer, or other counterparty with respect to a portfolio company of another fund;
- We may structure an investment in a manner that may be attractive to fund investors or to KKR Holdings from a tax perspective even though KKR is required to pay corporate taxes;
- A decision to acquire material non-public information about a company while pursuing an investment opportunity for a particular fund or our own account may result in our having to restrict the ability of other funds to take any action with regards to that company or its securities;
- Our fiduciary obligations to our fund investors may preclude us from pursuing attractive proprietary investment opportunities, in particular as we enter into strategic relationships with broad investment mandates similar to the

investments we make with our balance sheet. Notwithstanding the foregoing, we also allocate certain investments that we believe are not suitable for our funds to our balance sheet;

- Conflicts may arise in allocating investments, time, services, expenses or resources among the investment activities of our funds, KKR, other KKR-affiliated entities and the employees of KKR;
- Our principals have made personal investments in a variety of our investment funds, which may result in conflicts of interest among investors of our funds or stockholders regarding investment decisions for these funds;
- The general partner's entitlement to receive carried interest from many of our funds may create an incentive for that general partner to make riskier and more speculative investments on behalf of a fund than would be the case in the absence of such an arrangement. In addition, for our funds that pay carried interest based on accrued rather than realized gains, the amount of carried interest to which the general partner is entitled and the timing of its receipt of carried interest will depend on the valuation by the general partner of the fund's investment;
- Under the 2017 Tax Act, investments must be held for more than three years, rather than the prior requirement of more than one year, for carried interest to be treated for U.S. federal income tax purposes as capital gain, which may create a conflict of interest between the limited partner investors (whose investments would receive such capital gain treatment after a holding period of only one year) and the general partner on the execution, closing or timing of sales of a fund's investments in connection with the receipt of carried interest;
- From time to time, one of our funds or other investment vehicles (including CLOs) may seek to effect a purchase or sale of an investment with one or more of our other funds or other investment vehicles in a so-called "cross transaction," or we as a principal may seek to effect a purchase or sale of our investment with one or more of our funds or other investment vehicles in a so-called "principal transaction";
- A dispute may arise between our portfolio companies, and if such dispute is not resolved amicably or results in litigation, it could cause significant reputational harm to us, and our fund investors may become dissatisfied with our handling of the dispute;
- The investors in our investment vehicles are based in a wide variety of jurisdictions and take a wide variety of forms, and consequently have diverging interests among themselves from a regulatory, tax or legal perspective or with respect to investment policies and target risk/return profiles; and
- We or our affiliates, including our capital markets business, may receive fees or other compensation in connection with specific transactions or different clients that may give rise to conflicts. The decision to take on an opportunity in one of our businesses may, as a practical matter, also limit the ability of one or our other businesses to take advantage of other related opportunities.

In addition, our funds also invest in a broad range of asset classes throughout the corporate capital structure. These investments include investments in corporate loans and debt securities, preferred equity securities and common equity securities. In certain cases, we may manage separate funds that invest in different parts of the same company's capital structure. For example, our credit funds may invest in different classes of the same company's debt and may make debt investments in a company that is owned by one of our private equity funds. In those cases, the interests of our funds may not always be aligned, which could create actual or potential conflicts of interest or the appearance of such conflicts. For example, one of our private equity funds could have an interest in pursuing an acquisition, divestiture or other transaction that, in its judgment, could enhance the value of the private equity investment, even though the proposed transaction would subject one of our credit fund's debt investments to additional or increased risks. Finally, our ability to effectively implement a public securities strategy may be limited to the extent that contractual obligations entered into in the ordinary course of our private equity business impose restrictions on our engaging in transactions that we may be interested in otherwise pursuing.

We may also cause different investment funds to invest in a single portfolio company, for example where the fund that made an initial investment no longer has capital available to invest. Conflicts may also arise where we make balance sheet investments for our own account or permit employees to invest alongside our investment vehicles or our balance sheet for their own account. In certain cases, we may require that a transaction or investment be approved by fund investors or their advisory committees, be approved by an independent valuation expert, be subject to a fairness opinion, be based on arm's-length pricing data or be calculated in accordance with a formula provided for in a fund's governing documents prior to the completion of the relevant transaction or investment to address potential conflicts of interest. Such instances include principal transactions where we or our affiliates warehouse an investment in a portfolio company for the benefit of one or more of our funds pending the contribution of committed capital by the investors in such funds, follow-on investments by a fund other than a fund that made an initial investment in a company, or transactions in which we arrange for one of our funds to buy a security from, or sell a security to, another one of our funds.

Appropriately dealing with conflicts of interest is complex and difficult and we could suffer reputational damage or potential liability if we fail, or appear to fail, to deal appropriately with conflicts as they arise. Regulatory scrutiny of, or litigation in connection with, conflicts of interest could have a material adverse effect on our reputation which could in turn materially and adversely affect our business in a number of ways, including as a result of an inability to raise additional funds and a reluctance of counterparties to do business with us.

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

Investors in our funds in certain of our leveraged credit investment vehicles may generally submit redemptions to redeem their investments on a quarterly or monthly basis following the expiration of a specified period of time or in certain cases capital may be withdrawn earlier subject to a fee, in each case subject to the applicable fund's specific redemption provisions. Factors that could result in investors leaving our funds include changes in interest rates that make other investments more attractive, changes in or rebalancing due to investors' asset allocation policy, changes in investor perception regarding our focus or alignment of interest, unhappiness with a fund's performance or investment strategy, changes in our reputation, departures or changes in responsibilities of key investment professionals, and performance and liquidity needs of fund investors. In a declining market or period of economic disruption or uncertainty, the pace of redemptions and consequent reduction in our AUM could accelerate. The decrease in revenues that would result from significant redemptions from our funds or other similar investment vehicles could have a material adverse effect on our business, revenues, net income and cash flows.

A portion of assets invested in our funds in the Public Markets business line are managed through separately managed accounts or entities structured for investment by one investor or related investors whereby we earn management and incentive fees, and we intend to continue to seek additional separately managed account or single entity mandates. The investment management agreements we enter into in connection with managing separately managed accounts or entities on behalf of certain clients may be terminated by such clients on as little as 30 days' prior written notice, or less in certain prescribed circumstances. In addition, the boards of directors of certain funds we manage could terminate our advisory engagement of those companies, on as little as 30 days' prior written notice. Similarly, we provide sub-advisory services to other investment advisors and managers. Such investment advisors and managers could terminate our sub-advisory agreements on as little as 30 days' prior written notice. In the case of any such terminations, the management and incentive fees we earn in connection with managing such account or company would immediately cease, which could result in a material adverse impact on our revenues.

In addition, certain funds in our Public Markets business line are registered under the Investment Company Act as management investment companies. These funds and KKR Credit Advisors (US) LLC, which serves as their investment adviser, are subject to the Investment Company Act and the rules thereunder. One of these funds is a NYSE-listed closed-end fund. BDCs in our BDC platform are also registered under the Investment Company Act, including FS KKR Capital Corp., a BDC listed on the NYSE. In addition, the management fees we are paid for managing investment companies will generally be subject to contractual rights the company's board of directors (or, in the case of the BDCs, the investment adviser) has to terminate our management of an account on as short as 60 days' prior notice. Termination of these agreements would reduce the fees we earn from the relevant funds, which could have a material adverse effect on our results of operations.

Our stakes in our hedge fund partnerships subject us to numerous additional risks.

Our stakes in our hedge fund partnerships subject us to numerous additional risks applicable to hedge funds and funds of funds, including the following:

- Generally, there are few limitations on the execution of investment strategies of a hedge fund or fund of funds, which are subject to the sole discretion of the management company or the general partner of such funds;

- A fund of funds is subject to risks related to the limited rights it has to withdraw, redeem, transfer or otherwise liquidate its investments from the underlying hedge funds or other funds in which it invests. It may be impossible or costly for hedge funds or such other funds to liquidate positions rapidly in order to meet margin calls, withdrawal requests, redemption requests or otherwise, particularly if there are other market participants seeking to dispose of similar assets at the same time or the relevant market is otherwise moving against a position or in the event of trading halts or daily price movement limits on the market or otherwise. In addition, terms of the governing documents of the relevant portfolio funds may limit withdrawal, redemption, transfer or liquidation of investments, including restrictions on the redemption of capital for an initial period, restrictions on the amount of redemptions and the frequency with which redemptions can be made and investment minimums that must be maintained. Portfolio funds also typically reserve the right to reduce ("gate") or suspend redemptions, to set aside ("side pocket") capital that cannot be redeemed for so long as an event or circumstance has not occurred or ceased to exist, respectively, and to satisfy redemptions by making distributions in-kind, under certain circumstances. Moreover, these risks may be exacerbated for funds of funds. For example, if a fund of funds were to invest a significant portion of its assets in two or more hedge funds that each had illiquid positions in the same issuer, the illiquidity risk for such fund of funds would be compounded.

- Hedge funds may engage in short selling, which is subject to theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the security necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the prices of the securities to rise further, thereby exacerbating the loss;

- Hedge funds may enter into CDS as investments or hedges. CDS involve greater risks than investing in the reference obligation directly. In addition to general market risks, CDS are subject to risks related to changes in interest rates, credit spreads, credit quality and expected recovery rates of the underlying credit instrument;

- Hedge funds are exposed to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the fund to suffer a loss. Counterparty risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the fund has concentrated its transactions with a single or small group of counterparties. Generally, hedge funds are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. Moreover, the fund's internal consideration of the creditworthiness of their counterparties may prove insufficient. The absence of a regulated market to facilitate settlement may increase the potential for losses;

- The efficacy of investment and trading strategies depends largely on the ability to establish and maintain an overall market position in a combination of financial instruments. A hedge fund's trading orders may not be executed in a timely and efficient manner due to various circumstances, including systems failures or human error. In such event, the funds might only be able to acquire some but not all of the components of the position, or if the overall position were to need adjustment, the funds might not be able to make such adjustment. As a result, the funds would not be able to achieve the market position selected by the management company or general partner of such funds, and might incur a loss in liquidating their position;

- Hedge funds may make investments that they do not advantageously dispose of prior to the date the applicable fund is dissolved, either by expiration of such fund's term or otherwise. Although we generally expect that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, these funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. This would result in a lower than expected return on the investments and, perhaps, on the fund itself;

- Hedge funds may rely on computer programs, internal infrastructure and services, quantitative models (both proprietary models and those supplied by third parties) and information and data provided by third parties to trade, clear and settle securities and other transactions, among other activities, that are critical to the oversight of certain funds' activities. If any such models, information or data prove to be incorrect or incomplete, any decisions made in reliance thereon could expose the funds to potential risks. Any hedging based on faulty models, information or data may prove to be unsuccessful and adversely impact a fund's profits; and

- Hedge fund investments are also subject to risks relating to investments in commodities, futures, options and other derivatives, the prices of which are highly volatile and may be subject to the theoretically unlimited risk of loss in certain circumstances, including if the fund writes a call option. Price movements of commodities, futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the commodities underlying them. In addition, hedge funds' assets are subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouses or counterparties. Most U.S. commodities exchanges limit fluctuations in certain commodity interest prices during a single day by imposing "daily price fluctuation limits" or "daily limits," the existence of which may reduce liquidity or effectively curtail trading in particular markets. Hedge funds and funds of these hedge funds may also be subject to extensive regulations, including those of CFTC.

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

Risks Related to Our Common Stock

Our Class A common stock is generally non-voting, except as provided in our certificate of incorporation and bylaws or required by Delaware law or the rules of the NYSE.

Holders of our Class A common stock generally have no voting rights, unless provided in our certificate of incorporation and bylaws or required by Delaware law or the rules of the NYSE. As a result, practically all matters submitted to stockholders will be decided by the vote of the holder of the sole share of the Class B Stockholder. Our certificate of incorporation provides for holders of our Class A common stock, voting together with the holders of our Class C common stock as a single class, unless required otherwise by Delaware law, to have the right to vote only with respect to any increase in the number of authorized shares of Class B common stock, certain sales of all or substantially all of our assets, a merger, consolidation or other business combination and any amendment to our certificate of incorporation that would have a material adverse effect on our Class A common stock relative to the other classes of our stock. Our certificate of incorporation also provides that the number of authorized shares of our Class A common stock may be increased solely with the approval of the Class B Stockholder. As a result, holders of our Class A common stock will have very limited or no ability to influence stockholder decisions, including decisions regarding our business.

The voting rights of holders of our Class A common stock are further restricted by provisions in our certificate of incorporation stating that any of our shares of stock held by a person that beneficially owns 20% or more of any class of stock then outstanding (other than the Class B Stockholder or its affiliates, or a direct or subsequently approved transferee of the Class B Stockholder or its affiliates) cannot be voted on any matter. KKR Holdings, the holder of our Class C common stock, is exempt from this limitation. Our certificate of incorporation and our bylaws also contain provisions limiting the ability of the holders of our Class A common stock to call meetings, to acquire information about our operations and to influence the manner or direction of our management.

These limits on the ability of the holders of the Class A common stock to exercising voting rights restrict the ability of the holders of our Class A common stock to influence matters subject to the vote of our stockholders.

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

We are a "controlled company" within the meaning of the corporate governance standards of the NYSE. As a "controlled company" we have elected not to comply with certain corporate governance requirements of the NYSE, including the requirements: (i) that the listed company have a nominating and corporate governance committee that is composed entirely of independent directors, (ii) that the listed company have a compensation committee that is composed entirely of independent directors and (iii) that the compensation committee be required to consider certain independence factors when engaging compensation consultants, legal counsel and other committee advisers. Accordingly, holders of our Class A common stock do not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the NYSE.

Our founders are able to significantly influence the outcome of any matter that may be submitted for a vote of holders of our Class A common stock.

To the extent that any matters are required to be submitted to a vote of the holders of our Class A common stock, they will generally require the approval of a majority or more of all the outstanding designated stock, which currently consists of our Class A common stock and Class C common stock voting together. Matters that require a vote of a majority or more of all outstanding designated stock include any increase in the number of authorized shares of Class B common stock, certain sales of all or substantially all of our assets, a merger, consolidation or other business combination and any amendment to our certificate of incorporation that would have a material adverse effect on our Class A common stock relative to the other classes of our stock. As a result, the holders of our Class C common stock will vote on an equivalent basis with the holders of our Class A common stock on such matters. As of February 12, 2019 , KKR Holdings owned 299,081,239 shares of Class C common stock, representing approximately 35.9% of the total combined voting power of the Class A common stock and Class C common stock, taken together. This voting power may be sufficient to substantially influence matters subject to a vote of our outstanding designated stock, including amendments that could materially and adversely affect the holders of our Class A common stock.

Because our Class A common stock is generally non-voting, we are not required to comply with certain provisions of U.S. securities laws relating to proxy statements and other annual meeting materials.

Our Class A common stock is registered under Section 12 of the Exchange Act and is generally non-voting. As a result, we are not be required to file proxy statements or information statements under Section 14 of the Exchange Act, unless a vote of holders of our Class A common stock is required by applicable law or the rules of the NYSE. Accordingly, legal causes of action and remedies under Section 14 of the Exchange Act for inadequate or misleading information in proxy statements will not generally be available to holders of our Class A common stock. If we do not deliver any proxy statements, information statements, annual reports, and other information and reports to the Class B Stockholder, then we will similarly not provide any of this information to the holders of our Class A common stock. In addition, we will generally not be subject to the "say-on-pay" and "say-on-frequency" provisions of the Dodd-Frank Act. As a result, our stockholders will not have an opportunity to provide a non-binding vote on the compensation of our named executive officers. Moreover, holders of our Class A common stock will be unable to bring matters before our annual meeting of stockholders or nominate directors at such meeting, nor can they generally submit stockholder proposals under Rule 14a-8 of the Exchange Act.

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

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

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

Even if there is deemed to be a breach of the obligations set forth in our certificate of incorporation, our certificate of incorporation provides that the Class B Stockholder will not be liable to us or the holders of our Class A common stock for any acts or omissions unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that the Class B Stockholder or its officers and directors acted in bad faith or engaged in fraud or willful misconduct. These provisions are detrimental to the holders of our Class A common stock because they restrict the remedies available to stockholders for actions of the Class B Stockholder.

In addition, we have agreed to indemnify the Class B Stockholder and its affiliates and any member, partner, Tax Matters Partner (as defined in U.S. Internal Revenue Code of 1986, as amended (the "Code"), as in effect prior to 2018), Partnership Representative (as defined in the Code), officer, director, employee agent, fiduciary or trustee of any of KKR or its subsidiaries, any KKR Group Partnership, the Class B Stockholder or any of our or the Class B Stockholder's affiliates and certain other specified persons (collectively, the "Indemnitees"), to the fullest extent permitted by law, against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts incurred by any Indemnitee. We have agreed to provide this indemnification unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that the Indemnitee acted in bad faith or engaged in fraud or willful misconduct. We have also agreed to provide this indemnification for criminal proceedings.

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

Our certificate of incorporation requires, to the fullest extent permitted by law, that any claims, suits, actions or proceedings arising out of or relating in any way to our certificate of incorporation may only be brought in the Court of

Chancery of the State of Delaware or, if such court does not have subject matter jurisdiction thereof, any other court in the State of Delaware with subject matter jurisdiction. This provision may have the effect of discouraging lawsuits against us and our directors, officers and stockholders.

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

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

- variations in our quarterly operating results, including the accrual and payment of corporate taxes following the Conversion, which may be substantial;
- changes in the amount of our dividends or our dividend policy;
- taking a long-term perspective on making investment, operational and strategic decisions, which may result in significant and unpredictable variations in our quarterly returns;
- failure to meet analysts' earnings estimates;
- publication of research reports about us or the investment management industry or the failure of securities analysts to cover our Class A common stock sufficiently;
- additions or departures of our key management and investment personnel;
- adverse market reaction to any acquisitions, joint ventures, reorganizations and other transactions, including incurrence of debt or issuance of securities in the future;
- changes in market valuations of similar companies;
- speculation in the press or investment community;
- changes or proposed changes in laws or regulations or differing interpretations thereof affecting our business or enforcement of these laws and regulations, or announcements relating to these matters;
- a concentrated ownership of our Class A common stock or ownership by short-term investors;
- a lack of liquidity in the trading of our Class A common stock;
- adverse publicity about the investment management or private equity industry generally or individual scandals, specifically; and
- general market and economic conditions.

An investment in our Class A common stock is not an investment in any of our funds, and the assets and revenues of our funds are not directly available to us.

Our Class A common stock is only securities of KKR & Co. Inc., the holding company of the KKR business. While our historical consolidated financial statements include financial information, including assets and revenues, of certain funds on a consolidated basis, and our future financial statements will continue to consolidate certain of these funds, such assets and revenues are available to the fund and not to us except to a limited extent through management fees, carried interest or other incentive income, distributions and other proceeds arising from agreements with funds, as discussed in more detail in this report.

Our Class A common stock price may decline due to the large number of shares eligible for future sale or for exchange, and issued or issuable pursuant to our equity incentive plans or as consideration in acquisitions.

The market price of our Class A common stock could decline as a result of sales of a large number of shares in the market or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell shares of Class A common stock in the future at a time and at a price that we deem appropriate. As of February 12, 2019 , we have 533,486,948 shares of Class A common stock outstanding, which amount excludes shares beneficially owned by KKR Holdings in the form of KKR Group Partnership Units discussed below and shares available for future issuance under our Equity Incentive Plan or our New Equity Incentive Plan.

As of February 12, 2019 , KKR Holdings owns 299,081,239 KKR Group Partnership Units that may be exchanged, on a quarterly basis, for our shares of Class A common stock on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. The market price of our Class A common stock could decline as a result of the exchange or the perception that an exchange may occur of a large number of KKR Group Partnership Units for shares of our Class A common stock. These exchanges, or the possibility that these exchanges may occur, also might make it more difficult for holders of our Class A common stock to sell shares of our Class A common stock in the future at a time and at a price that they deem appropriate.

In addition, we will continue to issue additional shares of Class A common stock pursuant to our equity incentive plans, and such issuances may increase in the future as equity awards granted by KKR Holdings decrease. See "Risks Related to Our Business—If we cannot retain and motivate our employees and other key personnel and recruit, retain and motivate new employees and other key personnel, our business, results of operations and financial condition could be materially and adversely affected." As of March 29, 2019, the effective date of our New Equity Incentive Plan, 125,090,771 shares of Class A common stock, representing 15% of the aggregate number of shares of Class A common stock and KKR Group Partnership Units (excluding KKR Group Partnership Units held by KKR & Co. Inc. or its wholly-owned subsidiaries) outstanding at the close of business on December 31, 2018, will be available for issuance in respect of outstanding awards and the grant of future awards, in each case, under our New Equity Incentive Plan. Thereafter, on the first day of each fiscal year beginning in 2020, the number of shares of Class A common stock available for issuance of future awards under our New Equity Incentive Plan will be adjusted upwards to 15% of the aggregate number of shares of Class A common stock and KKR Group Partnership Units (excluding KKR Group Partnership Units held by KKR & Co. Inc. or its wholly-owned subsidiaries) outstanding at the close of business on the last day of the immediately preceding fiscal year, minus the number of shares underlying any outstanding equity awards granted under our New Equity Incentive Plan that have not yet been delivered upon vesting. In addition, previously issued awards that were canceled or are canceled in the future, or in certain cases, withheld in respect of tax withholding obligations, are or will become available for further grant under the terms of our New Equity Incentive Plan. See "Executive Compensation—KKR & Co. Inc. Equity Incentive Plan." In the past, we have issued and sold KKR & Co. Inc. Class A common stock to generate cash proceeds to pay withholding taxes, social benefit payments or similar payments payable by us in respect of awards granted pursuant to our Equity Incentive Plan or the amount of cash delivered in respect of awards granted pursuant to our Equity Incentive Plan that are settled in cash instead of Class A common stock. We may issue and sell shares of our Class A common stock in the future for similar purposes.

We have used and in the future may continue to use Class A common stock as consideration in acquisitions and strategic investments. For example, in connection with KKR's acquisition of KFN, we issued the equivalent of approximately 104.3 million shares of our Class A common stock, in connection with KKR's acquisition of Avoca, we issued the equivalent of approximately 4.9 million shares of our Class A common stock and in connection with KKR's initial acquisition and subsequent increase in ownership of Marshall Wace, we have to date issued the equivalent of approximately 17.3 million shares of our Class A common stock. In addition, in connection with the Marshall Wace transaction or other investments or acquisitions, we may make certain future contingent payments in the form of Class A common stock. If our valuations of these transactions are not accurate or if the value of these acquisitions and investments is not realized, the value of our Class A common stock as well as our dividend per share of Class A common stock may decline.

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

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

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

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

Risks Related to Our Organizational Structure

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

The Class B Stockholder is controlled by our senior employees. Our founders, who also serve as our Co-Chairmen and Co-Chief Executive Officers, are the designated members of the Class B Stockholder and are deemed to represent a majority of the total voting power of the Class B Stockholder when acting together. As a result, conflicts of interest may arise among the Class B Stockholder and its controlling persons, on the one hand, and us and the holders of our Class A common stock, on the other hand.

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

Further, through its ability to elect our board of directors, the Class B Stockholder has the ability to indirectly influence the determination of the amount and timing of the KKR Group Partnerships' investments and dispositions, cash expenditures, including those relating to compensation, indebtedness, issuances of additional partner interests, tax liabilities and amounts of reserves, each of which can affect the amount of cash that is available for distribution to holders of KKR Group Partnership Units.

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

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

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

- the entry into a debt financing arrangement by us in an amount in excess of 10% of our then existing long-term indebtedness (other than the entry into certain intercompany debt financing arrangements);
- the issuance by us or our subsidiaries of any securities that would (i) represent, after such issuance, or upon conversion, exchange or exercise, as the case may be, at least 5% on a fully diluted, as converted, exchanged or exercised basis, of any class of our or their equity securities or (ii) have designations, preferences, rights, priorities or powers that are more favorable than those of the Class A common stock;
- the adoption by us of a shareholder rights plan;
- the amendment of our certificate of incorporation, certain provisions of our bylaws relating to our board of directors and officers or the operating agreements of the KKR Group Partnerships;
- the exchange or disposition of all or substantially all of our assets or the assets of any KKR Group Partnership;
- the merger, sale or other combination of our company or any KKR Group Partnership with or into any other person;
- the transfer, mortgage, pledge, hypothecation or grant of a security interest in all or substantially all of the assets of the KKR Group Partnerships;
- the appointment or removal of our Chief Executive Officer or a Co-Chief Executive Officer;
- the termination of our employment of any of our officers or the officers of any of our subsidiaries or the termination of the association of a partner with any of our subsidiaries, in each case, without cause;
- the liquidation or dissolution of us or any KKR Group Partnership; and
- the withdrawal, removal or substitution of any person as the general partner of a KKR Group Partnership or the transfer of beneficial ownership of all or any part of a general partner interest in a KKR Group Partnership to any person other than a wholly-owned subsidiary.

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

The Class B Stockholder may transfer the sole outstanding share of our Class B common stock held by it to a third party upon receipt of approval to do so by our board of directors and satisfaction of certain other requirements, and without the consent of the holders of our Class A common stock and Class C common stock. Further, the members of the Class B Stockholder may sell or transfer all or part of their limited liability company interests in the Class B Stockholder at any time without KKR's approval. A new holder of our Class B common stock or new controlling members of the Class B Stockholder may appoint directors to our board of directors who have a different philosophy and/or investment objectives from those of our current directors. A new holder of our Class B common stock, new controlling members of the Class B Stockholder and/or the directors they appoint to our board of directors could also have a different philosophy for the management of our business, including the hiring and compensation of our investment professionals. If any of the foregoing were to occur, we could experience difficulty in forming new funds and other investment vehicles and in making new investments, and the value of our existing investments, our business, our results of operations and our financial condition could materially suffer.

We intend to pay periodic dividends to the holders of our Class A common stock and preferred stock, but our ability to do so may be limited by our holding company structure and contractual restrictions.

We intend to pay cash dividends on a quarterly basis. We are a holding company and have no material assets other than the KKR Group Partnership Units that we hold through wholly-owned subsidiaries and have no independent means of generating income. Accordingly, we intend to cause the KKR Group Partnerships to make distributions on the KKR Group Partnership Units, including KKR Group Partnership Units that we directly or indirectly hold, in order to provide us with sufficient amounts to fund dividends we may declare. If the KKR Group Partnerships make such distributions, other holders of KKR Group Partnership Units, including KKR Holdings, will be entitled to receive equivalent distributions pro rata based on their KKR Group Partnership Units.

The declaration and payment of dividends to our Class A common stockholders will be at the sole discretion of our board of directors, and our dividend policy may be changed at any time. The declaration and payment of dividends is subject to legal, contractual and regulatory restrictions on the payment of distributions by us or our subsidiaries, including restrictions contained in our debt agreements, the terms of our certificate of incorporation, and such other factors as the board of directors considers relevant including, among others: our available cash and current and anticipated cash needs, including funding of investment commitments and debt service and future debt repayment obligations; general economic and business conditions; our strategic plans and prospects; our results of operations and financial condition; and our capital requirements. Under Section 170 of the Delaware General Corporation Law ("DGCL"), our board of directors may only declare and pay dividends either out of our surplus (as defined in DGCL) or in case there is no such surplus, out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. However, dividends may not be declared out of net profits if our capital, computed in accordance with DGCL, shall have been diminished by depreciation in the value of our property, or by losses, or otherwise, to an amount less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets. Furthermore, by paying cash dividends rather than investing that cash in our businesses, we risk slowing the pace of our growth, or not having a sufficient amount of cash to fund our operations, new investments or unanticipated capital expenditures, should the need arise.

Our preferred stock ranks senior to our Class A common stock with respect to the payment of dividends. Unless dividends have been declared and paid or declared and set apart for payment on the preferred stock for a quarterly dividend period, during the remainder of that dividend period we may not declare or pay or set apart payment for dividends on any class of stock of KKR & Co. Inc. that are junior to the preferred stock, including our Class A common stock, and we may not repurchase any such junior stock.

Dividends on the preferred stock are discretionary and non-cumulative. Holders of preferred stock will only receive dividends on their shares of preferred stock when, as and if declared by our board of directors. If dividends on a series of the preferred stock have not been declared and paid for the equivalent of six or more quarterly dividend periods, whether or not consecutive, holders of the preferred stock, together as a class with holders of any other series of parity stock with like voting rights, will be entitled to vote for the election of two additional directors to our board of directors. When quarterly dividends have been declared and paid on such series of the preferred stock for four consecutive quarters following such a nonpayment event, the right of the holders of the preferred stock and such parity stock to elect these two additional directors will cease, the terms of office of these two directors will forthwith terminate and the number of directors constituting our board of directors will be reduced accordingly. Additional risks related to our Series A Preferred Stock and Series B Preferred Stock are contained in the prospectus supplement relating to the respective securities.

We will be required to pay our principals for most of the benefits relating to our use of tax attributes we receive from prior and future exchanges of our Class A common stock for KKR Group Partnership Units and related transactions.

We are required to acquire KKR Group Partnership Units from time to time pursuant to our exchange agreement with KKR Holdings. Certain of these exchanges are expected to result in an increase in our share of the tax basis of the tangible and intangible assets of the KKR Group Partnerships, primarily attributable to a portion of the goodwill inherent in our business that would not otherwise have been available. This increase in tax basis may increase (for tax purposes) depreciation and amortization and therefore reduce the amount of income tax we would otherwise be required to pay in the future. This increase in tax basis may also decrease gain (or increase loss) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

We have entered into a tax receivable agreement with KKR Holdings, which requires us to pay to KKR Holdings or to current and former principals who have exchanged KKR Holdings units for shares of Class A common stock as transferees of KKR Group Partnership Units, 85% of the amount of cash tax savings, if any, in U.S. federal, state and local income tax that we realize as a result of this increase in tax basis, as well as 85% of the amount of any such savings we actually realize as a result of increases in tax basis that arise due to future payments under the agreement. A termination of the agreement or a change of control could give rise to similar payments based on tax savings that we would be deemed to realize in connection with such events. These payment obligations are obligations of KKR & Co. Inc. and certain of its intermediate holding companies and not of any KKR Group Partnership. While the actual increase in tax basis, as well as the amount and timing of any payments under the tax receivable agreement, will vary depending upon a number of factors, including the timing of exchanges, the price of our Class A common stock at the time of the exchange, the extent to which such exchanges are taxable and the amount and timing of our taxable income, we expect that as a result of the size of the increases in the tax basis of the tangible and intangible assets of the KKR Group Partnerships, the payments that we may be required to make to KKR Holdings or transferees of its KKR Group Partnership Units will be substantial.

We recorded $117.9 million in our consolidated statements of financial condition as of December 31, 2018, representing the estimated aggregate future payment amount, on an undiscounted basis, under the tax receivable agreement as of such date for previously exchanged KKR Holdings units. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity—Other Liquidity Needs—Contractual Obligations, Commitments and Contingencies." As of December 31, 2018, 299.1 million KKR Holdings units (the "Remaining KKR Holdings Units") remained available for exchange into shares of our Class A common stock. The present value of our aggregate cash tax savings is highly dependent on the assumed discount rate used for its calculation. Assuming (i) all of the Remaining KKR Holdings Units had been exchanged for shares of our Class A common stock on December 31, 2018, (ii) all such exchanges were taxable to the exchanging unitholders, (iii) the market value of our Class A common stock was $19.63 per share (which was the closing price on December 31, 2018), and (iv) our effective tax rate, for federal, state and local income tax combined, was 23.25%, we estimate that the present value of our aggregate cash tax savings over the next 15 years attributable to such hypothetical exchange of the Remaining KKR Holdings Units would have been approximately $807 million assuming a 7% per annum discount rate and approximately $529 million assuming a 15% per annum discount rate. Using the assumptions above, we estimate our payments under the tax receivable agreement to KKR Holdings and current and former principals who exchange KKR Holdings units in the future to be 85% of the foregoing amounts, or $686 million using a 7% discount rate and $450 million using a 15% discount rate. The estimates above also assume that we would have taxable income sufficient to fully utilize the deductions arising from the increase in tax basis and any interest imputed with respect to our payment obligations under the tax receivable agreement, and that there would be no future changes to federal, state or local income tax rates. The assumptions and estimates described above are for illustrative purposes only. These estimates are not intended to be a projection of any future financial results, and the actual increases in tax basis and any payments under the tax receivable agreement resulting from any exchanges of KKR Holdings units that occur in the future are expected to vary materially from these estimates. Moreover, the method for calculating the estimated aggregate future payment amount recorded in our financial statements differs in material respects from the assumptions used to calculate the present value of our aggregate cash tax savings over the next 15 years attributable to the hypothetical exchange of all Remaining KKR Holding Units. For example, no discount rate has been applied to the estimated aggregate future payment amount for previously exchanged KKR Holdings units.

We may need to incur debt to finance payments under the tax receivable agreement to the extent our cash resources are insufficient to meet our obligations under the tax receivable agreement as a result of timing discrepancies or otherwise. In particular, our obligations under the tax receivable agreement would be effectively accelerated in the event of an early termination of the tax receivable agreement by us or in the event of certain mergers, asset sales and other forms of business combinations or other changes of control. In these situations, we would be required to pay an early termination payment based upon the net present value of all tax benefits that would be required to be paid by us to KKR Holdings and current and former principals who have exchanged KKR Holdings units. The method used to calculate the early termination payment is prescribed in the tax receivable agreement and the assumptions used for this purpose, including an applicable discount rate, which currently is LIBOR (as defined) plus 1% (LIBOR plus 1% was 3.50269% as of December 31, 2018), differ in material respects from the assumptions used to calculate the estimated present value of our aggregate cash tax savings for the hypothetical exchange of all Remaining KKR Holdings Units or the estimated payment amount for previously exchanged KKR Holdings units that is recorded in our financial statements. Accordingly, as of December 31, 2018, the amount of early termination payment would have been significantly larger than the present value of the estimated payments under the tax receivable agreement described above. At the time of the filing of this Annual Report, we have no intention to exercise the early termination right.

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

If we were deemed to be an "investment company" subject to regulation under the Investment Company Act, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.

A person will generally be deemed to be an "investment company" for purposes of the Investment Company Act if:

- it is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities; or
- absent an applicable exemption, it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis.

We believe that we are engaged primarily in the business of providing investment management services and not in the business of investing, reinvesting or trading in securities. We regard ourselves as an investment management firm and do not propose to engage primarily in the business of investing, reinvesting or trading in securities. Accordingly, we do not believe that we are an "orthodox" investment company as defined in Section 3(a)(1)(A) of the Investment Company Act and described in the first bullet point above.

With regard to the provision described in the second bullet point above, we have no material assets other than our equity interests in subsidiaries, which in turn have no material assets other than equity interests, directly or indirectly, in the KKR Group Partnerships. Through these interests, we indirectly are the sole general partners of the KKR Group Partnerships and indirectly are vested with all management and control over the KKR Group Partnerships. We do not believe our equity interests in our subsidiaries are investment securities, and we believe that the capital interests of the general partners of our funds in their respective funds are neither securities nor investment securities. Accordingly, based on our determination, less than 40% of the partnership's total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis are comprised of assets that could be considered investment securities. However, our subsidiaries have a significant number of investment securities, and we expect to make investments in other investment securities from time to time. We monitor these holdings regularly to confirm our continued compliance with the 40% test described in the second bullet point above. The need to comply with this 40% test may cause us to restrict our business and subsidiaries with respect to the assets in which we can invest and/or the types of securities we may issue, sell investment securities, including on unfavorable terms, acquire assets or businesses that could change the nature of our business or potentially take other actions that may be viewed as adverse by the holders of our Class A common stock, in order to ensure conformity with exceptions provided by, and rules and regulations promulgated under, the Investment Company Act.

The Investment Company Act and the rules and regulations thereunder contain detailed parameters for the organization and operation of investment companies. Among other things, the Investment Company Act and the rules and regulations thereunder limit or prohibit transactions with affiliates, impose limitations on the issuance of debt and equity securities, generally prohibit the issuance of options and impose certain governance requirements. We intend to conduct our operations so that we will not be deemed to be an investment company under the Investment Company Act. If anything were to happen which would cause us to be deemed to be an investment company under the Investment Company Act, requirements imposed by the Investment Company Act, including limitations on our capital structure, ability to transact business with affiliates and ability to compensate key employees, would make it impractical for us to continue our business as currently conducted, impair the agreements and arrangements between and among us, including the KKR Group Partnerships, and KKR Holdings, and materially and adversely affect our business, results of operations and financial condition. In addition, we may be required to limit the amount of investments that we make as a principal, potentially divest of our investments or otherwise conduct our business in a manner that does not subject us to the registration and other requirements of the Investment Company Act.

With respect to our subsidiary KFN, we believe it is not and does not propose to be primarily engaged in the business of investing, reinvesting or trading in securities, and we do not believe that KFN has held itself out as such. KFN conducts its operations primarily through its majority-owned subsidiaries, each of which is either outside of the definition of an investment company as defined in the Investment Company Act or excepted from such definition under the Investment Company Act. KFN monitors its holdings regularly to confirm its continued compliance with the 40% test described in the second bullet point above, and restricts its subsidiaries with respect to the assets in which each of them can invest and/or the types of securities each of them may issue in order to ensure conformity with exceptions provided by, and rules and regulations promulgated under, the Investment Company Act. If the SEC were to disagree with KFN's treatment of one or more of its subsidiaries as being excepted from the Investment Company Act, with its determination that one or more of its other holdings are not investment securities for purposes of the 40% test, or with its determinations as to the nature of its business or the manner in which it holds itself out, KFN and/or one or more of its subsidiaries could be required either (i) to change substantially the manner in which it conducts its operations to avoid being subject to the Investment Company Act or (ii) to register as an investment company. Either of these would likely have a material adverse effect on KFN, its ability to service its indebtedness and to make distributions on its shares, and on the market price of its securities, and could thereby materially and adversely affect our business, results of operations and financial condition.

On August 31, 2011 the SEC published an advance notice of proposed rulemaking regarding Rule 3a-7 under the Investment Company Act and a concept release seeking information on Section 3(c)(5)(C) of the Investment Company Act, two provisions with which KKR's subsidiaries, including KFN, must comply under the 40% test described above. Among the issues for which the SEC has requested comment is whether Rule 3a-7 should be modified so that parent companies of subsidiaries that rely on Rule 3a-7 should treat their interests in such subsidiaries as investment securities for purposes of the 40% test. The SEC is also seeking information about the nature of entities that invest in mortgages and mortgage-related pools and how the SEC staff's interpretive positions in connection with Section 3(c)(5)(C) affect these entities. Although no further action has been taken by the SEC, any guidance or action from the SEC or its staff, including changes that the SEC may ultimately propose and adopt to the way Rule 3a-7 applies to entities or new or modified interpretive positions related to Section 3(c)(5)(C), could further inhibit KKR's ability, or the ability of any of its subsidiaries, including KFN, to pursue its current or future operating strategies, which could have a material adverse effect on us.

We may from time to time undertake internal reorganizations that may adversely impact our business and results of operations.

On July 1, 2018, we converted from a Delaware limited partnership to a Delaware corporation. From time to time, we may undertake other internal reorganizations in an effort to simplify our organizational structure, streamline our operations or for other operational reasons. Such internal reorganization may involve, among other things, the combination or dissolution of certain of our existing subsidiaries and the creation of new subsidiaries. These transactions could be disruptive to our business, result in significant expense, require regulatory approvals, and fail to result in the intended or expected benefits, any of which could adversely impact our business and results of operations.

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

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive offices are located in leased office space at 9 West 57th Street, New York, New York. We also lease space for our other offices. We consider these facilities to be suitable and adequate for the management and operations of our business.

On October 29, 2015, we entered into agreements relating to the construction and development of office space at 30 Hudson Yards in New York, New York to serve as our principal executive offices beginning in 2020. Upon the satisfaction of the conditions specified in the development agreement, we will take delivery of the completed office space in 2019.

ITEM 3. LEGAL PROCEEDINGS.

The section entitled "Litigation" appearing in Note 16 "Commitments and Contingencies" to our consolidated financial statements included elsewhere in this report is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

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

The number of holders of record of our Class A common stock as of February 12, 2019 was 28. This does not include the number of stockholders that hold shares in "street-name" through banks or broker-dealers.

Dividend Policy

Under our dividend policy for Class A common stock, we expect to pay our Class A common stockholders an annualized dividend of $0.50 per share of Class A common stock, equal to a quarterly dividend of $0.125 per share of Class A common stock. Our regular dividend of $0.125 per share of Class A common stock was declared on February 1, 2019 for the quarter ended December 31, 2018.

Because we make our investment in our business through a holding company structure and the applicable holding companies do not own any material cash-generating assets other than their direct and indirect holdings in KKR Group Partnership Units, dividends are expected to be funded in the following manner:

- First, the KKR Group Partnerships will make distributions to holders of KKR Group Partnership Units, including the holding companies through which we invest, in proportion to their percentage interests in the KKR Group Partnerships;

- Second, the holding companies through which we invest will distribute to us the amount of any distributions that they receive from the KKR Group Partnerships, after deducting any applicable taxes; and

- Third, we will distribute to holders of our Class A common stock, Series A Preferred Stock and Series B Preferred Stock the amount of dividends declared by our board of directors from the distributions that we receive from our holding companies through which we invest.

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

The declaration and payment of any dividends to holders of our Class A common stock, Series A Preferred Stock or Series B Preferred Stock are subject to the discretion of our board of directors, which may change our dividend policy at any time or from time to time, and the terms of our certificate of incorporation. There can be no assurance that dividends will be made as intended or at all or that any particular dividend policy will be maintained. When KKR & Co. Inc. receives distributions from the KKR Group Partnerships (the holding companies of the KKR business), KKR Holdings receives its pro rata share of such distributions from the KKR Group Partnerships. Furthermore, the declaration and payment of distributions and dividends is subject to legal, contractual and regulatory restrictions on the payment of dividends and distributions by us or our subsidiaries, including restrictions contained in our debt agreements, the terms of our preferred stock, and such other factors as the board of directors considers relevant including, among others: our available cash and current and anticipated cash needs, including funding of investment commitments and debt service and future debt repayment obligations; general economic and business conditions; our strategic plans and prospects; our results of operations and financial condition; and our capital requirements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity—Sources of Cash." In addition, under Section 170 of the DGCL, our board of directors may only declare and pay dividends either out of our surplus (as defined in DGCL) or in case there is no such surplus, out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year.

Class A Common Stock Repurchases in the Fourth Quarter of 2018

On May 3, 2018, we announced an increase to the available amount under our repurchase program to $500 million, which represented an increase of approximately $209 million from amounts then remaining under the program.

Under the current repurchase program, KKR is authorized to repurchase its Class A common stock from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing, manner, price and amount of any Class A common stock repurchases will be determined by KKR in its discretion and will depend on a variety of factors, including legal requirements, price and economic and market conditions. KKR expects that the program, which has no expiration date, will be in effect until the maximum approved dollar amount has been used. The program does not require KKR to repurchase any specific number of shares of Class A common stock, and the program may be suspended, extended, modified or discontinued at any time.

In addition to the repurchases of Class A common stock described above, subsequent to May 3, 2018, the repurchase program will be used for the retirement (by cash settlement or the payment of tax withholding amounts upon net settlement) of equity awards issued pursuant to our Equity Incentive Plan (and any successor equity plan thereto) representing the right to receive shares of Class A common stock. During the year ended December 31, 2018, KKR paid approximately $99 million in cash to satisfy tax withholding and cash settlement obligations in lieu of issuing shares of Class A common stock or its equivalent upon the vesting of equity awards representing 4.2 million shares of Class A common stock. From October 27, 2015 through December 31, 2018, KKR has paid approximately $236 million in cash to satisfy tax withholding and cash settlement obligations in lieu of issuing shares of Class A common stock or its equivalent upon the vesting of equity awards representing 12.6 million shares of Class A common stock. Of these amounts, equity awards representing 11.0 million shares of Class A common stock or its equivalent were retired for $190 million prior to May 3, 2018 and did not count against the amounts remaining under the repurchase program.

The table below sets forth the information with respect to repurchases made by or on behalf of KKR & Co. Inc. or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act) of our Class A common stock during the fourth quarter of 2018. 4,182,217 shares of Class A common stock were repurchased during the fourth quarter of 2018. From inception of the repurchase program through December 31, 2018, we have repurchased a total of approximately 39.2 million shares of Class A common stock under the program at an average price of approximately $16.11 per share.

Issuer Purchases of Class A common stock

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

	Total Number of Shares Purchased	Average Price Paid Per Share	Cumulative Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
Month #1 (October 1, 2018 to October 31, 2018)	527,515	$ 24.78	35,560,011	$ 360,806
Month #2 (November 1, 2018 to November 30, 2018)	1,849,400	$ 22.70	37,409,411	$ 318,827
Month #3 (December 1, 2018 to December 31, 2018)	1,805,302	$ 20.73	39,214,713	$ 281,397
Total through December 31, 2018	**4,182,217**			

(1) In addition to share repurchases, amounts have been reduced for any retirement (by cash settlement or the payment of tax withholding amounts upon net settlement) of equity awards issued pursuant to our Equity Incentive Plan as described above.

Unregistered Sale of Equity Securities

As of December 31, 2018, all remaining exchangeable securities issued in connection with the acquisition of Avoca were exchanged for an equal number of shares of our Class A common stock.

On November 30, 2018, KKR acquired an additional 5.0% interest in Marshall Wace after the exercise of one of the options agreed to between Marshall Wace and KKR. As partial consideration, KKR issued 5,238,889 shares of Class A common stock to affiliates of Marshall Wace in a private transaction exempt from registration in reliance on Section 4(a)(2) of the Securities Act. For a further discussion of the transaction, see Item 8. Financial Statements and Supplementary Data—Note 4 "Investments—Equity Method."

Other Equity Securities

During the fourth quarter of 2018, 4,025,754 KKR Group Partnership Units were exchanged by KKR Holdings for an equal number of shares of our Class A common stock. This resulted in an increase in our ownership of the KKR Group Partnerships and a corresponding decrease in the ownership of the KKR Group Partnerships by KKR Holdings. On February 13, 2019, approximately 0.4 million KKR Group Partnership Units were exchanged by KKR Holdings into an equal number of shares of our Class A common stock.

ITEM 6. SELECTED FINANCIAL DATA

The following tables set forth our selected historical consolidated financial data as of and for the years ended December 31, 2018 , 2017, 2016, 2015 and 2014. We derived the selected historical consolidated financial data as of December 31, 2018 and 2017 and for the years ending December 31, 2018 , 2017 and 2016 from the audited consolidated financial statements included elsewhere in this report. We derived the selected historical consolidated financial data as of December 31, 2016, 2015, and 2014 and for the years ended December 31, 2015 and 2014 from our audited consolidated financial statements, which are not included in this report. You should read the following data together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this report.

On January 1, 2016, KKR adopted ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis ("ASU 2015-02"), which resulted in the de-consolidation of most of KKR's investment funds that had been consolidated prior to such date. Effective with the adoption of ASU 2015-02, assets, liabilities, and noncontrolling interests from our investment funds that had previously been consolidated are no longer included in the statement of financial condition. Additionally, when an investment fund is consolidated, management fees, fee credits and carried interest earned from consolidated funds are eliminated in consolidation and as such are not recorded in Fees and Other. The economic impact of these management fees, fee credits and carried interests that are eliminated is reflected as an adjustment to noncontrolling interests and has no impact to Net Income Attributable to KKR & Co. Inc. KKR adopted this guidance using the modified retrospective method. As a result, no retrospective adjustment is required and prior periods presented under GAAP have not been impacted.

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

	For the Years Ended December 31,				
	2018	2017	2016	2015	2014
	(all dollars are in thousands, except share data)				
Statements of Operations Data:					
Total Revenues	$ 2,395,836	$ 3,557,280	$ 2,040,018	$ 1,043,768	$ 1,110,008
Total Expenses	2,089,477	2,336,692	1,695,474	1,871,225	2,196,067
Total Investment Income (Loss)	1,950,489	1,563,780	630,681	6,169,125	6,544,748
Income (Loss) Before Taxes	2,256,848	2,784,368	975,225	5,341,668	5,458,689
Income Tax Expense (Benefit)	(194,098)	224,326	24,561	66,636	63,669
Net Income (Loss)	2,450,946	2,560,042	950,664	5,275,032	5,395,020
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	(37,352)	73,972	(8,476)	(4,512)	(3,341)
Net Income (Loss) Attributable to Noncontrolling Interests and Appropriated Capital	1,357,235	1,467,765	649,833	4,791,062	4,920,750
Net Income (Loss) Attributable to KKR & Co. Inc.	1,131,063	1,018,305	309,307	488,482	477,611
Series A Preferred Stock Dividends	23,288	23,288	17,337	—	—
Series B Preferred Stock Dividends	10,076	10,076	4,898	—	—
Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	$ 1,097,699	$ 984,941	$ 287,072	$ 488,482	$ 477,611
Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock					
Basic	$ 2.14	$ 2.10	$ 0.64	$ 1.09	$ 1.25
Diluted	$ 2.06	$ 1.95	$ 0.59	$ 1.01	$ 1.16
Weighted Average Shares of Class A Common Stock Outstanding					
Basic	514,102,571	468,282,642	448,905,126	448,884,185	381,092,394
Diluted	533,707,039	506,288,971	483,431,048	482,699,194	412,049,275

	As of December 31,				
	2018	2017	2016	2015	2014
	(all dollars are in thousands)				
Statements of Financial Condition Data:					
Total Assets	$ 50,743,375	$ 45,834,719	$ 39,002,897	$ 71,042,339	$ 65,872,745
Total Liabilities	$ 25,360,766	$ 25,171,919	$ 21,884,814	$ 21,574,754	$ 14,168,684
Redeemable Noncontrolling Interests	$ 1,122,641	$ 610,540	$ 632,348	$ 188,629	$ 300,098
Noncontrolling Interests	$ 15,610,358	$ 12,866,324	$ 10,545,902	$ 43,731,774	$ 46,004,377
Appropriated Capital	$ —	$ —	$ —	$ —	$ 16,895
Total KKR & Co. Inc. Stockholders' Equity (1)	$ 8,649,610	$ 7,185,936	$ 5,939,833	$ 5,547,182	$ 5,382,691

(1) Total KKR & Co. Inc. stockholders' equity (including Series A and B preferred stock) reflects only the portion of equity attributable to KKR & Co. Inc. (64.1% interest in the KKR Group Partnerships as of December 31, 2018) and differs from book value reported on a segment basis primarily as a result of the exclusion of the allocations of equity to KKR Holdings. KKR Holdings' 35.9% interest in the KKR Group Partnerships as of December 31, 2018 is reflected as noncontrolling interests and is not included in total KKR & Co. Inc. stockholders' equity. For periods prior to December 31, 2018, equity attributable to KKR & Co. Inc. differs from book value reported on a segment basis primarily as a result of the exclusion of the equity impact of KKR Management Holdings Corp. and allocations of equity to KKR Holdings.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the consolidated financial statements of KKR & Co. Inc., together with its consolidated subsidiaries, and the related notes included elsewhere in this report. The historical consolidated financial data discussed below reflects the historical results and financial position of KKR. In addition, this discussion and analysis contains forward-looking statements and involves numerous risks and uncertainties, including those described under "Cautionary Note Regarding Forward-looking Statements" and "Risk Factors." Actual results may differ materially from those contained in any forward-looking statements.

Overview of Business

For a discussion about our business lines, our reportable segment, and our firm, see Item 1. "Business."

Business Environment

Economic and Market Conditions

Economic Conditions . As a global investment firm, we are affected by financial and economic conditions globally. Global and regional economic conditions have a substantial impact on our financial condition and results of operations, impacting the values of the investments we make, our ability to exit these investments profitably, our ability to raise capital from investors, and our ability to make new investments. Financial and economic conditions in the United States, European Union, Japan, China, and other major economies are significant contributors to the global economy.

As of December 31, 2018, key economic indicators of U.S. economic growth, including GDP growth, unemployment and inflation, remained at healthy levels despite the volatility of the U.S. stock market at the end of 2018. However, economic projections presented at a meeting of the Federal Open Market Committee in December 2018 signaled an expected slow-down in U.S. GDP growth in 2019 compared to 2018. The U.S. Federal Reserve suspended its plans to continue raising its benchmark interest rate and held the rate steady in January 2019, after four rate increases in 2018. In the United States, real GDP growth is estimated to be 2.9% for the full year ended December 31, 2018, compared to 2.2% in the prior year; the U.S. unemployment rate was 3.9% as of December 31, 2018, down from 4.1% as of December 31, 2017; U.S. core consumer price index was 2.2% on a year-over-year basis as of December 31, 2018, up from 1.8% on a year-over-year basis as of December 31, 2017; and the effective federal funds rate set by the U.S. Federal Reserve was 2.4% as of December 31, 2018, up from 1.3% as of December 31, 2017.

As of December 31, 2018, the European Union showed signs of slow-down in economic growth, with concerns of a potential recession in Italy and rising uncertainty over the terms of Britain's exit from the European Union. The European Central Bank decided to end its quantitative easing program at the end of December 2018, which added to the concern about the slowing economic growth in the region. In the Euro Area, real GDP growth is estimated to be 1.9% for the year ended December 31, 2018 down from 2.4% in the prior year; the Euro Area unemployment rate was 7.9% as of December 31, 2018, down from 8.6% as of December 31, 2017; Euro Area core inflation was 1.0% on a year-over-year basis as of December 31, 2018, up from 0.9% as of December 31, 2017; and the short-term benchmark interest rate set by the European Central Bank was 0.0% as of December 31, 2018, unchanged from December 31, 2017.

As of December 31, 2018, the Bank of Japan maintained its accommodative monetary policy and projected a continued "expanding trend" for the economy through 2020. Chinese economic growth slowed during the fourth quarter of 2018 amid China's ongoing trade conflicts with the United States. In Japan, the short-term benchmark interest rate set by the Bank of Japan was -0.1% as of December 31, 2018, unchanged from December 31, 2017; and in China, reported real GDP is estimated to be 6.6% in the year ended December 31, 2018, below the 6.8% reported for the year ended December 31, 2017.

These and other key issues could have repercussions across regional and global financial markets, which could adversely affect the valuations of our investments. Other key issues include (i) political uncertainty caused by, among other things, populist political parties and economic nationalist sentiments, (ii) regulatory changes regarding, for example, taxation, international trade, cross-border investments, immigration, and austerity programs, (iii) increased volatility in stock markets, (iv) the U.S. Federal Reserve potentially raising its benchmark interest rates again and (v) technological advancements and innovations that may disrupt marketplaces and businesses. For a further discussion of how market conditions may affect our businesses, see "Risk Factors—Risks Related to Our Business—Difficult market and economic conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial condition."

Equity and Credit Markets . Global equity and credit markets have a substantial effect on our financial condition and results of operations. In general, a climate of reasonable interest rates and high levels of liquidity in the debt and equity capital markets provide a positive environment for us to generate attractive investment returns, which also impacts our ability to generate incentive fees and carried interest. Periods of volatility and dislocation in the capital markets present substantial risks, but also can present us with opportunities to invest at reduced valuations that position us for future growth and investment returns. Low interest rates related to monetary stimulus and economic stagnation may negatively impact expected returns on all types of investments. Higher interest rates in conjunction with slower growth or weaker currencies in some emerging market economies have caused, and may further cause, the default risk of these countries to increase, and this could impact the operations or value of our investments that operate in these regions. Areas such as Japan, which have ongoing central bank quantitative easing campaigns and comparatively low interest rates relative to the United States, could potentially experience further currency volatility and weakness relative to the U.S. dollar.

Many of our investments are in equities, so a change in global equity prices or in market volatility directly impacts the value of our investments and our profitability as well as our ability to realize investment gains and the receptiveness of fund investors to our investment products. For the year ended December 31, 2018, global equity markets were negative, with the S&P 500 Index down 4.4% and the MSCI World Index down 8.2% on a total return basis including dividends. Equity market volatility as evidenced by the Chicago Board Options Exchange Market Volatility Index (the "VIX"), a measure of volatility, ended at 25.4 as of December 31, 2018, increasing from 11.0 as of December 31, 2017. However, since December 31, 2018, the U.S. equity market has experienced a significant rebound, coinciding with a decrease in volatility. For a discussion of our valuation methods, see "Risk Factors—Risks Related to the Assets We Manage—Our investments are impacted by various economic conditions that are difficult to quantify or predict, which may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our results of operations and financial condition" and "—Critical Accounting Policies—Fair Value Measurements—Level III Valuation Methodologies."

Many of our investments are also in non-investment grade credit instruments, and our funds and our portfolio companies also rely on credit financing and the ability to refinance existing debt. Consequently, any decrease in the value of credit instruments that we have invested in or any increase in the cost of credit financing reduces our returns and decreases our net income. In particular due in part to holdings of credit instruments such as CLOs on our balance sheet, the performance of the credit markets has had an amplified impact on our financial results, as we directly bear the full extent of losses from credit instruments on our balance sheet. Credit markets can also impact valuations because a discounted cash flow analysis is generally used as one of the methodologies to ascertain the fair value of our investments that do not have readily observable market prices. In addition, with respect to our credit instruments, tightening credit spreads are generally expected to lead to an increase, and widening credit spreads are generally expected to lead to a decrease, in the value of these credit investments, if not offset by hedging or other factors. In addition, the significant widening of credit spreads is also typically expected to negatively impact equity markets, which in turn would negatively impact our portfolio and us as noted above. During the year ended December 31, 2018, U.S. investment grade corporate bond spreads (BofA Merrill Lynch US Corporate Index) widened by 60 basis points and U.S. high-yield corporate bond spreads (BofAML HY Master II Index) widened by 170 basis points. The non-investment grade credit indices were mixed during the year ended December 31, 2018, with the S&P/LSTA Leveraged Loan Index up 0.4% and the BofAML HY Master II Index down 2.3%. During the year ended December 31, 2018, 10-year government bond yields rose 28 basis points in the United States, rose 9 basis points in the United Kingdom, fell 19 basis points in Germany, fell 58 basis points in China, and fell 5 basis points in Japan. For a further discussion of how market conditions may affect our businesses, see "Risk Factors—Risks Related to Our Business—Difficult market and economic conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial condition" and "Risk Factors—Risks Related to the Assets We Manage—Our investments are impacted by various economic conditions that are difficult to quantify or predict, which may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our results of operations and financial condition."

For further discussion of the impact of global credit markets on our financial condition and results of operations, see "Risk Factors—Risks Related to the Assets We Manage—Changes in the debt financing markets may negatively impact the ability of our investment funds, their portfolio companies and strategies pursued with our balance sheet assets to obtain attractive financing for their investments or to refinance existing debt and may increase the cost of such financing or refinancing if it is obtained, which could lead to lower-yielding investments and potentially decrease our net income," "Risk Factors—Risks Related to the Assets We Manage—Our investments are impacted by various economic conditions that are difficult to quantify or predict, which may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our results of operations and financial condition" and "Risk Factors—Risks Related to the Assets We Manage—Our funds and our firm through our balance sheet may make a limited number of investments, or investments that are concentrated in certain issuers, geographic regions or asset types, which could negatively affect our performance or the performance of our funds to the extent those concentrated assets perform poorly." For a further discussion of our valuation methods, see "—Critical Accounting Policies—Fair Value Measurements—Level III Valuation Methodologies."

Foreign Exchange Rates . Foreign exchange rates have a substantial impact on the valuations of our investments that are denominated in currencies other than the U.S. dollar. Currency volatility can also affect our businesses and investments that deal in cross-border trade. The appreciation or depreciation of the U.S. dollar is expected to contribute to a decrease or increase, respectively, in the U.S. dollar value of our non-U.S. investments to the extent unhedged. In addition, an appreciating U.S. dollar would be expected to make the exports of U.S. based companies less competitive, which may lead to a decline in their export revenues, if any, while a depreciating U.S. dollar would be expected to have the opposite effect. Moreover, when selecting investments for our investment funds that are denominated in U.S. dollars, an appreciating U.S. dollar may create opportunities to invest at more attractive U.S. dollar prices in certain countries outside of the United States, while a depreciating U.S. dollar would be expected to have the opposite effect. For our investments denominated in currencies other than the U.S. dollar, the depreciation in such currencies will generally contribute to the decrease in the valuation of such investments, to the extent unhedged, and adversely affect the U.S. dollar equivalent revenues of portfolio companies with substantial revenues denominated in such currencies, while the appreciation in such currencies would be expected to have the opposite effect. For the year ended December 31, 2018, the euro fell 4.5%, the British pound fell 5.6%, the Japanese yen rose 2.7%, and the Chinese renminbi fell 5.4%, respectively, relative to the U.S. dollar. For additional information regarding our foreign exchange rate risk, see "—Quantitative and Qualitative Disclosure About Market Risk—Exchange Rate Risk."

Commodity Markets . Our Private Markets portfolio contains energy real asset investments, and certain of our other Private Markets and Public Markets strategies and products, including private equity, direct lending, special situations and CLOs, also have meaningful investments in the energy sector. The value of these investments is heavily influenced by the price of natural gas and oil. During the year ended December 31, 2018 , the long-term price of WTI crude oil decreased approximately 6%, while the long-term price of natural gas decreased approximately 8%. The long-term price of WTI crude oil decreased from approximately $53 per barrel to $50 per barrel, and the long-term price of natural gas decreased from approximately $2.82 per mcf to $2.60 per mcf as of December 31, 2017 and December 31, 2018 , respectively. When commodity prices decline or if a decline is not offset by other factors, we would expect the value of our energy real asset investments to be adversely impacted, to the extent unhedged. In addition, because we hold certain energy assets, which had a fair value of $0.7 billion as of December 31, 2018 on our balance sheet, these price movements would have an amplified impact on our financial results, to the extent unhedged, as we would directly bear the full extent of such gains or losses. For additional information regarding our energy real assets, see "—Critical Accounting Policies—Fair Value Measurements—Level III Valuation Methodologies—Real Asset Investments" and "Risk Factors—Risks Related to the Assets We Manage—Our funds and our firm through our balance sheet may make a limited number of investments, or investments that are concentrated in certain issuers, geographic regions or asset types, which could negatively affect our performance or the performance of our funds to the extent those concentrated assets perform poorly."

Business Conditions

Our segment revenues consist of fees, performance income and investment income. Our ability to grow our revenues depends in part on our ability to attract new capital and investors, our successful deployment of capital including from our balance sheet and our ability to realize investments at a profit.

Our ability to attract new capital and investors. Our ability to attract new capital and investors in our funds is driven, in part, by the extent to which they continue to see the alternative asset management industry generally, and our investment products specifically, as an attractive vehicle for capital appreciation or income. Since 2010, we have expanded into strategies such as energy, infrastructure, real estate, growth equity, core, credit and, through hedge fund partnerships, hedge funds. In several of these strategies, our first time funds have begun raising successor funds, and we expect the cost of raising such successor funds to be lower. We have also reached out to new fund investors, including retail and high net worth investors. However, fundraising continues to be competitive. While our Americas Fund XII, Asian Fund III and our Real Estate Partners Americas II fund exceeded the size of their respective predecessor funds, there is no assurance that fundraises for our other flagship private equity funds or for our newer strategies and their successor funds will experience similar success. If we are unable to successfully raise comparably sized or larger funds, our AUM, FPAUM, and associated fees attributable to new capital raised in future periods may be lower than in prior years. New capital organically raised in AUM for the fiscal years ended December 31, 2018 , 2017 and 2016 were $34.0 billion, $38.7 billion and $28.8 billion, respectively. See "Risk Factors—Risks Related to Our Business—Our inability to raise additional or successor funds (or raise successor funds of a comparable size as our predecessor funds) could have a material adverse impact on our business."

Our ability to successfully deploy capital. Our ability to maintain and grow our revenue base is dependent upon our ability to successfully deploy the capital available to us and participate in capital markets transactions. Greater competition, high valuations, increased overall cost of credit and other general market conditions may impact our ability to identify and execute attractive investments. Additionally, because we seek to make investments that have an ability to achieve our targeted returns while taking on a reasonable level of risk, we may experience periods of reduced investment activity. We have a long-term investment horizon and the capital deployed in any one quarter may vary significantly from the capital deployed in any other quarter or the quarterly average of capital deployed in any given year. Reduced levels of transaction activity also tends to result in reduced potential future investment gains, lower transaction fees and lower fees for our Capital Markets business line, which may earn fees in the syndication of equity or debt. Capital invested for the fiscal years ended December 31, 2018 , 2017 and 2016 were $20.2 billion , $18.4 billion and $11.0 billion, respectively, and syndicated capital for the fiscal years ended December 31, 2018 , 2017 and 2016 were $6.3 billion, $4.7 billion and $1.2 billion, respectively.

Our ability to realize investments. Challenging market and economic conditions may adversely affect our ability to exit and realize value from our investments and result in lower-than-expected returns. Although the equity markets are not the only means by which we exit investments, the strength and liquidity of the U.S. and relevant global equity markets generally, and the initial public offering market specifically, affect the valuation of, and our ability to successfully exit, our equity positions in our private equity portfolio companies in a timely manner. We may also realize investments through strategic sales. When financing is not available or becomes too costly, it may be more difficult to find a buyer that can successfully raise sufficient capital to purchase our investments. For the years ended December 31, 2018 , 2017 and 2016, through exit activity in our investments, we realized investment income of $651.8 million, $479.7 million, and $694.4 million, respectively, and carried interest of $1.2 billion, $1.2 billion and $1.3 billion, respectively in each case on a segment basis.

Basis of Accounting

We consolidate the financial results of the KKR Group Partnerships and their consolidated entities, which include the accounts of our investment management and capital markets companies, the general partners of unconsolidated funds and vehicles, general partners of certain funds that are consolidated and their respective consolidated funds and certain other entities including certain CLOs and CMBS. We refer to CLOs and CMBS as collateralized financing entities ("CFEs").

When an entity is consolidated, we reflect the accounts of the consolidated entity, including its assets, liabilities, revenues, expenses, investment income, cash flows and other amounts, on a gross basis. While the consolidation of a consolidated fund or entity does not have an effect on the amounts of Net Income Attributable to KKR or KKR's stockholders' capital that KKR reports, the consolidation does significantly impact the financial statement presentation under GAAP. This is due to the fact that the accounts of the consolidated entities are reflected on a gross basis while the allocable share of those amounts that are attributable to third parties are reflected as single line items. The single line items in which the accounts attributable to third parties are recorded are presented as noncontrolling interests on the consolidated statements of financial condition and net income attributable to noncontrolling interests on the consolidated statements of operations.

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

Key Financial Measures Under GAAP

Revenues

Fees and Other

Fees and other consist primarily of (i) management and incentive fees from providing investment management services to unconsolidated funds, CLOs, other vehicles, and separately managed accounts; (ii) transaction fees earned in connection with successful investment transactions and from capital markets activities; (iii) monitoring fees from providing services to portfolio companies; (iv) expense reimbursements from certain investment funds and portfolio companies; (v) revenue earned by oil and gas-producing entities that are consolidated; and (vi) consulting fees earned by consolidated entities that employ non-employee operating consultants. These fees are based on the contractual terms of the governing agreements and are recognized when earned, which coincides with the period during which the related services are performed and in the case of transaction fees, upon closing of the transaction. Monitoring fees may provide for a termination payment following an initial public offering or change of control. These termination payments are recognized in the period when the related transaction closes.

Capital Allocation-Based Income

Capital allocation-based income is earned from those arrangements whereby KKR serves as general partner and includes income from KKR's capital interest as well as “carried interest” which entitles KKR to a disproportionate allocation of investment income from investment funds' limited partners.

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

Expenses

Compensation and Benefits

Compensation and benefits expense includes cash compensation consisting of salaries, bonuses, and benefits, as well as equity-based compensation consisting of charges associated with the vesting of equity-based awards, carry pool allocations, and other performance-based income compensation. The amounts allocated to the carry pool and other performance-based income compensation are accounted for as compensatory profit-sharing arrangements and recorded as compensation and benefits expenses.

All employees and employees of certain consolidated entities receive a base salary that is paid by KKR or its consolidated entities, and is accounted for as compensation and benefits expense. These employees are also eligible to receive discretionary cash bonuses based on performance, overall profitability, and other matters. While cash bonuses paid to most employees are borne by KKR and certain consolidated entities and result in customary compensation and benefits expense, in the past cash bonuses that are paid to certain employees have been borne by KKR Holdings. These bonuses have historically been funded with distributions that KKR Holdings receives on KKR Group Partnership Units held by KKR Holdings but are not then passed on to holders of unvested units of KKR Holdings. Because employees are not entitled to receive distributions on units that are unvested, any amounts allocated to employees in excess of an employee's vested equity interests are reflected as employee compensation and benefits expense. These compensation charges are currently recorded based on the amount of cash expected to be paid by KKR Holdings. Because KKR makes only fixed quarterly dividends, the distributions made on KKR Group Partnership Units underlying any unvested KKR Holdings units are generally insufficient to fund annual cash bonus compensation to the same extent as in periods prior to the fourth quarter of 2015. In addition, substantially all remaining units in KKR Holdings have been allocated and, while subject to a 5 year vesting period, will become fully vested by 2021, thus decreasing the amount of distributions received by KKR Holdings that are available for annual cash bonus compensation. We, therefore, expect to pay all or substantially all of the cash bonus payments from KKR's cash from operations and the carry pool; although, from time to time, KKR Holdings may contribute to the cash bonus payments in the future. For the year ending December 31, 2018, no cash bonuses were contributed by KKR Holdings and all amounts paid were funded from other sources, including cash from our operations and the carry pool. See "Risks Related to Our Business—If we cannot retain and motivate our principals and other key personnel and recruit, retain and motivate new principals and other key personnel, our business, results and financial condition could be adversely affected" regarding the adequacy of such distributions to fund future discretionary cash bonuses.

KKR uses several methods, which are designed to yield comparable results, to allocate carried interest and other performance income compensation. With respect to KKR's investment funds that provide for carried interest without a preferred return, KKR allocates 40% of the carried interest received from such funds to its carry pool for employees and non-employee operating consultants. Beginning with the quarter ended September 30, 2016, for investment funds that provide for carried interest with a preferred return and have accrued carried interest as of June 30, 2016, KKR also includes 40% of the management fees that would have been subject to a management fee refund as performance income compensation. Because of the different ways management fees are refunded in preferred return and non-preferred return funds that provide for carried interest, this calculation of 40% of the portion of the management fees subject to refund for funds that have a preferred return is designed to allocate to compensation an amount comparable to the amount that would have been allocated to the carry pool had the fund not had a preferred return. Beginning with the quarter ended September 30, 2017, for then-current and future carry generating funds with a preferred return and no or minimal accrued carried interest as of June 30, 2017, KKR allocates 43% of the carried interest to the carry pool instead of 40% of carried interest. For impacted funds, the incremental 3% replaces the allocation of management fee refunds that would have been calculated for those funds and is designed, based on a historical financial analysis of certain investment funds, to allocate an amount for preferred return funds that is comparable to the management fee refunds that would have been allocated as performance income compensation for those funds. The percentage of carried interest, management fee refunds, and incentive fees allocable to the carry pool or as performance income compensation is subject to change from time to time. For a discussion of how management fees are refunded for preferred return funds and non-preferred funds see "—Fair Value Measurements—Recognition of Carried Interest in the Statement of Operations."

General, Administrative and Other

General, administrative and other expense consists primarily of professional fees paid to legal advisors, accountants, advisors and consultants, insurance costs, travel and related expenses, communications and information services, depreciation and amortization charges, expenses (including impairment charges) incurred by oil and gas-producing entities that are consolidated, costs incurred in connection with pursuing potential investments that do not result in completed transactions ("broken-deal expenses"), and other general operating expenses. A portion of these general administrative and other expenses, in particular broken-deal expenses, are borne by fund investors.

Investment Income (Loss)

Net Gains (Losses) from Investment Activities

Net gains (losses) from investment activities consist of realized and unrealized gains and losses arising from our investment activities as well as income earned from certain equity method investments. Fluctuations in net gains (losses) from investment activities between reporting periods is driven primarily by changes in the fair value of our investment portfolio as well as the realization of investments. The fair value of, as well as the ability to recognize gains from, our investments is significantly impacted by the global financial markets, which, in turn, affects the net gains (losses) from investment activities recognized in any given period. Upon the disposition of an investment, previously recognized unrealized gains and losses are reversed and an offsetting realized gain or loss is recognized in the current period. Since our investments are carried at fair value, fluctuations between periods could be significant due to changes to the inputs to our valuation process over time. For a further discussion of our fair value measurements and fair value of investments, see "—Critical Accounting Policies—Fair Value Measurements."

Dividend Income

Dividend income consists primarily of distributions that we and our consolidated investment funds receive from portfolio companies in which they invest. Dividend income is recognized primarily in connection with (i) dispositions of operations by portfolio companies, (ii) distributions of cash generated from operations from portfolio investments, and (iii) other significant refinancings undertaken by portfolio investments.

Interest Income

Interest income consists primarily of interest that is received on our credit instruments in which we and our consolidated funds and other entities invest as well as interest on our cash balances and other investments.

Interest Expense

Interest expense is incurred from debt issued by KKR, including debt issued by KFN, credit facilities entered into by KKR, debt securities issued by consolidated CFEs, and financing arrangements at our consolidated funds entered into primarily with the objective of managing cash flow. KFN's debt obligations are non-recourse to KKR beyond the assets of KFN. Debt securities issued by consolidated CFEs are supported solely by the investments held at the CFE and are not collateralized by assets of any other KKR entity. Our obligations under financing arrangements at our consolidated funds are generally limited to our pro rata equity interest in such funds. However, in some circumstances, we may provide limited guarantees of the obligations of our general partners in an amount equal to its pro rata equity interest in such funds. Our management companies bear no obligations with respect to financing arrangements at our consolidated funds. We also may provide other kinds of guarantees. See "—Liquidity."

Income Taxes

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

KKR & Co. Inc. is a corporation for U.S. federal income tax purposes and thus is subject to U.S. federal, state and local corporate income taxes at the entity level on KKR's share of net taxable income. In addition, the KKR Group Partnerships and certain of their subsidiaries operate in the United States as partnerships for U.S. federal income tax purposes and as corporate entities in certain non-U.S. jurisdictions. These entities, in some cases, are subject to U.S. state or local income taxes or non-U.S. income taxes.

As a result of the Conversion, KKR recognized a partial step-up in the tax basis of certain assets that will be recovered as those assets are sold or the basis is amortized. On the date of the Conversion, we recorded an estimated net tax benefit and estimated net deferred tax asset of $257.1 million relating to this partial step-up in tax basis. The actual amount of the partial step-up in tax basis when it is finally determined is expected to differ, possibly materially, from the current estimate, which in turn is expected to cause our income tax provision and effective tax rate under GAAP to differ, possibly to a material extent, from the current estimate. See Item 8. Financial Statements and Supplementary Data—Note 11 "Income Taxes."

Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining tax expense and in evaluating tax positions including evaluating uncertainties. We review our tax positions quarterly and adjust our tax balances as new information becomes available.

For a further discussion of our income tax policies, see Item 8. Financial Statements and Supplementary Data—Note 2 "Summary of Significant Accounting Policies" and Note 11 "Income Taxes."

Net Income (Loss) Attributable to Noncontrolling Interests

Net income (loss) attributable to noncontrolling interests primarily represents the ownership interests that certain third parties hold in entities that are consolidated in the financial statements as well as the ownership interests in our KKR Group Partnerships that are held by KKR Holdings. The allocable share of income and expense attributable to these interests is accounted for as net income (loss) attributable to noncontrolling interests. Given the consolidation of certain of our investment funds and the significant ownership interests in our KKR Group Partnerships held by KKR Holdings, we expect a portion of net income (loss) will continue to be attributed to noncontrolling interests in our business.

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

Key Segment and Other Operating and Performance Measures

The key performance measures that follow are used by management in making operational and resource deployment decisions as well as assessing the overall performance of KKR's businesses. KKR's segment reporting is presented prior to giving effect to the allocation of income (loss) between KKR & Co. Inc. and KKR Holdings L.P. and as such represents the business in total. In addition, KKR's segment reporting is presented without giving effect to the consolidation of the investment funds and CFEs that KKR manages as well as other consolidated entities that are not subsidiaries of KKR & Co. Inc.

We disclose certain financial measures in this report that are calculated and presented using methodologies other than in accordance with GAAP. We believe that providing these performance measures on a supplemental basis to our GAAP results is helpful to stockholders in assessing the overall performance of KKR's businesses. These financial measures should not be considered as a substitute for similar financial measures calculated in accordance with GAAP, if available. We caution readers that these non-GAAP financial measures may differ from the calculations of other investment managers, and as a result, may not be comparable to similar measures presented by other investment managers. Reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP, where applicable, are included within Item 8. Financial Statements and Supplementary Data—Note 14 "Segment Reporting" and under "—Segment Balance Sheet."

Adjusted Shares

Adjusted shares are used as a measure of the total common equity ownership of KKR that is held by KKR & Co. Inc. (including equity awards issued under the Amended and Restated KKR & Co. Inc. 2010 Equity Incentive Plan (the "Equity Incentive Plan"), but excluding preferred stock), KKR Holdings and other holders of securities exchangeable into Class A common stock of KKR & Co. Inc. and represent the fully diluted share count of Class A common stock using the if-converted method. We believe this measure is useful to stockholders as it provides an indication of the total common equity ownership of KKR as if all outstanding KKR Holdings units, equity awards issued under the Equity Incentive Plan and other exchangeable securities had been exchanged for Class A common stock of KKR & Co. Inc. The 6.75% Series A Preferred Stock ("Series A Preferred Stock") and 6.50% Series B Preferred Stock ("Series B Preferred Stock") are not exchangeable for Class A common stock of KKR & Co. Inc.

Adjusted Shares Eligible for Distribution

Adjusted shares eligible for distribution represents the portion of total adjusted shares that are eligible to receive a dividend. We believe this measure is useful to stockholders as it provides insight into the calculation of amounts available for distribution as dividends on a per share basis. Weighted average adjusted shares eligible for distribution is used in the calculation of after-tax distributable earnings per share.

After-tax Distributable Earnings

After-tax distributable earnings is a performance measure of KKR’s earnings on a segment basis excluding mark-to-market gains (losses). Starting with the second quarter of 2018, it is defined as the amount of net realized earnings of KKR for a given reporting period, after deducting equity-based compensation. KKR revised the definition of after-tax distributable earnings starting in the second quarter of 2018, because it reflects how the chief operating decision makers allocate resources and assess performance of KKR’s business. KKR believes that after-tax distributable earnings is useful to stockholders as it aligns KKR’s net realization performance with the manner in which KKR receives its revenues and determines the compensation of its employees. After-tax distributable earnings does not represent and is not used to calculate actual dividends under KKR’s dividend policy. Historically, equity-based compensation expense relating to the Equity Incentive Plan was not reflected in our calculation of after-tax distributable earnings. Under KKR’s segment presentation, equity-based compensation expense is included in after-tax distributable earnings as a component of compensation expense in order to reflect the dilutive nature of these non-cash equity-based awards. For comparability, after-tax distributable earnings for the comparable prior periods have been calculated using this definition.

Assets Under Management ("AUM")

Assets under management represent the assets managed or advised by KKR from which KKR is entitled to receive fees or a carried interest (either currently or upon deployment of capital), general partner capital, and assets managed or advised by strategic BDC partnership and hedge fund managers in which KKR holds a minority ownership interest. We believe this measure is useful to stockholders as it provides additional insight into the capital raising activities of KKR and its hedge fund managers and the overall activity in their investment funds and other managed capital. KKR calculates the amount of AUM as of any date as the sum of: (i) the fair value of the investments of KKR's investment funds; (ii) uncalled capital commitments from these funds, including uncalled capital commitments from which KKR is currently not earning management fees or carried interest; (iii) the fair value of investments in KKR's co-investment vehicles; (iv) the par value of outstanding CLOs (excluding CLOs wholly-owned by KKR); (v) KKR's pro rata portion of the AUM of hedge fund managers in which KKR holds a minority ownership interest; (vi) all AUM of the strategic BDC partnership with FS Investments; and (vii) the fair value of other assets managed by KKR. The pro rata portion of the AUM of hedge fund managers is calculated based on KKR’s percentage ownership interest in such entities multiplied by such entity’s respective AUM. KKR's definition of AUM is not based on any definition of AUM that may be set forth in the agreements governing the investment funds, vehicles or accounts that it manages or calculated pursuant to any regulatory definitions.

Book Value

Book value is a measure of the net assets of KKR’s reportable segment and is used by management primarily in assessing the unrealized value of KKR’s investments and other assets, including carried interest. We believe this measure is useful to stockholders as it provides additional insight into the assets and liabilities of KKR excluding the assets and liabilities that are allocated to noncontrolling interest holders and to the holders of the Series A and Series B Preferred Stock. As of September 30, 2018 and following the Conversion, KKR's segment balance sheet reflects KKR's tax assets and liabilities as prepared under GAAP.

Capital Invested

Capital invested is the aggregate amount of capital invested by (i) KKR’s investment funds, (ii) KKR's Principal Activities business line as a co-investment, if any, alongside KKR’s investment funds, and (iii) KKR's Principal Activities business line in connection with a syndication transaction conducted by KKR's Capital Markets business line, if any. Capital invested is used as a measure of investment activity at KKR during a given period. We believe this measure is useful to stockholders as it provides a measure of capital deployment across KKR’s business lines. Capital invested includes investments made using investment financing arrangements like credit facilities, as applicable. Capital invested excludes (i) investments in certain leveraged credit strategies, (ii) capital invested by KKR’s Principal Activities business line that is not a co-investment alongside KKR’s investment funds, and (iii) capital invested by KKR’s Principal Activities business line that is not invested in connection with a syndication transaction by KKR’s Capital Markets business line. Capital syndicated by KKR's Capital Markets business line to third parties other than KKR’s investment funds or Principal Activities business line is not included in capital invested. See also "—Syndicated Capital."

Fee Paying AUM ("FPAUM")

Fee paying AUM ("FPAUM") represents only the AUM from which KKR receives management fees. We believe this measure is useful to stockholders as it provides additional insight into the capital base upon which KKR earns management fees. FPAUM is the sum of all of the individual fee bases that are used to calculate KKR's and its hedge fund and BDC partnership management fees and differs from AUM in the following respects: (i) assets and commitments from which KKR does not receive a management fee are excluded (e.g., assets and commitments with respect to which it receives only carried interest or is otherwise not currently receiving a management fee) and (ii) certain assets, primarily in its private equity funds, are reflected based on capital commitments and invested capital as opposed to fair value because fees are not impacted by changes in the fair value of underlying investments.

Fee Related Earnings ("FRE")

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

Income Taxes Paid

Income taxes paid represents the estimated total tax impact on KKR’s distributable earnings before taxes. This amount is the implied amount of income taxes that would be paid assuming that all pre-tax distributable earnings were allocated to KKR & Co. Inc., which would occur following an exchange of all KKR Holdings units for Class A common stock of KKR & Co. Inc.

Outstanding Adjusted Shares

Outstanding adjusted shares represents the portion of total adjusted shares that would receive assets of KKR if it were to be liquidated as of a particular date. Outstanding adjusted shares is used to calculate book value per outstanding adjusted share, which we believe is useful to stockholders as it provides a measure of net assets of KKR’s reportable segment on a per share basis.

Segment Operating Earnings

Segment operating earnings represents segment earnings before interest expense, preferred dividends, income attributable to noncontrolling interests and income taxes paid. We believe segment operating earnings is useful to stockholders as it provides a supplemental measure of our operating performance without taking into account items that we do not believe relate directly to operations.

Syndicated Capital

Syndicated capital is the aggregate amount of capital in transactions originated by KKR and its investment funds and carry-yielding co-investment vehicles, which has been distributed to third parties, generally in exchange for a fee. It does not include (i) capital invested in such transactions by KKR investment funds and carry-yielding co-investment vehicles, which is instead reported in capital invested, (ii) debt capital that is arranged as part of the acquisition financing of transactions originated by KKR investment funds, and (iii) debt capital that is either underwritten or arranged on a best efforts basis. Syndicated capital is used as a measure of investment activity for KKR during a given period, and we believe that this measure is useful to stockholders as it provides additional insight into levels of syndication activity in KKR's Capital Markets business line and across KKR's investment platform.

Uncalled Commitments

Uncalled commitments are used as a measure of unfunded capital commitments that KKR’s investment funds and carry-paying co-investment vehicles have received from partners to contribute capital to fund future investments. We believe this measure is useful to stockholders as it provides additional insight into the amount of capital that is available to KKR’s investment funds to make future investments. Uncalled commitments are not reduced for investments completed using fund-level investment financing arrangements.

Consolidated Results of Operations

The following is a discussion of our consolidated results of operations for the years ended December 31, 2018 and 2017 . You should read this discussion in conjunction with the consolidated financial statements and related notes included elsewhere in this report. For a more detailed discussion of the factors that affected the results of operations of our reportable segment in these periods, see "—Segment Analysis."

Year ended December 31, 2018 compared to year ended December 31, 2017

	Year Ended		
	December 31, 2018	December 31, 2017	Change
	($ in thousands)		
Revenues			
Fees and Other	$ 1,841,326	$ 1,541,604	$ 299,722
Capital Allocation-Based Income	554,510	2,015,676	(1,461,166)
Total Revenues	2,395,836	3,557,280	(1,161,444)
Expenses			
Compensation and Benefits	1,374,363	1,695,490	(321,127)
Occupancy and Related Charges	59,706	58,722	984
General, Administrative and Other	655,408	582,480	72,928
Total Expenses	2,089,477	2,336,692	(247,215)
Investment Income (Loss)			
Net Gains (Losses) from Investment Activities	1,254,832	928,144	326,688
Dividend Income	175,154	202,115	(26,961)
Interest Income	1,396,532	1,242,419	154,113
Interest Expense	(876,029)	(808,898)	(67,131)
Total Investment Income (Loss)	1,950,489	1,563,780	386,709
Income (Loss) Before Taxes	2,256,848	2,784,368	(527,520)
Income Tax (Benefit)	(194,098)	224,326	(418,424)
Net Income (Loss)	2,450,946	2,560,042	(109,096)
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	(37,352)	73,972	(111,324)
Net Income (Loss) Attributable to Noncontrolling Interests	1,357,235	1,467,765	(110,530)
Net Income (Loss) Attributable to KKR & Co. Inc.	1,131,063	1,018,305	112,758
Series A Preferred Stock Dividends	23,288	23,288	—
Series B Preferred Stock Dividends	10,076	10,076	—
Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	$ 1,097,699	$ 984,941	$ 112,758

Revenues

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

	Year Ended		
	December 31, 2018	December 31, 2017	Change
		($ in thousands)	
Management Fees	$ 724,558	$ 700,245	$ 24,313
Fee Credits	(231,943)	(257,401)	25,458
Transaction Fees	988,954	783,952	205,002
Monitoring Fees	87,545	82,238	5,307
Incentive Fees	14,038	4,601	9,437
Expense Reimbursements	146,989	121,927	25,062
Oil and Gas Revenue	51,465	63,460	(11,995)
Consulting Fees	59,720	42,582	17,138
Total Fees and Other	1,841,326	1,541,604	299,722
Carried Interest	441,529	1,740,661	(1,299,132)
General Partner Capital Interest	112,981	275,015	(162,034)
Total Capital Allocation-Based Income	554,510	2,015,676	(1,461,166)
Total Revenues	$ 2,395,836	$ 3,557,280	$ (1,161,444)

Prior to January 1, 2018, to the extent an investment fund was not consolidated, KKR accounted for carried interest within Fees and Other separately from its general partner capital interest, which was included in Net Gains (Losses) from Investment Activities in the consolidated statements of operations. Effective January 1, 2018, the carried interest component of the general partner interest and the capital interest KKR holds in its investment funds as the general partner are accounted for as a single unit of account and reported in capital allocation-based income within Revenues in the consolidated statements of operations. This change in accounting principle has been applied on a full retrospective basis. See Note 2 "Summary of Significant Accounting Policies" to the consolidated financial statements included elsewhere in this report.

Total Fees and Other for the year ended December 31, 2018 increased compared to the year ended December 31, 2017 primarily as a result of an increase in transaction fees, management fees and expense reimbursements, and a decrease in fee credits. Fee credits owed to consolidated investment funds are eliminated upon consolidation under GAAP. Transaction and monitoring fees earned that generate these fee credits are not eliminated upon consolidation because those fees are earned from KKR portfolio companies which are not consolidated. Accordingly, certain transaction and monitoring fees are reflected in revenues without a corresponding fee credit. These increases were partially offset by a decrease in oil and gas revenue.

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

The increase in management fees during the year ended December 31, 2018 compared to the prior period was due primarily to management fees earned from our Asian Fund III and Global Infrastructure Investors III Fund which entered their investment periods in the second quarter of 2017 and the second quarter of 2018, respectively. This increase was partially offset by a reduction in management fees from (i) our BDC platform as a result of the FS Investments Transaction that closed in the second quarter of 2018, as is further explained in the next paragraph, (ii) Prisma Capital Partners LP ("Prisma") as a result of the transaction to combine Pacific Alternative Asset Management Company, LLC ("PAAMCO") and Prisma to create PAAMCO Prisma (the "PAAMCO Prisma transaction") that closed in the second quarter of 2017, as is further explained in the next paragraph, (iii) lower management fees calculated based on lower levels of invested capital as a result of realizations primarily in our European Fund III, 2006 Fund and Asian Fund and (iv) lower management fees paid by our Asian Fund II when it entered its post-investment period in the second quarter of 2017, in which it pays fees at a lower rate than during the investment period and based on capital invested at the time rather than total committed capital.

KKR reports its investment in FS/KKR Advisor and PAAMCO Prisma using the equity method of accounting, and as such, KKR reflects its allocation of the net income of these entities as investment income. Accordingly, the management fees of the BDCs and Prisma that had been reported in management fee revenues prior to the closing of the transactions described above are now reflected on a net basis as part of our allocation of the net income of these entities in 2018 resulting in a decrease in our reported gross management fees when compared to the prior period.

The decrease in carried interest and general partner capital interest during the year ended December 31, 2018 compared to the prior period was due primarily to a lower level of net appreciation in the value of our private equity investment portfolio as compared to the year ended December 31, 2017 .

Compensation and Benefits Expenses

The decrease was primarily due to a decrease in compensation resulting from a lower level of net carried interest in our investment funds as compared to the prior period. Partially offsetting this decrease was an increase in other compensation due to a higher level of fees during the year ended December 31, 2018 compared to the year ended December 31, 2017 as well as higher equity-based compensation charges resulting from an increase in the weighted average number of unvested shares outstanding.

General, Administrative and Other Expenses

The increase for the year ended December 31, 2018 compared to the year ended December 31, 2017 was primarily due to (i) an increase in professional fees and travel expenses incurred, the most significant of which were professional fees incurred in connection with the Conversion, (ii) an increase in expenses reimbursable by investment funds, (iii) a higher level of expenses that are creditable to our investment funds, which includes broken-deal expenses and (vi) a higher level of financing costs incurred related to debt at new consolidated CLOs as compared to the prior period. These increases were partially offset by (i) a decrease in depreciation, depletion and amortization of our consolidated oil and gas-producing entities compared to the prior period primarily caused by lower production and the sale of an oil and gas producing entity during the second quarter of 2018 and (ii) expenses of Prisma that had been reported on a gross basis prior to the closing of the PAAMCO Prisma transaction on June 1, 2017 and that are now reflected as part of our allocation of the net income of PAAMCO Prisma after June 1, 2017, resulting in a decrease in our reported General, Administrative and Other Expenses as compared to the prior period.

Net Gains (Losses) from Investment Activities

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

	Year Ended	
	December 31, 2018	**December 31, 2017**
	($ in thousands)	
Private Equity	$ 893,384	$ 562,288
Credit	(774,524)	(46,884)
Investments of Consolidated CFEs	(536,050)	(96,777)
Real Assets	160,884	200,006
Equity Method - Other	335,036	130,158
Other Investments	(673,618)	(730,832)
Debt Obligations and Other	909,171	101,486
Other Net Gains (Losses) from Investment Activities	940,549	808,699
Net Gains (Losses) from Investment Activities	$ 1,254,832	$ 928,144

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

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

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

Realized Gains from Investment Activities

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

Realized Losses from Investment Activities

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

Unrealized Gains from Investment Activities

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

Unrealized Losses from Investment Activities

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

For a discussion of other factors that affected KKR's realized investment income, see "—Segment Analysis." For a detailed discussion of the factors that affected our net gains (losses) from investment activities for the year ended December 31, 2017, see our discussion for the year ended December 31, 2017 compared to the year ended December 31, 2016.

Dividend Income

During the year ended December 31, 2018 , the most significant dividends received included $52.7 million from our consolidated energy funds, $34.7 million from our consolidated special situations funds, and $32.4 million from our consolidated real estate funds. During the year ended December 31, 2017 , the most significant dividends received included$88.5 million from our consolidated special situations funds and $43.5 million from our consolidated real estate funds. Significant dividends from portfolio companies or consolidated funds are generally not recurring quarterly dividends, and while they may occur in the future, their size and frequency are variable. For a discussion of other factors that affected KKR's dividend income, see "—Segment Results—Segment Revenues—Principal Activities Revenues—Realized Investment Income."

Interest Income

The increase in interest income during the year ended December 31, 2018 compared to the year ended December 31, 2017 was primarily due to a higher level of interest earned related to (i) the closing of seven additional consolidated CLOs subsequent to the year ended December 31, 2017 , (ii) an increase in capital deployed in investments held by KREF which is consolidated and (iii) an increase in the amount of investments held in our consolidated credit funds compared to the prior period. These increases were partially offset by a decrease in interest income earned as a result of the sale of KKR's beneficial interest in four consolidated CMBS vehicles held by KREF that resulted in the deconsolidation of such vehicles subsequent to December 31, 2017 . For a discussion of other factors that affected KKR's interest income, see "—Segment Results—Segment Revenues—Principal Activities Revenues—Realized Investment Income."

Interest Expense

The increase in interest expense during the year ended December 31, 2018 compared to the year ended December 31, 2017 was primarily due to the impact of (i) the closing of seven additional consolidated CLOs subsequent to the year ended December 31, 2017 , (ii) increased interest on amounts under KREF's lending facilities used to finance investments in commercial loans and (iii) increased borrowings at KFN. These increases were partially offset by a decrease in (i) interest expense incurred as a result of the sale of KKR's beneficial interest in four consolidated CMBS vehicles held by KREF that resulted in the deconsolidation of such vehicles subsequent to December 31, 2017 and (ii) interest expense associated with certain notes issued by consolidated CLOs being called for redemption subsequent to December 31, 2017. For a discussion of other factors that affected KKR's interest expense, see "—Segment Analysis—Segment Expenses—Interest Expense."

Income (Loss) Before Taxes

The decrease in income (loss) before taxes for the year ended December 31, 2018 compared to the year ended December 31, 2017 was due primarily to a lower level of carried interest and general partner capital interest, partially offset by (i) a higher level of net gains from investment activities, (ii) a higher level of fees and (iii) a lower level of compensation and benefits expense, in each case as described above.

Income Taxes

For the year ended December 31, 2018 there was a net income tax benefit of $194.1 million which was driven primarily by tax benefits recorded on the date of the Conversion. The tax benefit was partially offset by a higher level of income that is subject to corporate taxes following the Conversion. Prior to the Conversion, KKR & Co. L.P.’s investment income and carried interest generally were not subject to U.S. corporate income taxes. Subsequent to the Conversion, all income earned by KKR & Co. Inc. is subject to U.S. corporate income taxes, which we believe will result in an overall higher income tax expense (or benefit) when compared to periods prior to the Conversion. Our effective tax rate under GAAP for the year ended December 31, 2018 was (8.6)%. As a result of the Conversion KKR recognized a partial step-up in the tax basis of certain assets that will be recovered as those assets are sold or the basis is amortized. This generally results in a lower level of taxable gains upon realization of carried interest and investment income for those assets that existed on the date of the Conversion. Over time as these assets with higher tax basis are realized, we expect that our income tax expense and effective tax rate will increase. The pace of such increase is not currently known and is dependent on a variety of factors including the pace at which the assets with higher tax basis are realized and the mix of all assets realized in any given period. For a discussion of factors that impacted KKR's tax provision, see Item 8. Financial Statements and Supplementary Data—Note 2 "Summary of Significant Accounting Policies" and Note 11 "Income Taxes."

Net Income (Loss) Attributable to Noncontrolling Interests

Net income (loss) attributable to noncontrolling interests for the year ended December 31, 2018 relates primarily to net income attributable to KKR Holdings representing its ownership interests in the KKR Group Partnerships as well as third-party limited partner interests in those investment funds that we consolidate. The decrease from the prior period is due primarily to lower amounts attributed to KKR Holdings in connection with a lower level of income recognized for the year ended December 31, 2018 as compared to the prior period as well as a reduction in KKR Holdings' ownership percentage in the KKR Group Partnerships. This decrease was partially offset by a higher level of income recorded by certain consolidated fund entities that is attributable to third party limited partners.

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

The increase in net income (loss) attributable to KKR & Co. Inc. for the year ended December 31, 2018 compared to the year ended December 31, 2017 was primarily due to an overall tax benefit in the current period as compared to tax expense in the prior period as well as a higher level of net investment gains and fees, partially offset by a lower level of carried interest gains in the current period as compared to the prior period.

Year ended December 31, 2017 compared to year ended December 31, 2016

	Year Ended		
	December 31, 2017	December 31, 2016	Change
	($ in thousands)		
Revenues			
Fees and Other	$ 1,541,604	$ 1,104,908	$ 436,696
Capital Allocation-Based Income	2,015,676	935,110	1,080,566
Total Revenues	3,557,280	2,040,018	1,517,262
Expenses			
Compensation and Benefits	1,695,490	1,063,813	631,677
Occupancy and Related Charges	58,722	64,622	(5,900)
General, Administrative and Other	582,480	567,039	15,441
Total Expenses	2,336,692	1,695,474	641,218
Investment Income (Loss)			
Net Gains (Losses) from Investment Activities	928,144	210,972	717,172
Dividend Income	202,115	187,853	14,262
Interest Income	1,242,419	1,021,809	220,610
Interest Expense	(808,898)	(789,953)	(18,945)
Total Investment Income (Loss)	1,563,780	630,681	933,099
Income (Loss) Before Taxes	2,784,368	975,225	1,809,143
Income Tax (Benefit)	224,326	24,561	199,765
Net Income (Loss)	2,560,042	950,664	1,609,378
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	73,972	(8,476)	82,448
Net Income (Loss) Attributable to Noncontrolling Interests	1,467,765	649,833	817,932
Net Income (Loss) Attributable to KKR & Co. Inc.	1,018,305	309,307	708,998
Series A Preferred Stock Dividends	23,288	17,337	5,951
Series B Preferred Stock Dividends	10,076	4,898	5,178
Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	$ 984,941	$ 287,072	$ 697,869

Revenues

For the years ended December 31, 2017 and 2016 , revenues consisted of the following:

	Year Ended		
	December 31, 2017	December 31, 2016	Change
		($ in thousands)	
Management Fees	$ 700,245	$ 619,243	$ 81,002
Fee Credits	(257,401)	(128,707)	(128,694)
Transaction Fees	783,952	350,091	433,861
Monitoring Fees	82,238	65,418	16,820
Incentive Fees	4,601	8,709	(4,108)
Expense Reimbursements	121,927	81,549	40,378
Oil and Gas Revenue	63,460	65,754	(2,294)
Consulting Fees	42,582	42,851	(269)
Total Fees and Other	1,541,604	1,104,908	436,696
Carried Interest	1,740,661	803,185	937,476
General Partner Capital Interest	275,015	131,925	143,090
Total Capital Allocation-Based Income	2,015,676	935,110	1,080,566
Total Revenues	$ 3,557,280	$ 2,040,018	$ 1,517,262

Total Fees and Other for the year ended December 31, 2017 increased compared to the year ended December 31, 2016 primarily as a result of an increase in transaction fees, management fees, monitoring fees and expense reimbursements. These increases were partially offset by an increase in fee credits.

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

The increase in management fees during the year ended December 31, 2017 compared to the prior period was due primarily to management fees earned from our Americas Fund XII and Asian Fund III which entered their investment periods in the first and second quarter of 2017, respectively. This increase was partially offset by a reduction in management fees from (i) Prisma as a result of the PAAMCO Prisma transaction that closed in the second quarter of 2017 and (ii) lower management fees paid by our North America Fund XI and Asian Fund II when they entered their post-investment periods in the first and second quarter of 2017, respectively, in which they pay fees at a lower rate than during their investment periods and based on capital invested at the time rather than total committed capital.

The increase in carried interest and general partner capital interest earned during the year ended December 31, 2017 compared to the prior period was due primarily to increases in carried interest gains primarily reflecting a higher level of appreciation in the value of our private equity portfolio as compared to the prior period and to a lesser extent gains in our private credit portfolio during the year ended December 31, 2017 as compared to the year ended December 31, 2016 .

Compensation and Benefits Expenses

The increase was primarily due to (i) a higher level of carry pool allocations reflecting higher appreciation in the value of our private equity and credit portfolios, (ii) an increase in cash compensation and benefits, and (iii) an increase in equity-based compensation resulting from new equity grants of KKR Holdings units during the year ended December 31, 2017 compared to the year ended December 31, 2016.

General, Administrative and Other Expenses

The increase was primarily due to (i) a reduction in the fair value of the contingent consideration liability during the year ended December 31, 2016 related to the acquisition of Prisma from $46.6 million to zero since it was determined that it was no longer probable that the sellers of Prisma would be entitled to any future additional payment under the arrangement while no such reversal of expense was incurred during the current period and (ii) an increase in professional fees and other expenses incurred as compared to the prior period. These increases were partially offset by (i) a lower level of financing costs incurred relating to debt at new consolidated CLOs for which the fair value option has been elected, (ii) a decrease in depreciation, depletion and amortization of our consolidated oil and gas-producing entities primarily caused by a lower cost basis due to previously recorded impairments, resulting in a lower unit of production depletion rate compared to the prior period, and (iii) the write-off of intangible assets during the year ended December 31, 2016 in connection with the termination of management contracts for certain credit funds that were wound down while no such charge was incurred during the current period.

Net Gains (Losses) from Investment Activities

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

	Year Ended	
	December 31, 2017	December 31, 2016
	($ in thousands)	
Private Equity	$ 562,288	$ 109,288
Credit	(46,884)	(95,748)
Investments of Consolidated CFEs	(96,777)	185,712
Real Assets	200,006	229,398
Equity Method - Other	130,158	(126,481)
Other Investments	(730,832)	(731,238)
Debt Obligations and Other	101,486	14,665
Other Net Gains (Losses) from Investment Activities	808,699	625,376
Net Gains (Losses) from Investment Activities	$ 928,144	$ 210,972

Net Gains (Losses) from Investment Activities for the year ended December 31, 2017

The net gains from investment activities for the year ended December 31, 2017 were comprised of net realized gains of $38.3 million and net unrealized gains of $889.8 million.

Realized Gains from Investment Activities

For the year ended December 31, 2017 , realized gains were comprised primarily of realized gains related to the sale of private equity investments held by KKR's balance sheet, including the final sale of our investment in US Foods Holding Corp. (NYSE: USFD), HCA Holdings, Inc. (NYSE: HCA), and Galenica AG (VTX: GALN) and the partial sale of our investment in First Data Corporation.

Realized Losses from Investment Activities

Partially offsetting these realized gains were realized losses relating to (i) alternative credit assets in our consolidated special situations funds and KFN, (ii) the sale of investments held by our consolidated CLOs, and (iii) the sale of our investments in Fortune Creek Partnership (energy sector) and Aurora Eaglebine (energy sector) which are held in part by KKR's balance sheet in our energy portfolio.

Unrealized Gains from Investment Activities

For the year ended December 31, 2017, net unrealized gains were driven primarily by (i) mark-to-market gains on alternative credit assets in our consolidated special situations funds and KFN, (ii) mark-to-market gains in certain consolidated entities, the most significant of which were unrealized gains in our growth equity investments, (iii) mark-to-market gains in our private equity portfolio held by KKR's balance sheet, the most significant of which were unrealized gains in our investment in First Data Corporation, (iv) mark-to-market gains in our infrastructure portfolio held by KKR's balance sheet and (v) the reversal of unrealized losses on the sale of our investment in Fortune Creek Partnership and the restructuring of our investment in Aurora Eaglebine which are held by KKR's balance sheet in our energy portfolio. For the year ended December 31, 2017, unrealized gains from investment activities includes a gain of $67.2 million relating to a remeasurement of the tax receivable agreement liability which arises from changes in the associated deferred tax balances related to the 2017 Tax Act.

Unrealized Losses from Investment Activities

Partially offsetting the unrealized gains above were unrealized losses, the most significant of which were unrealized losses relating to (i) the reversal of unrealized gains on the final sale of our investments in US Foods Holding Corp., HCA Holdings, Inc., and Galenica AG and (ii) mark-to-market losses in certain consolidated entities, the most significant of which were unrealized losses in our growth equity investments.

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

Net Gains (Losses) from Investment Activities for the year ended December 31, 2016

The net gains from investment activities for the year ended December 31, 2016 were comprised of net realized gains of $347.1 million and net unrealized losses of $136.1 million. For the year ended December 31, 2016, net realized gains were comprised primarily of the net impact of (i) realized gains on sales of private equity investments held by KKR's balance sheet, including the partial sales of Walgreens Boots Alliance, Inc. (NASDAQ: WBA), Zimmer Biomet Holdings, Inc. (NYSE: ZBH) and HCA Holdings, Inc.; (ii) realized losses in connection with our investment in Samson Resources (energy sector); (iii) realized losses on assets held at consolidated CLOs; and (iv) realized gains on debt held at consolidated CLOs. For the year ended December 31, 2016, net unrealized losses were driven primarily by (i) mark-to-market losses in our private equity portfolio held by KKR's balance sheet including unrealized losses in First Data Corporation; (ii) mark-to-market losses on assets in our consolidated special situations funds; (iii) mark-to-market losses on debt held through consolidated CMBS; and (iv) the reversal of unrealized gains on the partial sales of Walgreens Boots Alliance, Inc., Zimmer Biomet Holdings, Inc. and HCA Holdings, Inc., as well as the reversal of unrealized gains on debt realizations at our consolidated CLOs. Offsetting these unrealized losses were unrealized gains, the most significant of which were unrealized gains relating to (i) the reversal of unrealized losses in connection with our investment in Samson Resources, (ii) reversals of unrealized losses on asset realizations in our consolidated CLOs and (iii) mark-to-market gains on investments held through consolidated CMBS structures.

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

Dividend Income

During the year ended December 31, 2017, the most significant dividends received included $88.5 million from our consolidated special situations funds and $43.5 million from our consolidated real estate funds. During the year ended December 31, 2016, the most significant dividends received included $51.5 million from our consolidated special situations funds and dividends from US Foods Holding Corp. of $23.4 million, Sedgwick Claims Management Services, Inc. (financial services sector) of $12.7 million, and PRA Health Sciences, Inc. (NASDAQ: PRAH) of $4.1 million. Significant dividends from portfolio companies are generally not recurring quarterly dividends, and while they may occur in the future, their size and frequency are variable. For a discussion of other factors that affected KKR's dividend income, see "—Segment Results—Segment Revenues—Principal Activities Revenues—Realized Investment Income."

Interest Income

The increase in interest income during the year ended December 31, 2017 was primarily due to a higher level of interest earned related to (i) an increase in the amount of investments in our consolidated special situations funds and other leveraged credit funds, (ii) the impact of the consolidation of three additional CLOs subsequent to the year ended December 31, 2016, (iii) an increase in the amount of investments held by KREF compared to the prior period and (iv) an increase in the amount of investments held at our India debt financing company. These increases were partially offset by a decrease in interest income at KFN primarily due to a smaller portfolio generating recurring income as well as a decrease associated with the paydown of CLO 2007-01 in the second quarter of 2016. For a discussion of other factors that affected KKR's interest income, see "—Segment Results—Segment Revenues—Principal Activities Revenues—Realized Investment Income."

Interest Expense

The increase in interest expense during the year ended December 31, 2017 was primarily due to the impact of (i) the consolidation of three additional CLOs subsequent to the year ended December 31, 2016, (ii) increased borrowings at our India debt financing company, (iii) increased CMBS issuances by KREF and (iv) increased borrowings from asset backed financing vehicles managed by KKR. These increases were partially offset by a decrease in interest expense associated with certain notes issued by consolidated CLOs being called for redemption during the year ended December 31, 2016, which resulted in an increased level of interest expense during 2016. Specifically, as a result of a paydown made in August 2016, KKR recorded increased interest expense of $59.9 million and an incremental $8.7 million of accelerated accretion of debt discounts during the year ended December 31, 2016. The paydown of CLO 2007-01 during the year ended December 31, 2016 also contributed to the increased interest expense in the prior period. For a discussion of other factors that affected KKR's interest expense, see "—Segment Analysis—Interest Expense."

Income (Loss) Before Taxes

The increase in income (loss) before taxes was due primarily to higher carried interest gains in our private equity portfolio and higher net gains from investment activities, partially offset by an increase in expenses, in each case as described above.

Income Taxes

The increase in income taxes is due primarily to accounting for the impacts of the 2017 Tax Act which was enacted on December 22, 2017. The 2017 Tax Act, among other provisions, reduced the U.S. federal corporate tax rate from 35% to 21%. Certain income tax effects of the 2017 Tax Act, including $97.9 million of tax expense recorded principally due to the remeasurement of our net deferred tax assets, are reflected in our financial results for the year ended December 31, 2017. This net write-down reduces our deferred tax assets and liabilities to a level that reflects the future tax benefit or liability that will be realized at the new U.S. federal corporate tax rate of 21%. For a discussion of factors that impacted KKR's tax provision, see Item 8. Financial Statements and Supplementary Data—Note 2 "Summary of Significant Accounting Policies" and Note 11 "Income Taxes."

Taxes also increased as a result of a higher level of fees earned by our management companies and capital markets companies during the year ended December 31, 2017 as compared to the prior period and to a lesser extent a higher level of carried interest gains accrued by certain general partner entities subject to corporate income tax.

Net Income (Loss) Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests for the year ended December 31, 2017 relates primarily to net income attributable to KKR Holdings representing its ownership interests in the KKR Group Partnerships as well as third-party limited partner interests in those investment funds that we consolidate. The increase from the prior period is due primarily to (i) higher amounts attributed to KKR Holdings in connection with higher income recognized for the year ended December 31, 2017 as compared to the prior period, partially offset by a reduction in KKR Holdings' ownership percentage in the KKR Group Partnerships and (ii) a higher level of income recorded by certain consolidated fund entities that is attributable to third-party limited partners.

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

The increase for the year ended December 31, 2017 was primarily due to increased fee income and to a lesser extent, higher carried interest gains and higher net investment gains from investment activities in the current period as compared to the prior period.

Consolidated Statements of Financial Condition

The following table provides the Consolidated Statements of Financial Condition on a GAAP basis as of December 31, 2018 and December 31, 2017 .

(Amounts in thousands, except per share amounts)

	As of December 31, 2018	As of December 31, 2017
Assets		
Cash and Cash Equivalents	$ 1,751,287	$ 1,876,687
Investments	44,907,982	39,013,934
Other	4,084,106	4,944,098
Total Assets	**50,743,375**	**45,834,719**
Liabilities and Equity		
Debt Obligations	22,341,192	21,193,859
Other Liabilities	3,019,574	3,978,060
Total Liabilities	**25,360,766**	**25,171,919**
Redeemable Noncontrolling Interests	1,122,641	610,540
Stockholders' Equity		
Preferred Stock	482,554	482,554
KKR & Co. Inc. Stockholders' Equity - Common Stockholders	8,167,056	6,703,382
Noncontrolling Interests	15,610,358	12,866,324
Total Equity	**24,259,968**	**20,052,260**
Total Liabilities and Equity	**$ 50,743,375**	**$ 45,834,719**
KKR & Co. Inc. Stockholders' Equity Per Outstanding Share of Class A Common Stock - Basic	**$ 15.27**	**$ 13.79**

Consolidated Statements of Cash Flows

The accompanying consolidated statements of cash flows include the cash flows of our consolidated entities which include certain consolidated investment funds and CFEs notwithstanding the fact that we may hold only a minority economic interest in those funds and CFEs.

The assets of our consolidated funds and CFEs, on a gross basis, can be substantially larger than the assets of our business and, accordingly, could have a substantial effect on the cash flows reflected in our consolidated statements of cash flows. The primary cash flow activities of our consolidated funds and CFEs involve: (i) capital contributions from fund investors; (ii) using the capital of fund investors to make investments; (iii) financing certain investments with indebtedness; (iv) generating cash flows through the realization of investments; and (v) distributing cash flows from the realization of investments to fund investors. Because our consolidated funds and CFEs are treated as investment companies for accounting purposes, certain of these cash flow amounts are included in our cash flows from operations.

On January 1, 2018, KKR adopted ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which amends the guidance to add or clarify guidance on the classification and presentation of restricted cash in the statement of cash flows. Upon adoption, (i) Restricted Cash and Cash Equivalents and (ii) Cash and Cash Equivalents Held at Consolidated Entities were (a) included in the cash and cash-equivalents balances in the consolidated statements of cash flows and (b) disclosed in a reconciliation between the consolidated statements of financial condition and the consolidated statements of cash flows. This guidance has been applied on a full retrospective basis. For the years ended December 31, 2017 and 2016, $97.9 million and $121.0 million, respectively, of cash used by operating activities and $155.9 million and $1.4 million, respectively, of cash provided by investing activities were removed from net cash provided (used) by operating activities and net cash provided (used) by investing activities, respectively, and included in net increase/(decrease) in cash, cash-equivalents and restricted cash in the consolidated statements of cash flows.

Net Cash Provided (Used) by Operating Activities

Our net cash provided (used) by operating activities was $(7.6) billion , $(3.5) billion and $(1.4) billion during the years ended December 31, 2018 , 2017 and 2016, respectively. These amounts primarily included: (i) proceeds from investments net of investments purchased of $(8.5) billion , $(4.8) billion and $(1.2) billion during the years ended December 31, 2018 , 2017 and 2016, respectively; (ii) net realized gains (losses) on investments of $534.7 million , $38.3 million and $347.1 million during the years ended December 31, 2018 , 2017 and 2016, respectively; (iii) change in unrealized gains (losses) on investments of $720.2 million , $889.8 million and $(136.1) million during the years ended December 31, 2018 , 2017 and 2016 respectively and (iv) capital allocation-based income of $554.5 million , $2,015.7 million and $935.1 million during the years ended December 31, 2018 , 2017 and 2016, respectively. Investment funds are, for GAAP purposes, investment companies and reflect their investments and other financial instruments at fair value.

Net Cash Provided (Used) by Investing Activities

Our net cash provided (used) by investing activities was $(78.6) million , $(98.1) million and $(63.9) million during the years ended December 31, 2018 , 2017 and 2016, respectively. Our investing activities included: (i) the purchase of fixed assets of $(102.7) million , $(97.1) million and $(62.7) million during the years ended December 31, 2018 , 2017 and 2016, respectively; (ii) proceeds from sale of oil and natural gas properties of $26.6 million and $0.9 million for the years ended December 31, 2018 and 2016, respectively, and (iii) development of oil and natural gas properties of $(2.6) million , $(1.1) million and $(2.1) million for the years ended December 31, 2018 , 2017 , and 2016, respectively.

Net Cash Provided (Used) by Financing Activities

Our net cash provided (used) by financing activities was $6.6 billion , $2.9 billion and $3.1 billion during the years ended December 31, 2018 , 2017 and 2016, respectively. Our financing activities primarily included: (i) distributions to, net of contributions by, our noncontrolling and redeemable noncontrolling interests of $1.9 billion , $1.2 billion and $0.9 billion during the years ended December 31, 2018 , 2017 and 2016, respectively; (ii) proceeds received net of repayment of debt obligations of $5.4 billion , $2.1 billion and $2.4 billion during the years ended December 31, 2018 , 2017 and 2016, respectively; (iii) common stock dividends of $(322.3) million , $(312.0) million and $(285.4) million during the years ended December 31, 2018 , 2017 and 2016, respectively; (iv) net delivery of Class A common stock of $(98.8) million , $(58.7) million and $(50.5) million during the years ended December 31, 2018 , 2017 and 2016, respectively; (v) repurchases of Class A common stock of $(173.1) million and $(296.8) million during the years ended December 31, 2018 and 2016, respectively; (vi) preferred stock dividends of $(33.4) million , $(33.4) million and $(22.2) million during the years ended December 31, 2018 , 2017 and 2016, respectively and (vii) issuance of preferred stock of $482.6 million during the year ended December 31, 2016.

Segment Analysis

The following is a discussion of the results of our business on a segment basis for the years ended December 31, 2018 , 2017 , and 2016. You should read this discussion in conjunction with the information included under "—Basis of Accounting—Key Segment and Other Operating and Performance Measures" and the consolidated financial statements and related notes included elsewhere in this report.

In connection with a change of KKR's chief operating decision makers, KKR's management has reevaluated the manner in which it makes operational and resource deployment decisions and assesses the overall performance of KKR's business. As a result, KKR has modified the presentation of its segment financial information effective as of and for the three months ended June 30, 2018, with retrospective application to all prior periods presented. For a further discussion of the changes in our segment presentation, see Item 8. Financial Statements and Supplementary Data—Note 14 "Segment Reporting."

Segment Results

The following tables set forth information regarding KKR's segment results and certain key operating metrics as of and for the years ended December 31, 2018 and 2017 .

Year ended December 31, 2018 compared to year ended December 31, 2017

	Year Ended		
	December 31, 2018	**December 31, 2017**	**Change**
		($ in thousands)	
Segment Revenues			
Fees and Other, Net			
Management Fees	$ 1,069,074	$ 905,188	$ 163,886
Transaction Fees	977,485	777,247	200,238
Monitoring Fees	87,520	81,021	6,499
Fee Credits	(280,136)	(261,429)	(18,707)
Total Fees and Other, Net	**1,853,943**	**1,502,027**	**351,916**
Realized Performance Income (Loss)			
Carried Interest	1,218,647	1,198,981	19,666
Incentive Fees	138,330	73,395	64,935
Total Realized Performance Income (Loss)	**1,356,977**	**1,272,376**	**84,601**
Realized Investment Income (Loss)			
Net Realized Gains (Losses) (1)	365,324	194,020	171,304
Interest Income and Dividends	286,468	285,696	772
Total Realized Investment Income (Loss)	**651,792**	**479,716**	**172,076**
Total Segment Revenues	**3,862,712**	**3,254,119**	**608,593**
Segment Expenses			
Compensation and Benefits (2)	1,533,431	1,282,745	250,686
Occupancy and Related Charges	57,022	56,410	612
Other Operating Expenses (3)	293,621	243,772	49,849
Total Segment Expenses	**1,884,074**	**1,582,927**	**301,147**
Segment Operating Earnings	**1,978,638**	**1,671,192**	**307,446**
Interest Expense	187,379	181,612	5,767
Preferred Dividends	33,364	33,364	—
Income (Loss) Attributable to Noncontrolling Interests	8,807	6,551	2,256
Income Taxes Paid	151,848	94,065	57,783
After-tax Distributable Earnings	**$ 1,597,240**	**$ 1,355,600**	**$ 241,640**

(1) Given the extraordinary nature of the Conversion, the reported segment financial results for the year ended December 31, 2018 exclude approximately $729.4 million of losses on certain investments which were realized in the second quarter in advance of the Conversion.
(2) Includes equity-based compensation of $242,811 and $204,308 for the years ended December 31, 2018 and December 31, 2017 , respectively.
(3) For the year ended December 31, 2018 , excludes approximately $11.5 million of non-recurring costs in connection with the Conversion.

Segment Revenues

The following sections discuss revenues for each of our business lines on a disaggregated basis for the years ended December 31, 2018 and 2017 .

Private Markets Revenues

The following table presents Fees and Other, Net and Realized Performance Income in the Private Markets business line for the years ended December 31, 2018 and 2017 :

	Year Ended		
	December 31, 2018	**December 31, 2017**	**Change**
		($ in thousands)	
Fees and Other, Net			
Management Fees	$ 665,026	$ 575,451	$ 89,575
Transaction Fees	303,902	288,879	15,023
Monitoring Fees	87,520	81,021	6,499
Fee Credits	(239,441)	(220,710)	(18,731)
Total Fees and Other, Net	**817,007**	**724,641**	**92,366**
Realized Performance Income (Loss)			
Carried Interest	1,208,747	1,198,981	9,766
Incentive Fees	1,041	—	1,041
Total Realized Performance Income (Loss)	**$ 1,209,788**	**$ 1,198,981**	**$ 10,807**

Fees and Other, Net

The increase for the year ended December 31, 2018 as compared to the year ended December 31, 2017 was primarily due to an increase in management fees and transaction fees, partially offset by a corresponding increase in fee credits.

The increase in management fees was primarily due to (i) management fees earned from our Asian Fund III which entered its investment period in the second quarter of 2017 (partial year of revenue in 2017), (ii) management fees earned from our Global Infrastructure Fund III which entered its investment period in the second quarter of 2018 and (iii) management fees earned from our Real Estate Partners Americas II fund which entered its investment period in the second quarter of 2017 (partial year of revenue in 2017). This net increase was partially offset by decreases due to (i) lower management fees calculated based on lower levels of invested capital as a result of realizations primarily in our European Fund III, 2006 Fund and Asian Fund, (ii) lower management fees paid by our Asian Fund II when it entered its post-investment period in the second quarter of 2017, in which it pays fees at a lower rate than during the investment period and based on capital invested at the time rather than total committed capital, and (iii) lower management fees earned from our Real Estate Partners Americas fund which entered its post-investment period in the second quarter of 2017, in which it pays fees based on capital invested rather than remaining commitments and capital invested during the investment period. For each of our Asian Fund II and Real Estate Partners Americas fund, the reduction in fees in 2017 was for a partial year, whereas 2018 experienced a full year of reduced fees.

The increase in transaction fees was primarily attributable to an increase in the size of transaction fee-generating investments. During the year ended December 31, 2018 , there were 41 transaction fee-generating investments that paid an average fee of $7.4 million compared to 46 transaction fee-generating investments that paid an average fee of $6.3 million during the year ended December 31, 2017 . For the year ended December 31, 2018 , approximately 59% of these transaction fees were paid by companies located in North America, 22% were paid from companies located in the Asia-Pacific region and 19% were paid from companies in Europe. Transaction fees vary by investment based upon a number of factors, the most significant of which are transaction size, the particular agreements as to the amount of the fees, the complexity of the transaction and KKR's role in the transaction. Additionally, transaction fees are generally not earned with respect to energy and real estate investments. The increase in fee credits is due primarily to a higher level of transaction fees and monitoring fees reimbursable to the fund investors.

The increase in monitoring fees was primarily attributable to an increase in recurring monitoring fees compared to the prior period, partially offset by lower termination payments. Recurring monitoring fees increased $18.6 million, which was primarily the result of an increase in both the size and number of portfolio companies paying monitoring fees. For the year ended December 31, 2018 , we had 71 portfolio companies that were paying an average monitoring fee of $1.1 million compared with 66 portfolio companies that were paying an average monitoring fee of $0.9 million for the year ended December 31, 2017 . For the year ended December 31, 2018 , we received termination payments of $7.5 million in connection with the IPO of BrightView Holdings, Inc. (NYSE: BV) compared to $19.6 million of termination payments received in the year ended December 31, 2017 relating to the IPO of Gardner Denver Holdings, Inc. (NYSE: GDI) and National Vision Holdings, Inc. (NASDAQ: EYE). These termination payments may occur in the future; however, they are infrequent in nature and are generally correlated with the IPO and other realization activity in our private equity portfolio, and are expected to continue to be smaller in size and number compared to prior periods.

Realized Performance Income

The following table presents realized carried interest by investment vehicle for the years ended December 31, 2018 and 2017 :

	Year Ended	
	December 31, 2018	December 31, 2017
	($ in thousands)	
North America Fund XI	$ 471,291	$ 235,927
2006 Fund	297,173	557,888
European Fund III	192,715	182,386
Asian Fund II	92,011	65,534
Millennium Fund	64,614	28,266
Asian Fund	28,991	18,511
Co-Investment Vehicles and Other	19,192	40,156
Global Infrastructure Investors	16,653	14,772
Real Estate Partners Americas	12,189	15,160
China Growth Fund	11,759	20,130
European Fund II	2,159	20,251
Total Realized Carried Interest (1)	**$ 1,208,747**	**$ 1,198,981**

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

The most significant realizations contributing to our realized carried interest for the year ended December 31, 2018 , consisted of the partial sales of National Vision Holdings, Inc., GoDaddy Inc. (NYSE: GDDY), and Gardner Denver Holdings, Inc.

Realized carried interest for the year ended December 31, 2017 , consisted primarily of realized gains from the sale of Capsugel S.A. (manufacturing sector) and the partial sales of US Foods Holding Corp. and PRA Health Sciences, Inc.

Public Markets Revenues

The following table presents Fees and Other, Net and Realized Performance Income in the Public Markets business line for the year ended December 31, 2018 and 2017 :

	Year Ended		
	December 31, 2018	December 31, 2017	Change
		($ in thousands)	
Fees and Other, Net			
Management Fees	$ 404,048	$ 329,737	$ 74,311
Transaction Fees	42,531	48,370	(5,839)
Fee Credits	(40,695)	(40,719)	24
Total Fees and Other, Net	**405,884**	**337,388**	**68,496**
Realized Performance Income (Loss)			
Carried Interest	9,900	—	9,900
Incentive Fees	137,289	73,395	63,894
Total Realized Performance Income (Loss)	**$ 147,189**	**$ 73,395**	**$ 73,794**

Fees and Other, Net

The increase for the year ended December 31, 2018 was primarily due to an increase in management fees, partially offset by a decrease in transaction fees, net of fee credits. The increase in management fees was primarily due to (i) an increase in fees earned from BDCs advised by FS/KKR Advisor resulting in part from the completion of the FS Investments Transaction in the second quarter of 2018, (ii) increased fees from our hedge fund partnerships as a result of greater FPAUM, and (iii) an increase in fees in our Special Situations Fund II as a result of increased capital invested. As a result of the closing of the FS Investments Transaction on April 9, 2018, KKR began receiving its portion of the management and incentive fees on an additional $13.2 billion of FPAUM (relating to FS Investments' BDCs), which are reflected in our operating results beginning in the second quarter of 2018. These increases were partially offset by a reduction in management fees from Prisma as a result of the PAAMCO Prisma transaction that closed in the second quarter of 2017. KKR reports its investment in PAAMCO Prisma using the equity method of accounting, and on a segment basis, KKR reflects its allocation of the net income of PAAMCO Prisma as management fees and realized incentive fees. Accordingly, the management fees and other revenues and expenses of Prisma that had been reported on a gross basis prior to the closing of the transaction on June 1, 2017 are reflected on a net basis as part of our allocation of the net income of PAAMCO Prisma after June 1, 2017 resulting in a decrease in our reported gross management fees when compared to the prior period. The decrease in transaction fees was driven primarily by an $18.5 million breakup fee received in the year ended December 31, 2017 in connection with a terminated transaction and included in transaction fees, compared to no such breakup fees in the year ended December 31, 2018. The net amount of this fee attributable to us after credits to our fund limited partners was $4.6 million.

Realized Performance Income

The increase for the year ended December 31, 2018 compared to the prior period was primarily attributable to higher incentive fees received from BDCs advised or sub-advised by KKR driven in part by the completion of the FS Investments Transaction in the second quarter of 2018, and to a lesser extent, higher incentive fees earned in our hedge fund partnerships and realized carried interest earned in our special situations strategy.

Capital Markets Revenues

The following table presents Transaction Fees in the Capital Markets business line for the years ended December 31, 2018 and 2017 :

	Year Ended		
	December 31, 2018	December 31, 2017	Change
		($ in thousands)	
Transaction Fees	**$ 631,052**	**$ 439,998**	**$ 191,054**

Transaction fees increased due primarily to an increase in both the size and number of capital markets transactions for the year ended December 31, 2018 , compared to the year ended December 31, 2017 . Overall, we completed 204 capital markets transactions for the year ended December 31, 2018 , of which 28 represented equity offerings and 176 represented debt offerings, as compared to 193 transactions for the year ended December 31, 2017 , of which 26 represented equity offerings and 167 represented debt offerings. Our capital markets fees are generated in connection with our Private Markets and Public Markets business lines as well as from third-party companies. For the year ended December 31, 2018 , approximately 18% of our transaction fees were earned from unaffiliated third parties as compared to approximately 23% for the year ended December 31, 2017 . Our transaction fees are comprised of fees earned from North America, Europe and Asia-Pacific. For the year ended December 31, 2018 , approximately 30% of our transaction fees were generated outside of North America as compared to approximately 49% for the year ended December 31, 2017 . Our Capital Markets business line is dependent on the overall capital markets environment, which is influenced by equity prices, credit spreads and volatility. Our Capital Markets business line does not generate management or monitoring fees.

Principal Activities Revenues

The following table presents Realized Investment Income in the Principal Activities business line for the years ended December 31, 2018 and 2017 :

	Year Ended		
	December 31, 2018	December 31, 2017	Change
		($ in thousands)	
Realized Investment Income (Loss)			
Net Realized Gains (Losses) (1)	$ 365,324	$ 194,020	$ 171,304
Interest Income and Dividends	286,468	285,696	772
Total Realized Investment Income (Loss)	**$ 651,792**	**$ 479,716**	**$ 172,076**

(1) Given the extraordinary nature of the Conversion, the reported segment financial results for the year ended December 31, 2018 exclude approximately $729.4 million of losses on certain investments which were realized in the second quarter in advance of the Conversion.

Realized Investment Income

The increase is primarily due to an increased level of net realized gains and an increase in interest income and dividends during the year ended December 31, 2018 , compared to the prior period.

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

For the year ended December 31, 2017 , net realized gains were comprised of gains primarily from the sale of private equity investments including the sales or partial sales of HCA Holdings, Inc., Walgreens Boots Alliance, Inc., and Visma AS (technology sector), partially offset by losses on the sale of Fortune Creek Partnership and the restructurings of Algeco Scotsman (industrial sector) and Aurora Eaglebine.

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

For the year ended December 31, 2017, interest income and dividends were comprised of (i) $163.4 million of interest income which consists primarily of interest that is received from our Public Markets investments, including CLOs and other credit investments and, to a lesser extent, our India debt financing company and our cash balances and (ii) $122.3 million of dividend income from distributions received primarily through our private equity investments and real estate investments, including our investment in KREF.

Subsequent to December 31, 2018, we completed, or expect to complete sales, partial sales or secondary sales with respect to certain private equity portfolio companies and other investments as well as other realization activities such as the receipt of dividends and interest income across our broader portfolio. The most significant of these transactions are Sedgwick Claims Management Services, Inc., United Group B.V. (telecom sector), and MMI Holdings Limited (technology sector). These realization activities, if and when completed, are expected to result in realized performance income and realized investment income of approximately $400 million. Some of these transactions are not complete, and are subject to the satisfaction of closing conditions; there can be no assurance if or when any of these transactions will be completed.

Segment Expenses

Compensation and Benefits

The increase for the year ended December 31, 2018 compared to the prior period was due primarily to higher compensation recorded in connection with higher total segment revenues and includes higher equity-based compensation charges resulting from an increase in the weighted average number of unvested shares outstanding.

Occupancy and Other Operating Expenses

The increase for the year ended December 31, 2018 compared to the prior period is primarily due to a higher level of expenses that are creditable to our investment funds, which includes broken-deal expenses, and a higher level of professional fees and other administrative costs in connection with the growth of the firm. The level of broken-deal expenses can vary significantly period to period based upon a number of factors, the most significant of which are the number of potential investments being pursued for our investment funds, the size and complexity of investments being pursued and the number of investment funds currently in their investment period.

Interest Expense

For the year ended December 31, 2018 and 2017 interest expense relates primarily to the senior notes outstanding for KKR and KFN. The increase in interest expense for the year ended December 31, 2018 compared to the prior period is due to overall higher levels of borrowings, in particular at our Capital Markets business line under a revolving credit agreement.

Income Taxes Paid

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

After-tax Distributable Earnings

The net increase in after-tax distributable earnings for the year ended December 31, 2018 compared to the prior period was due primarily to higher transaction fees, realized investment income, management fees and realized performance income, partially offset by a higher level of compensation expense and income taxes paid in the current period compared to the prior period.

Other Operating and Performance Measures

The following table presents certain key operating and performance metrics as of December 31, 2018 and December 31, 2017 :

	As of		
	December 31, 2018	December 31, 2017	Change
		($ in thousands)	
Assets Under Management	$ 194,720,400	$ 168,470,600	$ 26,249,800
Fee Paying Assets Under Management	$ 141,007,700	$ 117,437,500	$ 23,570,200
Uncalled Commitments	$ 57,959,000	$ 56,553,100	$ 1,405,900

The following table presents one of our key performance metrics for the years ended December 31, 2018 and 2017 :

	Year Ended		
	December 31, 2018	December 31, 2017	Change
		($ in thousands)	
Capital Invested and Syndicated Capital	$ 26,493,900	$ 23,045,100	$ 3,448,800

Assets Under Management

Private Markets

The following table reflects the changes in our Private Markets AUM from December 31, 2017 to December 31, 2018 :

	($ in thousands)
December 31, 2017	$ 97,527,100
New Capital Raised	14,755,500
Distributions and Other	(12,751,000)
Change in Value	3,864,900
December 31, 2018	$ 103,396,500

AUM for the Private Markets business line was $103.4 billion at December 31, 2018 , an increase of $5.9 billion, compared to $97.5 billion at December 31, 2017 .

The increase was primarily attributable to (i) new capital raised in our Global Infrastructure Investors III Fund and our European Fund V and (ii) to a lesser extent, an increase in the value of our Private Markets portfolio. These increases were partially offset by distributions to Private Markets fund investors primarily as a result of realizations, most notably in our North America Fund XI, 2006 Fund, and European Fund III.

The increase in the value of our Private Markets portfolio was driven primarily by net gains of $0.4 billion in each of our European Fund IV, European Fund III, 2006 Fund and Asian Fund III and $0.2 billion in each of our Global Infrastructure Investors II Fund, Americas Fund XII and Next Generation Technology Growth Fund.

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

The most significant increases in value of our privately held investments for the year ended December 31, 2018 related to increases in Sedgwick Claims Management Services, Inc., Internet Brands, Inc. (technology sector), and Cognita Schools Ltd (education sector). These increases in value on our privately held investments were partially offset by decreases in value relating primarily to Arbor Pharmaceuticals, Inc. (health care sector), Resource Environmental Solutions, LLC (energy sector), and Mandala Energy Ltd. (energy sector). The increased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) in the case of Sedgwick Claims Management Services, Inc. and Cognita Schools Ltd, a valuation that reflects an agreement to sell these investments, (ii) an increase in the value of market comparables, and (iii) individual company performance. The decreased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) individual company performance or, in certain cases, an unfavorable business outlook and (ii) a decrease in the value of market comparables.

The most significant decreases in share prices for the year ended December 31, 2018 of various publicly held or publicly indexed investments were losses in Gardner Denver Holdings, Inc., BrightView Holdings, Inc., and National Vision Holdings, Inc. These decreases were partially offset by increases in share prices of various publicly held investments, the most significant of which were gains in First Data Corporation, Go Daddy Inc., and PT Japfa Comfeed Indonesia Tbk. (IDX: JPFA).

For the year ended December 31, 2017 , the value of our private equity investment portfolio increased 23.3%. This was comprised of a 34.6% increase in the share prices of various publicly held or publicly indexed investments and a 16.7% increase in value of our privately held investments. Additionally, our infrastructure investment portfolio, which is comprised predominately of private investments, increased 21.7%.

The most significant increases in share prices of various publicly held or publicly indexed investments were gains in Gardner Denver Holdings, Inc., National Vision Holdings, Inc., and Qingdao Haier Co., Ltd. (CH: 600690) These increases were partially offset by decreased share prices of various publicly held investments, the most significant of which were losses in Fujian Sunner Development Co. Ltd. (SZ: 002299), Laureate Education, Inc. (NASDAQ: LAUR), and Engility Holdings, Inc. (NYSE: EGL).

Our privately held investments contributed the remainder of the change in value, the most significant of which were gains relating to Internet Brands, Inc., Weld North Holdings LLC (education sector), and Aricent Group (technology sector). The unrealized gains on our privately held investments were partially offset by unrealized losses relating primarily to Academy Ltd. (retail sector), Toys R Us, Inc. (retail sector), and Santanol Pty Ltd (forestry sector). The increased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) in the case of Weld North Holdings LLC and Aricent Group, valuations that reflect agreements to sell all or a portion of these investments, (ii) an increase in the value of market comparables and (iii) individual company performance. The decreased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) individual company performance or, in certain cases, an unfavorable business outlook and (ii) a decrease in the value of market comparables.

Certain investments included in our AUM are denominated in currencies other than the U.S. dollar. Those investments expose our AUM to the risk that the value of the investments will be affected by changes in exchange rates between the currency in which the investments are denominated and the currency in which the investments are made. We generally seek to reduce these risks by employing hedging techniques in connection with certain investments, including using foreign currency options and foreign exchange forward contracts to reduce exposure to changes in exchange rates when a meaningful amount of capital has been invested in currencies other than the currencies in which the investments are denominated. We do not, however, hedge our currency exposure in all currencies or for all investments. See "Quantitative and Qualitative Disclosures about Market Risk—Exchange Rate Risk" and "Risk Factors—Risks Related to the Assets We Manage—We make investments in companies that are based outside of the United States, which may expose us to additional risks not typically associated with investing in companies that are based in the United States."

Public Markets

The following table reflects the changes in our Public Markets AUM from December 31, 2017 to December 31, 2018 :

	($ in thousands)
December 31, 2017	$ 70,943,500
New Capital Raised	19,253,900
Impact of Other Transactions	12,039,600
Distributions	(3,532,600)
Redemptions	(5,746,400)
Change in Value	(1,634,100)
December 31, 2018	$ 91,323,900

AUM in our Public Markets business line totaled $91.3 billion at December 31, 2018 , an increase of $20.4 billion compared to AUM of $70.9 billion at December 31, 2017 . The increases due to new capital raised were related to multiple strategies, most notably $7.8 billion in certain leveraged credit strategies, $5.7 billion in our hedge fund partnerships, $2.7 billion in CLOs, and $2.4 billion in our private credit strategies. The "Impact of Other Transactions" activity represents the net impact of (i) $13.2 billion relating to AUM previously managed by FS Investments in connection with the completion of the FS Investments Transaction, (ii) a $1.9 billion increase in our pro rata portion of AUM managed by Marshall Wace in connection with the acquisition of an additional 5% interest in this hedge fund partnership, and (iii) a $3.1 billion decrease of AUM in connection with the sale of our equity interest in Nephila. Partially offsetting these increases were redemptions and distributions from certain investment vehicles across multiple strategies, primarily with our hedge fund partnerships, certain leveraged credit strategies and our private credit strategies. Change in value was driven primarily by net decreases in value of our hedge fund partnerships and our BDCs.

Fee Paying Assets Under Management

Private Markets

The following table reflects the changes in our Private Markets FPAUM from December 31, 2017 to December 31, 2018 :

	($ in thousands)
December 31, 2017	$ 61,678,600
New Capital Raised	11,079,900
Distributions and Other	(5,233,200)
Net Changes in Fee Base of Certain Funds	(1,040,300)
Change in Value	345,000
December 31, 2018	$ 66,830,000

FPAUM in our Private Markets business line was $66.8 billion at December 31, 2018 , an increase of $5.1 billion, compared to $61.7 billion at December 31, 2017 .

The increase was primarily attributable to new capital raised in our Global Infrastructure Investors III Fund and capital invested in our core investment vehicles. These increases were partially offset by (i) distributions primarily relating to realizations in our 2006 Fund, European Fund III, and North America Fund XI and (ii) net changes in the fee base of our Global Infrastructure Fund II and Energy Income and Growth Fund as a result of these funds entering their post-investment period. With respect to the Global Infrastructure Fund II, post-investment period fees are based on net asset value as compared to investment period fees, which are based on remaining commitments & net asset value. With respect to the Energy Income and Growth Fund, post-investment period fees are based on invested capital as compared to investment period fees, which are based on remaining commitments and invested capital.

Public Markets

The following table reflects the changes in our Public Markets FPAUM from December 31, 2017 to December 31, 2018 :

	($ in thousands)
December 31, 2017	$ 55,758,900
New Capital Raised	17,871,900
Impact of Other Transactions	12,039,600
Distributions	(3,820,600)
Redemptions	(5,746,400)
Change in Value	(1,925,700)
December 31, 2018	$ 74,177,700

FPAUM in our Public Markets business line was $74.2 billion at December 31, 2018 , an increase of $18.4 billion compared to FPAUM of $55.8 billion at December 31, 2017 . The increases due to new capital raised were related to multiple strategies, most notably $7.7 billion in certain leveraged credit strategies, $3.7 billion in our hedge fund partnerships, $3.1 billion in our private credit strategies and $2.7 billion in our CLOs. The "Impact of Other Transactions" activity represents (i) a $13.2 billion increase relating to FPAUM previously managed by FS Investments in connection with the completion of the FS

Investments Transaction, (ii) a $1.9 billion increase in our pro rata portion of FPAUM managed by Marshall Wace in connection with the acquisition of an additional 5% interest in this hedge fund partnership and (iii) a $3.1 billion decrease of FPAUM in connection with the sale of our equity interest in Nephila. Partially offsetting these increases were (i) redemptions and distributions from certain investment vehicles across multiple strategies, primarily with our hedge fund partnerships, our private credit strategies, and certain leveraged credit strategies and (ii) decreases in value relating primarily to our hedge fund partnerships and our BDCs.

Uncalled Commitments

Private Markets

As of December 31, 2018 , our Private Markets business line had $48.2 billion of remaining uncalled capital commitments that could be called for investments in new transactions as compared to $47.4 billion as of December 31, 2017. The increase is due primarily to new capital raised in our Global Infrastructure Investors III Fund and European Fund V, partially offset by capital called from fund investors to make investments during the period.

Public Markets

As of December 31, 2018 , our Public Markets business line had $9.8 billion of uncalled capital commitments that could be called for investments in new transactions as compared to $9.1 billion as of December 31, 2017. The increase is due to new capital raised primarily in our direct lending strategies, partially offset by capital called from fund investors to make investments during the period.

Capital Invested and Syndicated Capital

Private Markets Capital Invested

For the year ended December 31, 2018 , Private Markets had $13.2 billion of capital invested as compared to $13.3 billion for the year ended December 31, 2017 . The decrease was driven primarily by a $0.4 billion decrease in capital invested in our private equity platform (including core investments and growth equity), partially offset by a $0.3 billion increase in capital invested in our real assets platforms. Generally, the portfolio companies acquired through our private equity funds have higher transaction values and result in higher capital invested relative to transactions in our real assets funds. The number of large private equity investments made in any quarterly or year-to-date period is volatile and, consequently, a significant amount of capital invested in one period or a few periods may not be indicative of a similar level of capital deployment in future periods. During the year ended December 31, 2018 , 64% of capital deployed in private equity, which includes core and growth equity investments, was in transactions in North America, 24% was in the Asia-Pacific region and 12% was in Europe. As of February 1, 2019, our Private Markets business line had announced transactions that were subject to closing conditions which aggregated approximately $3.9 billion. These transactions are generally subject to the satisfaction of closing conditions prior to their completion, and there can be no assurance if or when any of these transactions will be completed.

Public Markets Capital Invested

For the year ended December 31, 2018 , Public Markets had $6.9 billion of capital invested as compared to $5.0 billion for the year ended December 31, 2017 . The increase was primarily due to a higher level of net capital deployed in our direct lending and private opportunistic credit strategies.

Capital Markets Syndicated Capital

For the year ended December 31, 2018 , Capital Markets syndicated $6.3 billion of capital as compared to $4.7 billion for the year ended December 31, 2017 . The increase was primarily due to an increase in the size and number of syndication transactions in the year ended December 31, 2018 as compared to the year ended December 31, 2017 . Overall, we completed 16 syndication transactions for the year ended December 31, 2018 as compared to 15 syndications for the year ended December 31, 2017 . The size and frequency of syndication transactions depend in large part on market conditions and other factors that are unpredictable and outside our control, which may negatively impact the fees generated by our capital markets business from syndication transactions.

Reconciliations to GAAP Measures

For the reconciliations of the most directly comparable financial measures calculated and presented in accordance with GAAP to total segment revenues, total segment expenses, and after-tax distributable earnings, see Item 8. Financial Statements and Supplementary Data—Note 14 "Segment Reporting."

Year ended December 31, 2017 compared to year ended December 31, 2016

	Year Ended		
	December 31, 2017	**December 31, 2016**	**Change**
		($ in thousands)	
Segment Revenues			
Fees and Other, Net			
Management Fees	$ 905,188	$ 797,862	$ 107,326
Transaction Fees	777,247	344,274	432,973
Monitoring Fees	81,021	64,354	16,667
Fee Credits	(261,429)	(131,628)	(129,801)
Total Fees and Other, Net	**1,502,027**	**1,074,862**	**427,165**
Realized Performance Income (Loss)			
Carried Interest	1,198,981	1,256,208	(57,227)
Incentive Fees	73,395	33,346	40,049
Total Realized Performance Income (Loss)	**1,272,376**	**1,289,554**	**(17,178)**
Realized Investment Income (Loss)			
Net Realized Gains (Losses)	194,020	371,563	(177,543)
Interest Income and Dividends	285,696	322,857	(37,161)
Total Realized Investment Income (Loss)	**479,716**	**694,420**	**(214,704)**
Total Segment Revenues	**3,254,119**	**3,058,836**	**195,283**
Segment Expenses			
Compensation and Benefits (1)	1,282,745	1,119,564	163,181
Occupancy and Related Charges	56,410	62,400	(5,990)
Other Operating Expenses	243,772	234,348	9,424
Total Segment Expenses	**1,582,927**	**1,416,312**	**166,615**
Segment Operating Earnings	**1,671,192**	**1,642,524**	**28,668**
Interest Expense	181,612	188,761	(7,149)
Preferred Dividends	33,364	22,235	11,129
Income (Loss) Attributable to Noncontrolling Interests	6,551	2,336	4,215
Income Taxes Paid	94,065	87,723	6,342
After-tax Distributable Earnings	**$ 1,355,600**	**$ 1,341,469**	**$ 14,131**

(1) Includes equity-based compensation of $204,308 and $186,227 for the years ended December 31, 2017 and December 31, 2016 , respectively.

Segment Revenues

The following sections discuss revenues for each of our business lines on a disaggregated basis for the years ended December 31, 2017 and 2016 .

Private Markets Revenues

The following table presents Fees and Other, Net and Realized Performance Income in the Private Markets business line for the years ended December 31, 2017 and 2016 :

	Year Ended		
	December 31, 2017	December 31, 2016	Change
		($ in thousands)	
Fees and Other, Net			
Management Fees	$ 575,451	$ 466,422	$ 109,029
Transaction Fees	288,879	132,602	156,277
Monitoring Fees	81,021	64,354	16,667
Fee Credits	(220,710)	(103,579)	(117,131)
Total Fees and Other, Net	**724,641**	**559,799**	**164,842**
Realized Performance Income (Loss)			
Carried Interest	1,198,981	1,252,370	(53,389)
Incentive Fees	—	—	—
Total Realized Performance Income (Loss)	**$ 1,198,981**	**$ 1,252,370**	**$ (53,389)**

Fees and Other, Net

The net increase was primarily due to an increase in transaction fees, partially offset by a corresponding increase in fee credits, and an increase in management fees.

The increase in transaction fees was primarily attributable to an increase in both the number and size of transaction fee-generating investments. During the year ended December 31, 2017, there were 46 transaction fee-generating investments that paid an average fee of $6.3 million compared to 35 transaction fee-generating investments paying an average fee of $3.8 million during the year ended December 31, 2016. Approximately 44% of these transaction fees were paid by companies located in North America, 32% were paid from companies located in the Asia-Pacific region and 24% were paid from companies in Europe. Transaction fees vary by investment based upon a number of factors, the most significant of which are transaction size, the particular discussions as to the amount of the fees, the complexity of the transaction and KKR's role in the transaction. The increase in fee credits is due primarily to a higher level of transaction fees.

The increase in management fees was primarily due to (i) Americas Fund XII entering its investment period in the first quarter of 2017, in which it earns management fees on a larger pool of capital than its predecessor fund North America Fund XI, which entered its post-investment period, (ii) Asian Fund III entering its investment period in the second quarter of 2017, in which it earns management fees on a larger pool of capital than its predecessor fund Asian Fund II, which entered its post-investment period and (iii) new capital raised in our Health Care Strategic Growth Fund. This net increase was partially offset by decreases due to (i) North America Fund XI and Asian Fund II entering their post-investment periods during 2017, in which they earn fees at a lower rate and based on invested capital rather than committed capital, and (ii) lower invested capital as a result of realizations primarily in our 2006 Fund, China Growth Fund and Asian Fund.

Recurring monitoring fees increased $12.4 million, which was primarily the result of an increase in the number of portfolio companies paying monitoring fees. For the year ended December 31, 2017, we had 66 portfolio companies that were paying an average monitoring fee of $0.9 million compared with 53 portfolio companies that were paying an average monitoring fee of $0.9 million for the year ended December 31, 2016. For the year ended December 31, 2017, we also received termination payments of $19.6 million in connection with the initial public offerings of Gardner Denver Holdings, Inc. and National Vision Holdings, Inc. compared to $15.3 million of termination payments received in the year ended December 31, 2016 in connection with the initial public offering of US Foods Holding Corp. These termination payments may occur in the future; however, they are infrequent in nature and are generally correlated with the initial public offering and other realization activity in our private equity portfolio, and are expected to continue to be smaller in size and number compared to prior periods.

Realized Performance Income

The following table presents realized carried interest by investment vehicle for the years ended December 31, 2017 and 2016 :

	Year Ended	
	December 31, 2017	December 31, 2016
	($ in thousands)	
2006 Fund	$ 557,888	$ 493,195
North America Fund XI	235,927	124,797
European Fund III	182,386	175,717
Asian Fund II	65,534	—
Co-Investment Vehicles and Other	40,156	10,381
Millennium Fund	28,266	60,257
European Fund II	20,251	172,645
China Growth Fund	20,130	2,858
Asian Fund	18,511	182,805
Real Estate Partners Americas	15,160	10,020
Global Infrastructure Investors	14,772	16,845
European Fund	—	2,850
Total Realized Carried Interest (1)	**$ 1,198,981**	**$ 1,252,370**

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

Realized carried interest for the year ended December 31, 2017, consisted primarily of realized gains from the sale of Capsugel S.A. and the partial sales of US Foods Holding Corp. and PRA Health Sciences, Inc.

Realized carried interest for the year ended December 31, 2016 consisted primarily of realized gains from the sale or partial sale of Walgreens Boots Alliance, Inc., Alliance Tire Group B.V. (manufacturing sector), and HCA Holdings, Inc.

Public Markets Revenues

The following table presents Fees and Other, Net and Realized Performance Income in the Public Markets business line for the years ended December 31, 2017 and 2016 :

	Year Ended		
	December 31, 2017	December 31, 2016	Change
		($ in thousands)	
Fees and Other, Net			
Management Fees	$ 329,737	$ 331,440	$ (1,703)
Transaction Fees	48,370	30,155	18,215
Fee Credits	(40,719)	(28,049)	(12,670)
Total Fees and Other, Net	**337,388**	**333,546**	**3,842**
Realized Performance Income (Loss)			
Carried Interest	—	3,838	(3,838)
Incentive Fees	73,395	33,346	40,049
Total Realized Performance Income (Loss)	**$ 73,395**	**$ 37,184**	**$ 36,211**

Fees and Other, Net

The net increase for the year ended December 31, 2017 was primarily due to an increase in transaction fees, partially offset by a corresponding increase in fee credits and a decrease in management fees. The increase in transaction fees was driven primarily by an $18.5 million breakup fee received in the year ended December 31, 2017 in connection with a terminated transaction, compared to having received no such breakup fees in the year ended December 31, 2016. The net amount of this fee attributable to us after credits to our fund investors was $4.6 million. The decrease in management fees related primarily to a reduction in management fees from Prisma as a result of the PAAMCO Prisma transaction that closed in the second quarter of 2017. KKR reports its investment in PAAMCO Prisma using the equity method of accounting, and on a segment basis, KKR reflects its allocation of the net income of PAAMCO Prisma as management fees and realized incentive fees. Accordingly, the management fees and other revenues and expenses of Prisma that had been reported on a gross basis prior to the closing of the transaction on June 1, 2017 are reflected on a net basis as part of our allocation of the net income of PAAMCO Prisma after June 1, 2017 resulting in a decrease in our reported gross management fees when compared to the prior period. This decrease was partially offset by capital invested in our Special Situations Fund II, Lending Partners II Fund, and Lending Partners Europe Fund as well as an increase in management fees in certain separately managed accounts and with our hedge fund partnerships.

Realized Performance Income

The net increase for the year ended December 31, 2017 compared to the prior period was primarily attributable to higher incentive fees earned in our hedge fund partnerships, which were partially offset by lower incentive fees received from BDCs advised or sub-advised by KKR and a lower level of realized carried interest.

Capital Markets Revenues

The following table presents Transaction Fees in the Capital Markets business line for the years ended December 31, 2017 and 2016 :

	Year Ended					
	December 31, 2017		December 31, 2016		Change	
			($ in thousands)			
Transaction Fees	**$**	**439,998**	**$**	**181,517**	**$**	**258,481**

Transaction fees increased due primarily to an increase in both the size and number of capital markets transactions for the year ended December 31, 2017, compared to the year ended December 31, 2016. Overall, we completed 193 capital markets transactions for the year ended December 31, 2017, of which 26 represented equity offerings and 167 represented debt offerings, as compared to 117 transactions for the year ended December 31, 2016, of which 11 represented equity offerings and 106 represented debt offerings. We earned fees in connection with underwriting, syndication and other capital markets services. While each of the capital markets transactions that we undertake in this segment is separately negotiated, our fee rates are generally higher with respect to underwriting or syndicating equity offerings than with respect to debt offerings, and the amount of fees that we collect for like transactions generally correlates with overall transaction sizes. Our capital markets fees are generated in connection with our Private Markets and Public Markets businesses as well as from third-party companies. For the year ended December 31, 2017, approximately 23% of our transaction fees were earned from unaffiliated third parties as compared to approximately 28% for the year ended December 31, 2016. Our transaction fees are comprised of fees earned from North America, Europe, and Asia-Pacific, including India. For the year ended December 31, 2017, approximately 49% of our transaction fees were generated outside of North America as compared to approximately 34% for the year ended December 31, 2016. Our capital markets business line is dependent on the overall capital markets environment, which is influenced by equity prices, credit spreads and volatility. Our capital markets business line does not generate management or monitoring fees.

Principal Activities Revenues

The following table presents Realized Investment Income in the Principal Activities business line for the years ended December 31, 2017 and 2016 :

	Year Ended					
	December 31, 2017		December 31, 2016		Change	
			($ in thousands)			
Realized Investment Income (Loss)						
Net Realized Gains (Losses)	$	194,020	$	371,563	$	(177,543)
Interest Income and Dividends		285,696		322,857		(37,161)
Total Realized Investment Income (Loss)	**$**	**479,716**	**$**	**694,420**	**$**	**(214,704)**

Realized Investment Income

The decrease is primarily due to a lower level of net realized gains and, to a lesser extent, a decrease in interest income and dividends during the year ended December 31, 2017 , compared to the prior period.

For the year ended December 31, 2017, net realized gains were comprised primarily of gains from the sale of Private Markets investments including the sales or partial sales of HCA Holdings, Inc., Walgreens Boots Alliance, Inc. and Visma AS, partially offset by losses on the sale of Fortune Creek Partnership and the restructurings of Algeco Scotsman and Aurora Eaglebine.

For the year ended December 31, 2016, net realized gains were primarily comprised of gains from the sale of private equity investments including the sales or partial sales of Walgreens Boots Alliance, Inc., HCA Holdings, Inc., and Zimmer Biomet Holdings, Inc., offset by our investment in Samson Resources of approximately $254 million, the loss from the redemption of limited partner interests in a fund managed by BlackGold Capital Management, as well as certain CLOs being called. As of December 31, 2016, KKR no longer holds any limited partner interests in BlackGold Capital Management, although we continue to own an interest in its management company and fund general partner.

For the year ended December 31, 2017, interest income and dividends were comprised of (i) $163.4 million of interest income which consists primarily of interest that is received from our Public Markets investments including CLOs and other credit investments and to a lesser extent our Capital Markets business and our cash balances and (ii) $122.3 million of dividend income from distributions received primarily through our private equity investments and real estate investments including our investment in KREF.

For the year ended December 31, 2016, interest income and dividends were comprised of (i) $186.7 million of interest income which consists primarily of interest that is received from our Public Markets investments including CLOs and other credit investments and to a lesser extent our cash balances and other assets and (ii) $136.2 million of dividend income from distributions received primarily through our private equity investments, real estate investments including our investment in KREF and Public Markets investments.

The decrease in interest income and dividends is due primarily to the impact of a lower amount of capital invested in CLOs as well as a lower level of dividends for the year ended December 31, 2017 compared to the prior period.

Segment Expenses

Compensation and Benefits

The increase for the year ended December 31, 2017 compared to the prior period was primarily due to higher compensation and benefits expenses recorded in connection with higher total segment revenues, as well as higher equity-based compensation charges resulting from an increase in the weighted average number of unvested shares outstanding.

Occupancy and Other Operating Expenses

The net increase for the year ended December 31, 2017 compared to the prior period was primarily due to higher professional fees and other administrative costs in connection with the growth of the firm, partially offset by a decrease in expenses that are creditable to our investment funds, which includes broken-deal expenses.

Interest Expense

For the year ended December 31, 2017 and 2016 , interest expense relates primarily to the senior notes outstanding for KKR and KFN. The decrease in interest expense for the year ended December 31, 2017 compared to the prior period is due to the redemption of KFN's 8.375% senior notes due 2041 and other debt after the third quarter of 2016, a portion of which was replaced with the issuance of KFN's 5.200% senior notes due 2033, which bears a lower rate of interest.

After-tax Distributable Earnings

The net increase in after-tax distributable earnings for the year ended December 31, 2017 compared to the prior period was due primarily to higher transaction fees and management fees. These increases were partially offset primarily by a lower level of realized investment income and a higher level of compensation and benefits expense in the current period compared to the prior period.

Other Operating and Performance Measures

The following table presents certain key operating and performance metrics as of December 31, 2017 and December 31, 2016 :

	As of		
	December 31, 2017	December 31, 2016	Change
	($ in thousands)		
Assets Under Management	$ 168,470,600	$ 129,555,700	$ 38,914,900
Fee Paying Assets Under Management	$ 117,437,500	$ 101,473,400	$ 15,964,100
Uncalled Commitments	$ 56,553,100	$ 37,791,300	$ 18,761,800

The following table presents one of our key performance metrics for the year ended December 31, 2017 and 2016:

	Year Ended		
	December 31, 2017	December 31, 2016	Change
		($ in thousands)	
Capital Invested and Syndicated Capital	$ 23,045,100	$ 12,199,700	$ 10,845,400

Assets Under Management

Private Markets

The following table reflects the changes in our Private Markets AUM from December 31, 2016 to December 31, 2017 :

	($ in thousands)
December 31, 2016	$ 73,815,500
New Capital Raised	25,455,400
Distributions and Other	(12,503,200)
Change in Value	10,759,400
December 31, 2017	$ 97,527,100

AUM for the Private Markets segment was $97.5 billion at December 31, 2017, an increase of $23.7 billion, compared to $73.8 billion at December 31, 2016.

The increase was primarily attributable to (i) new capital raised primarily in our Asian Fund III, our core investment vehicles, two new strategic investor partnerships, our Real Estate Partners Americas II fund and our Real Estate Credit Opportunity Partners fund and (ii) to a lesser extent, an increase in the value of our Private Markets portfolio.

These increases were partially offset by (i) distributions to Private Markets fund investors primarily as a result of realizations most notably in our 2006 Fund, European Fund III and North America Fund XI, and (ii) a decrease of $0.8 billion reflecting expired commitments that are no longer eligible to be called for investments. Our flagship private equity funds, such as our Asian Fund III which represents $9.0 billion of AUM at December 31, 2017, are raised only episodically toward the end of the investment period of their predecessor funds or when their predecessor funds' capital becomes largely invested or allocated for investment.

The increase in the value of our Private Markets portfolio was driven primarily by net gains of $4.3 billion in our North America Fund XI, $1.0 billion in each of our European Fund IV and European Fund III, $0.9 billion in our 2006 Fund and $0.8 billion in our Asian Fund II.

For the year ended December 31, 2017, the value of our private equity investment portfolio increased 23.3%. This was comprised of a 34.6% increase in the share prices of various publicly held or publicly indexed investments and a 16.7% increase in value of our privately held investments. Additionally, our infrastructure investment portfolio, which is comprised predominately of private investments, increased 21.7%.

The most significant increases in share prices of various publicly held or publicly indexed investments were gains in Gardner Denver Holdings, Inc., National Vision Holdings, Inc., and Qingdao Haier Co., Ltd. These increases were partially offset by decreased share prices of various publicly held investments, the most significant of which were losses in Fujian Sunner Development Co. Ltd., Laureate Education, Inc., and Engility Holdings, Inc.

Our privately held investments contributed the remainder of the change in value, the most significant of which were gains relating to Internet Brands, Inc., Weld North Holdings LLC, and Aricent Group. The unrealized gains on our privately held investments were partially offset by unrealized losses relating primarily to Academy Ltd., Toys R Us, Inc., and Santanol Pty Ltd (forestry sector). The increased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) in the case of Weld North and Aricent Group, valuations that reflect agreements to sell all or a portion of these investments, (ii) an increase in the value of market comparables, and (iii) individual company performance. The decreased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) individual company performance or, in certain cases, an unfavorable business outlook and (ii) a decrease in the value of market comparables.

For the year ended December 31, 2016, the value of our private equity investment portfolio increased 11.9%. This was comprised of a 3.9% increase in the share prices of various publicly held or publicly indexed investments and an 18.4% increase in value of our privately held investments. The most significant increases in share prices of various publicly held or publicly indexed investments were gains in US Foods Holding Corp., PRA Health Sciences Inc. and HCA Holdings, Inc. These increases were partially offset by decreased share prices of various publicly held investments, the most significant of which were losses in First Data Corporation, Walgreens Boots Alliance, Inc. and Qingdao Haier Co., Ltd. Our privately held investments contributed the remainder of the change in value, the most significant of which were gains relating to Panasonic Healthcare Co. Ltd (health care sector), Capsugel S.A. and Sedgwick Claims Management Services, Inc. The unrealized gains on our privately held investments were partially offset by unrealized losses relating primarily to Aricent Group, OEG Management Partners Limited (energy sector), and Academy Ltd. The increased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) in the case of Panasonic Healthcare Co. Ltd, Capsugel S.A., and Sedgwick Claims Management Services Inc., valuations that reflect agreements to sell all or a portion of these investments, (ii) an increase in the value of market comparables and (iii) individual company performance. The decreased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) individual company performance or, in certain cases, an unfavorable business outlook and (ii) a decrease in the value of market comparables.

Certain investments included in our AUM are denominated in currencies other than the U.S. dollar. Those investments expose our AUM to the risk that the value of the investments will be affected by changes in exchange rates between the currency in which the investments are denominated and the currency in which the investments are made. Our policy is generally to reduce these risks in certain cases by employing hedging techniques, including using foreign currency options and foreign exchange forward contracts to reduce exposure to changes in exchange rates when a meaningful amount of capital has been invested in currencies other than the currencies in which the investments are denominated. We do not, however, hedge our currency exposure in all currencies or for all investments. See "—Quantitative and Qualitative Disclosures about Market Risk—Exchange Rate Risk" and "Risk Factors—Risks Related to the Assets We Manage—We make investments in companies that are based outside of the United States, which may expose us to additional risks not typically associated with investing in companies that are based in the United States."

Public Markets

The following table reflects the changes in our Public Markets AUM from December 31, 2016 to December 31, 2017 :

	($ in thousands)
December 31, 2016	$ 55,740,200
New Capital Raised	13,221,600
Acquisitions	1,794,800
Impact of Other Transactions	3,811,400
Distributions	(3,831,800)
Redemptions	(3,653,100)
Change in Value	3,860,400
December 31, 2017	$ 70,943,500

AUM in our Public Markets segment totaled $70.9 billion at December 31, 2017, an increase of $15.2 billion compared to AUM of $55.7 billion at December 31, 2016. The increase for the period was primarily due to new capital raised across multiple strategies most notably $3.5 billion in certain leveraged credit strategies, $2.9 billion with our hedge fund partnerships, $2.4 billion in our CLOs, $1.5 billion in our private opportunistic credit strategy, $1.4 billion in two new strategic investor partnerships and $0.8 billion in our Lending Partners III Fund. The "Impact of Other Transactions" represents the closing of the PAAMCO Prisma transaction. This resulted in a net increase of approximately $3.8 billion reflecting the excess of our pro rata portion of the AUM of PAAMCO Prisma over the historical AUM of Prisma. For the year ended December 31, 2017, new capital raised offset redemptions with our hedge fund partnerships. The "Acquisitions" activity represents the increase in our pro rata portion of the AUM of Marshall Wace in connection with the acquisition of an additional 5% interest in this hedge fund partnership. The increases due to change in value were driven primarily by our hedge fund partnerships, our domestic private credit strategies and our European CLOs and certain European leveraged credit strategies. Partially offsetting these increases were redemptions and distributions from certain investment vehicles across multiple strategies, primarily with our hedge fund partnerships, our private credit strategies and our CLOs.

Fee Paying Assets Under Management

Private Markets

The following table reflects the changes in our Private Markets FPAUM from December 31, 2016 to December 31, 2017 :

	($ in thousands)
December 31, 2016	$ 52,204,800
New Capital Raised	16,868,600
Distributions and Other	(6,140,400)
Net Changes in Fee Base of Certain Funds	(2,418,800)
Change in Value	1,164,400
December 31, 2017	$ 61,678,600

FPAUM in our Private Markets segment was $61.7 billion at December 31, 2017, an increase of $9.5 billion, compared to $52.2 billion at December 31, 2016.

The increase was primarily attributable to new capital raised in our Asian Fund III and our Real Estate Partners Americas II fund and capital invested in our Asian Fund II and North America Fund XI. These increases were partially offset by (i) distributions and other activity primarily relating to realizations in our 2006 Fund and European Fund III and (ii) net changes in the fee base of our Asian Fund II as a result of it entering into its post-investment period, during which it earns fees at a lower rate based on invested capital rather than committed capital.

Public Markets

The following table reflects the changes in our Public Markets FPAUM from December 31, 2016 to December 31, 2017 :

	($ in thousands)
December 31, 2016	$ 49,268,600
New Capital Raised	12,048,200
Acquisitions	1,794,800
Impact of Other Transactions	(1,600,000)
Distributions	(5,012,000)
Redemptions	(3,653,100)
Change in Value	2,912,400
December 31, 2017	$ 55,758,900

FPAUM in our Public Markets segment was $55.8 billion at December 31, 2017, an increase of $6.5 billion compared to FPAUM of $49.3 billion at December 31, 2016. The increase was primarily due to new capital raised across multiple strategies, most notably $2.9 billion with our hedge fund partnerships, $2.7 billion in certain leveraged credit strategies, $2.4 billion in our CLOs, $1.1 billion in our Special Situations Fund II and $1.2 billion in our direct lending strategies. New capital raised includes capital that was raised in previous periods but began earning fees upon deployment of capital. For the year ended December 31, 2017, new capital raised offset redemptions with our hedge fund partnerships. Change in value was driven primarily by $1.1 billion through our hedge fund partnerships, $0.7 billion in certain leveraged credit strategies and $0.6 billion in our European CLOs. Partially offsetting these increases were redemptions and distributions from certain investment vehicles across multiple strategies driven by $2.9 billion from our hedge fund partnerships, $3.2 billion from our private credit strategies and $1.3 billion from our CLOs. The "Impact of Other Transactions" represents the closing of the PAAMCO Prisma transaction. This resulted in a net decrease of approximately $1.6 billion reflecting the excess of our historical FPAUM of Prisma, over our pro rata portion of the FPAUM of PAAMCO Prisma. FPAUM excludes assets under advisement of PAAMCO Prisma. The "Acquisitions" activity represents the increase in our pro rata portion of the AUM of Marshall Wace in connection with the acquisition of an additional 5% interest in this hedge fund partnership.

Uncalled Commitments

Private Markets

As of December 31, 2017, our Private Markets segment had $47.4 billion of remaining uncalled capital commitments that could be called for investments in new transactions. The increase from December 31, 2016 is due primarily to new capital raised in our Asian Fund III, our core investment vehicles, two new strategic investor partnerships and Real Estate Partners Americas II, partially offset by capital called from fund investors to fund investments during the period.

Public Markets

As of December 31, 2017, our Public Markets segment had $9.1 billion of uncalled capital commitments that could be called for investments in new transactions. The increase from December 31, 2016 is due to new capital raised primarily in our private opportunistic credit strategy, two new strategic investor partnerships and Lending Partners III Fund, partially offset by capital called from fund investors to fund investments during the period.

Capital Invested and Syndicated Capital

Private Markets Capital Invested

The increase was driven primarily by a $4.5 billion increase in capital invested in our private equity platform, which includes an increase in core equity investments of $1.0 billion consisting of an investment in USI, Inc. and a $2.5 billion increase in capital invested in our real assets and other platforms. Generally, the portfolio companies acquired through our private equity funds have higher transaction values and result in higher capital invested relative to transactions in our real assets funds. The number of large private equity investments made in any quarter is volatile and consequently, a significant amount of capital invested in one quarter or a few quarters may not be indicative of a similar level of capital deployment in future quarters. During the year ended December 31, 2017, 41% of capital deployed in private equity, which does not include core investments, was in transactions in North America, 37% was in the Asia-Pacific region and 22% was in Europe.

Public Markets Capital Invested

Capital invested increased for the year ended December 31, 2017, compared to the year ended December 31, 2016. The increase is primarily due to a higher level of net capital deployed in our direct lending and special situations strategies.

Capital Markets Syndicated Capital

The increase is primarily due to an increase in the size and number of syndication transactions in the year ended December 31, 2017 as compared to the year ended December 31, 2016. Overall, we completed 15 syndication transactions for the year ended December 31, 2017 as compared to eight syndications for the year ended December 31, 2016.

Reconciliations to GAAP Measures

For the reconciliations of the most directly comparable financial measures calculated and presented in accordance with GAAP to total segment revenues, total segment expenses, and after-tax distributable earnings, see Item 8. Financial Statements and Supplementary Data—Note 14 "Segment Reporting."

Segment Balance Sheet

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

Investments

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

Cash and Short-Term Investments

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

The following tables present information with respect to our segment balance sheet as of December 31, 2018 and December 31, 2017 :

	As of December 31, 2018	As of December 31, 2017
	($ in thousands, except per share amounts)	
Cash and Short-term Investments	$ 2,502,239	$ 3,214,794
Investments	9,847,464	8,488,606
Unrealized Carried Interest [(1)]	1,223,084	1,620,401
Corporate Real Estate	161,225	161,225
Tax Assets	561,114	—
Other Assets	3,292,510	2,276,286
Total Assets	$ 17,587,636	$ 15,761,312
Debt Obligations - KKR (ex-KFN)	$ 2,367,801	$ 2,000,000
Debt Obligations - KFN	948,517	764,767
Preferred Shares - KFN	—	373,750
Tax Liabilities	174,395	—
Other Liabilities	590,981	426,699
Total Liabilities	4,081,694	3,565,216
Noncontrolling Interests	25,382	22,187
Preferred Stock	500,000	500,000
Book Value	$ 12,980,560	$ 11,673,909
Book Value Per Outstanding Adjusted Share	$ 15.57	$ 14.20
[(1)] **Unrealized Carried Interest**		
Private Markets Business Line	$ 1,083,163	$ 1,480,142
Public Markets Business Line	139,921	140,259
Total	$ 1,223,084	$ 1,620,401

Book Value Per Outstanding Adjusted Share

Book value per outstanding adjusted share increased 9.6% from December 31, 2017. This increase was due primarily to a broad-based increase in the value of KKR's investment portfolio, including investments held directly by KKR as well as investments held through investment funds, such as KKR's private equity funds, where KKR is entitled to earn carried interest. For the year ended December 31, 2018, the value of KKR's balance sheet portfolio, on a segment basis, increased 7.1% and KKR's private equity portfolio increased 5.1%. The increase in KKR's balance sheet portfolio was primarily due to mark-to-market gains in our portfolio companies. For a further discussion, see "—Consolidated Results of Operations—Unrealized Gains from Investment Activities" and "—Consolidated Results of Operations—Unrealized Losses from Investment Activities." For a discussion of the changes in KKR's private equity portfolio, see "—Segment Analysis—Other Operating and Performance Measures—AUM." The increase in book value per outstanding adjusted share was also due to approximately $1.6 billion of after-tax distributable earnings which were partially offset by dividends to Class A common stockholders during the year ended December 31, 2018 . Effective as of September 30, 2018, KKR's segment balance sheet reflects KKR's tax assets and liabilities as prepared under GAAP, which increased book value by approximately $160 million as of such date. For a discussion of factors that impacted KKR's after-tax distributable earnings, see "—Segment Analysis—Segment Results."

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The following table presents the holdings of our segment balance sheet by asset class as of December 31, 2018 . To the extent investments on our segment balance sheet are realized at values below their cost in future periods, after-tax distributable earnings would be adversely affected by the amount of such loss, if any, during the period in which the realization event occurs.

	As of December 31, 2018		
Investments	**Cost**	**Fair Value**	**Fair Value as a Percentage of Total Investments**
Private Equity Co-Investments, Core Investments and Other Equity	$ 3,441,549	$ 4,013,910	40.8%
Private Equity Funds	1,328,293	1,693,992	17.2%
Private Equity Total	**4,769,842**	**5,707,902**	**58.0%**
Energy	664,847	667,798	6.8%
Real Estate	783,847	794,835	8.1%
Infrastructure	418,747	500,088	5.1%
Real Assets Total	**1,867,441**	**1,962,721**	**20.0%**
Special Situations	672,334	565,571	5.7%
Direct Lending	113,718	97,541	1.0%
Mezzanine	29,794	32,476	0.3%
Alternative Credit Total	**815,846**	**695,588**	**7.0%**
CLOs	703,216	626,661	6.4%
Other Credit	384,752	262,645	2.6%
Credit Total	**1,903,814**	**1,584,894**	**16.0%**
Other	591,709	591,947	6.0%
Total Investments	**$ 9,132,806**	**$ 9,847,464**	**100.0%**

	December 31, 2018		
Significant Investments: [(1)]	**Cost**	**Fair Value**	**Fair Value as a Percentage of Total Investments**
First Data Corporation (NYSE: FDC)	$ 794,978	$ 998,113	10.1%
USI, Inc.	500,111	650,144	6.6%
Heartland Dental LLC	302,255	332,480	3.4%
KKR Real Estate Finance Trust Inc. (NYSE: KREF)	325,000	311,188	3.2%
PetVet Care Centers, LLC	243,188	291,826	3.0%
Total Significant Investments	**2,165,532**	**2,583,751**	**26.3%**
Other Investments	6,967,274	7,263,713	73.7%
Total Investments	**$ 9,132,806**	**$ 9,847,464**	**100.0%**

(1) The significant investments include the top five investments (other than investments expected to be syndicated or transferred in connection with new fundraising) based on their fair values as of December 31, 2018 . The fair value figures include the co-investment and the limited partner and/or general partner interests held directly by KKR in the underlying investment, if applicable.

The following tables provide reconciliations of KKR's GAAP Consolidated Statements of Financial Condition to our Segment Balance Sheet as of December 31, 2018 and December 31, 2017 .

As of December 31, 2018
(Amounts in thousands)

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

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

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (GAAP BASIS)	As of December 31, 2017 (Amounts in thousands)	1	2	3	4	5		SEGMENT BALANCE SHEET
Assets								
Cash and Cash Equivalents	$ 1,876,687	—	—	1,338,107	—	—	$ 3,214,794	Cash and Short-term Investments
Investments	39,013,934	(27,684,368)	(1,220,559)	(1,620,401)	—	—	8,488,606	Investments
		—	—	1,620,401	—	—	1,620,401	Unrealized Carried Interest
Other Assets	4,944,098	(974,710)	—	(1,499,332)	—	(193,770)	2,276,286	Other Assets
		—	—	161,225	—	—	161,225	Corporate Real Estate
Total Assets	**$ 45,834,719**	**(28,659,078)**	**(1,220,559)**	**—**	**—**	**(193,770)**	**$ 15,761,312**	
Liabilities and Equity								
Debt Obligations	21,193,859	(18,429,092)	—	(764,767)	—	—	2,000,000	Debt Obligations - KKR (ex-KFN)
		—	—	764,767	—	—	764,767	Debt Obligations - KFN
		—	—	373,750	—	—	373,750	Preferred Shares - KFN
Other Liabilities	3,978,060	(2,207,518)	(1,220,559)	—	—	(123,284)	426,699	Other Liabilities
Total Liabilities	**25,171,919**	**(20,636,610)**	**(1,220,559)**	**373,750**	**—**	**(123,284)**	**3,565,216**	
Redeemable Noncontrolling Interests	610,540	(610,540)	—	—	—	—		
Stockholders' Equity								
Preferred Stock	482,554	—	—	(482,554)	—	—		
KKR & Co. Inc. Stockholders' Equity - Common Stockholders	6,703,382	214,188	—	(17,446)	4,844,271	(70,486)	11,673,909	Book Value
Noncontrolling Interests	12,866,324	(7,626,116)	—	(373,750)	(4,844,271)	—	22,187	Noncontrolling Interests
		—	—	500,000	—	—	500,000	Preferred Stock
Total Liabilities and Equity	**$ 45,834,719**	**(28,659,078)**	**(1,220,559)**	**—**	**—**	**(193,770)**	**$ 15,761,312**	

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

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

	As of December 31, 2018	As of December 31, 2017
GAAP Shares of Class A Common Stock Outstanding	534,857,237	486,174,736
Adjustments:		
Other Securities (1)	—	2,299,421
KKR Holdings Units (2)	299,081,239	335,971,334
Adjusted Shares Eligible for Distribution (3)	833,938,476	824,445,491
Adjustments:		
Other Securities	—	(2,299,421)
Outstanding Adjusted Shares	833,938,476	822,146,070
Unvested Shares of Class A Common Stock (4)	33,408,491	46,475,176

(1) Represents vested other securities that are exchangeable into shares of Class A common stock. The issuance of shares of Class A common stock pursuant to such other securities dilutes KKR common stockholders and KKR Holdings pro rata in accordance with their respective percentage interests in the KKR business.

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

(3) Amounts exclude unvested equity awards granted under the Equity Incentive Plan.

(4) Represents equity awards granted under the Equity Incentive Plan. The issuance of Class A common stock of KKR & Co. Inc. pursuant to awards under the Equity Incentive Plan dilutes KKR Class A common stockholders and KKR Holdings pro rata in accordance with their respective percentage interests in the KKR business. Excludes the award of 2,500,000 restricted stock units granted to each of our Co-Presidents/Co-Chief Operating Officers during 2017 that have not met their market-price based vesting condition as of December 31, 2018 or December 31, 2017. See Item 8. Financial Statements and Supplementary Data—Note 12 "Equity Based Compensation."

Liquidity

We manage our liquidity and capital requirements by focusing on our cash flows before the consolidation of our funds and CFEs and the effect of changes in short term assets and liabilities, which we anticipate will be settled for cash within one year. Our primary cash flow activities on a segment basis typically involve: (i) generating cash flow from operations; (ii) generating income from investment activities, by investing in investments that generate yield (namely interest and dividends), as well as the sale of investments and other assets; (iii) funding capital commitments that we have made to, and advancing capital to, our funds and CLOs; (iv) developing and funding new investment strategies, investment products, and other growth initiatives, including acquisitions of other investments, assets, and businesses; (v) underwriting and funding commitments in our capital markets business; (vi) distributing cash flow to our stockholders and holders of our Series A and Series B Preferred Stock; and (vii) paying borrowings, interest payments, and repayments under credit agreements, our senior notes, and other borrowing arrangements. See "—Liquidity—Liquidity Needs—Dividends."

Sources of Liquidity

Our primary sources of liquidity consist of amounts received from: (i) our operating activities, including the fees earned from our funds, portfolio companies, and capital markets transactions; (ii) realizations on carried interest from our investment funds; (iii) interest and dividends from investments that generate yield, including our investments in CLOs; (iv) realizations on and sales of investments and other assets, including the transfers of investments for fund formations; and (v) borrowings under our credit facilities, debt offerings, and other borrowing arrangements. In addition, we may generate cash proceeds from sales of our equity securities.

Many of our investment funds provide carried interest. With respect to our private equity funds, carried interest is distributed to the general partner of a private equity fund with a clawback provision only after all of the following are met: (i) a realization event has occurred (e.g., sale of a portfolio company, dividend, etc.); (ii) the vehicle has achieved positive overall investment returns since its inception, in excess of performance hurdles where applicable; and (iii) with respect to investments with a fair value below cost, cost has been returned to fund investors in an amount sufficient to reduce remaining cost to the investments' fair value. As of December 31, 2018 , certain of our funds had met the first and second criteria, as described above, but did not meet the third criteria. In these cases, carried interest accrues on the consolidated statement of operations, but will not be distributed in cash to us as the general partner of an investment fund upon a realization event. For a fund that has a fair value above cost, overall, but has one or more investments where fair value is below cost, the shortfall between cost and fair value for such investments is referred to as a "netting hole." When netting holes are present, realized gains on individual investments that would otherwise allow the general partner to receive carried interest distributions are instead used to return invested capital to our funds' limited partners in an amount equal to the netting hole. Once netting holes have been filled with either (a) return of capital equal to the netting hole for those investments where fair value is below cost or (b) increases in the fair value of those investments where fair value is below cost, then realized carried interest will be distributed to the general partner upon a realization event. A fund that is in a position to pay cash carry refers to a fund for which carried interest is expected to be paid to the general partner upon the next material realization event, which includes funds with no netting holes as well as funds with a netting hole that is sufficiently small in size such that the next material realization event would be expected to result in the payment of carried interest. Strategic investor partnerships with fund investors may require netting across the various funds in which they invest, which may reduce the carried interest we otherwise would have earned if such fund investors were to have invested in our funds without the existence of the strategic investor partnership. See "Risk Factors—Risks Related to Our Business—Strategic investor partnerships have longer investment periods and invest in multiple strategies, which may increase the possibility of a 'netting hole,' which will result in less carried interest for us, as well as clawback liabilities."

As of December 31, 2018 , netting holes in excess of $50 million existed at one of our private equity funds, which was North America Fund XI, which had a netting hole of approximately $73 million. In accordance with the criteria set forth above, other funds currently have and may in the future develop netting holes, and netting holes for those and other funds may otherwise increase or decrease in the future.

We have access to funding under various credit facilities, other borrowing arrangements and other sources of liquidity that we have entered into with major financial institutions or which we receive from the capital markets. The following describes these sources of liquidity.

Revolving Credit Agreements, Senior Notes, KFN Debt Obligations & KFN Securities

For a discussion of KKR's debt obligations, including our revolving credit agreements, senior notes, KFN debt obligations, and KFN securities, see Item 8. Financial Statements and Supplementary Data—Note 10 "Debt Obligations."

Preferred Stock

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

Liquidity Needs

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

- continue to grow our business lines, including seeding new strategies, funding our capital commitments made to existing and future funds, co-investments and any net capital requirements of our capital markets companies and otherwise supporting investment vehicles which we sponsor;
- warehouse investments in portfolio companies or other investments for the benefit of one or more of our funds, vehicles, accounts or CLOs pending the contribution of committed capital by the investors in such vehicles, and advancing capital to them for operational or other needs;
- service debt obligations including the payment of obligations upon maturity or redemption, as well as any contingent liabilities that may give rise to future cash payments;
- fund cash operating expenses and contingencies, including litigation matters;
- payment of corporate income taxes following the Conversion;
- pay amounts that may become due under our tax receivable agreement with KKR Holdings;
- pay cash dividends in accordance with our dividend policy for our Class A common stock or the terms of our preferred stock;
- underwrite commitments, advance loan proceeds and fund syndication commitments within our capital markets business;
- make future purchase price payments in connection with our proprietary investments, such as our hedge fund partnership with Marshall Wace, to the extent not paid by newly issued Class A common stock;
- acquire other assets for our Principal Activities business line, including other businesses, investments and assets, some of which may be required to satisfy regulatory requirements for our capital markets business or risk retention requirements for CLOs (to the extent it continues to apply); and
- repurchase KKR's Class A common stock pursuant to the share repurchase program or other securities issued by KKR.

KKR & Co. Inc. Share Repurchase Program

On October 27, 2015, KKR announced the authorization of a program providing for the repurchase by KKR of up to $500 million in the aggregate of its outstanding shares of Class A common stock. On February 9, 2017, KKR announced the authorization for KKR to repurchase an incremental $250 million under this unit repurchase program. On May 3, 2018, KKR announced the increase of the available amount under its repurchase program to $500 million, which may be used for the repurchase of its Class A common stock and the retirement of equity awards issued pursuant to our Equity Incentive Plan (and any successor equity plan thereto). During the fourth quarter of 2018, KKR repurchased 4.2 million shares for approximately $93 million and retired 1.6 million equity awards for approximately $46 million. As of December 31, 2018, approximately $868 million has been spent since October 27, 2015, representing a total of 51.8 million shares, to either repurchase shares or retire equity awards. As of December 31, 2018 , approximately $282 million is available under the repurchase program.

Under the current repurchase program, KKR is authorized to repurchase its Class A common stock from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing, manner, price and amount of any Class A common stock repurchases will be determined by KKR in its discretion and will depend on a variety of factors, including legal requirements, price and economic and market conditions. KKR expects that the program, which has no expiration date, will be in effect until the maximum approved dollar amount has been used. The program does not require KKR to repurchase any specific number of shares of Class A common stock, and the program may be suspended, extended, modified or discontinued at any time.

In addition to the purchases of Class A common stock as described above, the repurchase program will be used for the retirement (by cash settlement or the payment of tax withholding amounts upon net settlement) of equity awards issued pursuant to our Equity Incentive Plan (and any successor equity plan thereto) representing the right to receive Class A common stock. See Item 5. "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities."

Capital Commitments

The agreements governing our active investment funds generally require the general partners of the funds to make minimum capital commitments to such funds, which usually range from 2% to 8% of a fund's total capital commitments at final closing; however, the size of our general partner commitment to certain funds pursuing newer strategies may exceed this range. The following table presents our uncalled commitments to our active investment funds as of December 31, 2018 :

	Uncalled Commitments
Private Markets	**($ in thousands)**
Core Investment Vehicles	$ 2,315,500
Asian Fund III	532,100
Americas Fund XII	528,200
European Fund V	400,000
Global Infrastructure III	310,600
Real Estate Partners Americas II	138,800
Health Care Strategic Growth	131,000
Next Generation Technology Growth	55,100
European Fund IV	49,900
Real Estate Partners Europe	33,200
Real Estate Credit Opportunity Partners	8,000
Other Private Markets Vehicles	464,200
Total Private Markets Commitments	4,966,600
Public Markets	
Special Situations Fund II	119,600
Private Credit Opportunities Partners II	30,800
Lending Partners III	19,100
Lending Partners Europe	14,200
Other Public Markets Vehicles	123,700
Total Public Markets Commitments	307,400
Total Uncalled Commitments	$ 5,274,000

Other Commitments

In addition to the uncalled commitments to our investment funds as shown above, KKR has entered into contractual commitments with respect to (i) the purchase of investments and other assets primarily in our Principal Activities business line and (ii) underwriting transactions, debt financing, and syndications in our Capital Markets business line. As of December 31, 2018 , these commitments amounted to $370.5 million and $663.7 million , respectively. Whether these amounts are actually funded, in whole or in part, depends on the contractual terms of such commitments, including the satisfaction or waiver of any conditions to closing or funding. The unfunded commitments shown for our Capital Markets business line are shown without reflecting arrangements that may reduce the actual amount of contractual commitments shown occurring after December 31, 2018 . Our capital markets business has an arrangement with a third party, which reduces our risk when underwriting certain debt transactions, and thus our unfunded commitments as of December 31, 2018 are reduced to reflect the amount to be funded by such third party. In the case of purchases of investments or assets in our Principal Activities business line, the amount to be funded includes amounts that are intended to be syndicated to third parties, and the actual amounts to be funded may be less than shown.

Investment in Marshall Wace

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

Class A common stock. For further information on this and prior option exercises, see Item 8. Financial Statements and Supplementary Data—Note 4 "Investments—Equity Method."

Tax Receivable Agreement

We may be required to acquire KKR Group Partnership Units from time to time pursuant to our exchange agreement with KKR Holdings, which may result in an increase in our tax basis of the assets of the KKR Group Partnerships at the time of an exchange of KKR Group Partnership Units. We have entered into a tax receivable agreement with KKR Holdings, which requires us to pay to KKR Holdings, or to current and former principals who have exchanged KKR Holdings units for KKR Class A common stock as transferees of KKR Group Partnership Units, 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that we realize as a result of the increase in tax basis described above, as well as 85% of the amount of any such savings we realize as a result of increases in tax basis that arise due to future payments under the agreement. For the full description of the tax receivable agreement and our obligations thereunder, see Item 8. Financial Statements and Supplementary Data—Note 13 "Related Party Transactions—Tax Receivable Agreement," and for a discussion of amounts payable and cumulative cash payments made under the tax receivable agreement see "—Liquidity—Other Liquidity Needs—Contractual Obligations, Commitments and Contingencies."

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

Dividends

A dividend of $0.125 per share of Class A common stock has been declared, which will be paid on February 26, 2019 to holders of record of Class A common stock as of the close of business on February 11, 2019 .

A dividend of $0.421875 per share of Series A Preferred Stock has been declared and set aside for payment on March 15, 2019 to holders of record of Series A Preferred Stock as of the close of business on March 1, 2019. A dividend of $0.406250 per share of Series B Preferred Stock has been declared and set aside for payment on March 15, 2019 to holders of record of Series B Preferred Stock as of the close of business on March 1, 2019.

When KKR & Co. Inc. receives distributions from the KKR Group Partnerships (the holding companies of the KKR business), KKR Holdings receives its pro rata share of such distributions from the KKR Group Partnerships.

The declaration and payment of dividends to our Class A common stockholders will be at the sole discretion of our board of directors, and our dividend policy may be changed at any time. As a corporation, we expect our dividends to our Class A common stockholders, if declared, to be lower than the distribution amounts we declared in prior periods as a limited partnership. Our distribution policy as a limited partnership had been to pay annual aggregate distributions to holders of our common units of $0.68 per common unit, and our dividend policy after the Conversion and beginning with respect to the third quarter of 2018 is to pay dividends to holders of our Class A common stock in an initial annual aggregate amount of $0.50 per share (or a quarterly dividend of $0.125 per share), in each case, subject to the discretion of our board of directors based on a number of factors, including KKR's future financial performance and other considerations that the board deems relevant, and compliance with the terms of KKR & Co. Inc.'s certificate of incorporation and applicable law. For U.S. federal income tax purposes, any dividends we pay following July 1, 2018 (including dividends on our preferred stock) generally will be treated as qualified dividend income for U.S. individual stockholders to the extent paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. No income, gains, losses, deductions or credits of KKR will flow through to the stockholders for U.S. federal income tax purposes following July 1, 2018. There can be no assurance that future dividends will be made as intended or at all or that any particular dividend policy for our Class A common stock will be maintained. Furthermore, the declaration and payment of distributions by the KKR Group Partnerships and our other subsidiaries may also be subject to legal, contractual and regulatory restrictions, including restrictions contained in our debt agreements and the terms of the preferred stock of the KKR Group Partnerships.

Other Liquidity Needs

We may also be required to fund various underwriting, syndication and fronting commitments in our capital markets business in connection with the underwriting of loans, securities or other financial instruments, which has increased in significance in recent periods and may continue to be significant in future periods. We generally expect that these commitments will be syndicated to third parties or otherwise fulfilled or terminated, although we may in some instances elect to retain a portion of the commitments for our own investment.

Contractual Obligations, Commitments and Contingencies

In the ordinary course of business, we and our consolidated funds and CFEs enter into contractual arrangements that may require future cash payments. The following table sets forth information relating to anticipated future cash payments as of December 31, 2018 excluding consolidated funds and CFEs with a reconciliation of such amounts to the anticipated future cash payments of KKR including consolidated funds and CFEs.

	Payments due by Period				
Types of Contractual Obligations	**<1 Year**	**1-3 Years**	**3-5 Years**	**>5 Years**	**Total**
			($ in millions)		
Uncalled commitments to investment funds (1)	$ 5,274.0	$ —	$ —	$ —	$ 5,274.0
Debt payment obligations (2)	—	500.0	228.2	2,588.1	3,316.3
Interest obligations on debt (3)	164.0	288.3	263.6	2,080.3	2,796.2
Underwriting commitments (4)	519.7	—	—	—	519.7
Lending commitments (5)	144.0	—	—	—	144.0
Purchase commitments (6)	370.5	—	—	—	370.5
Lease obligations	50.6	69.3	29.7	76.3	225.9
Corporate real estate (7)	318.0	—	—	—	318.0
Total Contractual Obligations of KKR	6,840.8	857.6	521.5	4,744.7	12,964.6
Plus: Uncalled commitments of consolidated funds (8)	9,831.5	—	—	—	9,831.5
Plus: Debt payment obligations of consolidated funds, CFEs and Other (9)	1,561.7	2,030.1	770.6	14,960.3	19,322.7
Plus: Interest obligations of consolidated funds, CFEs and Other (10)	729.1	1,264.7	957.8	2,710.1	5,661.7
Plus: Purchase commitments of consolidated funds (11)	419.5	—	—	—	419.5
Total Consolidated Contractual Obligations	$ 19,382.6	$ 4,152.4	$ 2,249.9	$ 22,415.1	$ 48,200.0

(1) These uncalled commitments represent amounts committed by us to fund a portion of the purchase price paid for each investment made by our investment funds which are actively investing. Because capital contributions are due on demand, the above commitments have been presented as falling due within one year. However, given the size of such commitments and the pace at which our investment funds make investments, we expect that the capital commitments presented above will be called over a period of several years. See "—Liquidity—Liquidity Needs."

(2) Amounts include: (i) $500 million aggregate principal amount of 6.375% Senior Notes due 2020 issued by KKR Group Finance Co. LLC, $500 million aggregate principal amount of 5.500% Senior Notes due 2043 issued by KKR Group Finance Co. II LLC and $1,000 million aggregate principal amount of 5.125% Senior Notes due 2044 issued by KKR Group Finance Co. III LLC, gross of unamortized discount; (ii) $367.8 million aggregate principal amount of 0.509% Senior Notes due 2023, 0.764% Senior Notes due 2025 and 1.595% Senior Notes due 2038 issued by KKR Group Finance Co. IV LLC (denominated in Japanese Yen); (iii) $500 million aggregate principal amount of KFN 2032 Senior Notes, gross of unamortized discount; (iv) $120 million aggregate principal amount of KFN 2033 Senior Notes; (v) $70.0 million aggregate principal amount of KFN 5.400% Senior Notes due 2033 and (vi) $258.5 million aggregate principal amount of KFN junior subordinated notes, gross of unamortized discount. KFN's debt obligations are non-recourse to KKR beyond the assets of KFN.

(3) These interest obligations on debt represent estimated interest to be paid over the maturity of the related debt obligation, which has been calculated assuming the debt outstanding at December 31, 2018 is not repaid until its maturity. Future interest rates are assumed to be those in effect as of December 31, 2018 , including both variable and fixed rates, as applicable, provided for by the relevant debt agreements. The amounts presented above include accrued interest on outstanding indebtedness.

(4) Represents various commitments in our capital markets business in connection with the underwriting of loans, securities and other financial instruments. These commitments are shown net of amounts syndicated.

(5) Represents obligations in our capital markets business to lend under various revolving credit facilities.

(6) Represents commitments of KKR and KFN to fund the purchase of various investments.

(7) Represents the amount payable in 2019 upon delivery of a new KKR office being constructed, all or a portion of which represents construction financing obtained by the developer and may be refinanced upon delivery of the completed office.

(8) Represents uncalled commitments of our consolidated funds excluding KKR's portion of uncalled commitments as the general partner of the respective funds. Because capital contributions are due on demand, the above commitments have been presented as falling due within one year. However, given the size of such commitments and the pace at which our investment funds make investments, we expect that the capital commitments presented above will be called over a period of several years. See "—Liquidity—Liquidity Needs."

(9) Amounts include (i) financing arrangements entered into by our consolidated funds with the objective of providing liquidity to the funds of $4.2 billion , (ii) debt securities issued by our consolidated CLOs of $12.5 billion , (iii) debt securities issued by our consolidated CMBS entities of $1.9 billion and (iv) borrowings collateralized by specific investments and other assets held directly by majority-owned investment vehicles of $0.7 billion . In April 2018, a consolidated entity of KKR sold its controlling beneficial interest in four consolidated CMBS vehicles. Debt securities issued by consolidated CLOs and CMBS entities are supported solely by the investments held at the CLO and CMBS vehicles and are not collateralized by assets of any other KKR entity. Obligations under financing arrangements entered into by our consolidated funds are generally limited to our pro rata equity interest in such funds. Our management companies bear no obligations to repay any financing arrangements at our consolidated funds.

(10) The interest obligations on debt of our CFEs and other borrowings represent estimated interest to be paid over the maturity of the related debt obligation, which has been calculated assuming the debt outstanding at December 31, 2018 is not repaid until its maturity. Future interest rates are assumed to be those in effect as of December 31, 2018 , including both variable and fixed rates, as applicable, provided for by the relevant debt agreements. The amounts presented above include accrued interest on outstanding indebtedness.

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

The commitment table above excludes contractual amounts owed under the tax receivable agreement because the ultimate amount and timing of the amounts due are not presently known. As of December 31, 2018 , an undiscounted payable of $117.9 million has been recorded in due to affiliates in the consolidated financial statements representing management's best estimate of the amounts currently expected to be owed under the tax receivable agreement. As of December 31, 2018 , approximately $24.0 million of cumulative cash payments have been made under the tax receivable agreement. See "—Liquidity Needs—Tax Receivable Agreement" and "Part II. Item 1A. Risk Factors—We will be required to pay our principals for most of the benefits relating to our use of tax attributes we receive from prior and future exchanges of our Class A common stock for KKR Group Partnership Units and related transactions."

We may incur contingent liabilities for claims that may be made against us in the future. We enter into contracts that contain a variety of representations, warranties and covenants, including indemnifications. For example, certain of our investment funds and KFN have provided certain indemnities relating to environmental and other matters and have provided nonrecourse carve-out guarantees for fraud, willful misconduct and other customary wrongful acts, each in connection with the financing of certain real estate investments that we have made. KKR has also provided certain guarantees for fraud, willful misconduct, bankruptcy and other customary wrongful acts in connection with certain investment vehicles. KKR has also guaranteed certain of our employees' (other than our named executive officers) and consultants' personal loans obtained in connection with certain fund investments. We have also indemnified employees and non-employees against potential liabilities, in connection with their service as described under "Item 13. Certain Relationships and Related Transactions, and Director Independence-Indemnification of Directors, Officers and Others." In addition, we have also provided credit support to certain of our subsidiaries' obligations in connection with certain investment vehicles or partnerships that we manage. For example, KKR has guaranteed the obligations of a general partner to post collateral on behalf of its investment vehicle in connection with such vehicle's derivative transactions, and we have also agreed to be liable for certain investment losses and/or for providing liquidity in the events specified in the governing documents of certain investment vehicles. Our maximum exposure under these arrangements is currently unknown as our liabilities for these matters would require a claim to be made against us in the future.

The partnership documents governing our carry-paying funds generally include a "clawback" provision that, if triggered, may give rise to a contingent obligation requiring the general partner to return amounts to the fund for distribution to the fund investors at the end of the life of the fund. See Item 8. Financial Statements and Supplementary Data—Note 16 "Commitments and Contingencies—Contingent Repayment Guarantees" for further information on KKR's potential clawback obligations.

Off Balance Sheet Arrangements

Other than contractual commitments and other legal contingencies incurred in the normal course of our business, we do not have any off-balance sheet financings or liabilities.

Critical Accounting Policies

The preparation of our consolidated financial statements in accordance with GAAP requires our management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of fees, expenses and investment income. Our management bases these estimates and judgments on available information, historical experience and other assumptions that we believe are reasonable under the circumstances. However, these estimates, judgments and assumptions are often subjective and may be impacted negatively based on changing circumstances or changes in our analyses. If actual amounts are ultimately different from those estimated, judged or assumed, revisions are included in the consolidated financial statements in the period in which the actual amounts become known. We believe our critical accounting policies could potentially produce materially different results if we were to change underlying estimates, judgments or assumptions.

The following discusses certain aspects of our critical accounting policies. For a full discussion of these and all critical accounting policies, see Item 8. Financial Statements & Supplementary Data—Note 2 "Summary of Significant Accounting Policies."

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. Except for certain of KKR's equity method investments and debt obligations, KKR's investments and other financial instruments are recorded at fair value or at amounts whose carrying values approximate fair value.

GAAP establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Investments and financial instruments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination of fair values, as follows:

Level I

Pricing inputs are unadjusted, quoted prices in active markets for identical assets or liabilities as of the measurement date. The types of financial instruments included in this category are publicly-listed equities and securities sold short.

We classified 4.8% of total investments measured and reported at fair value as Level I at December 31, 2018 .

Level II

Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies. The types of financial instruments included in this category are credit investments, investments and debt obligations of consolidated CLO entities, convertible debt securities indexed to publicly-listed securities, less liquid and restricted equity securities and certain over-the-counter derivatives such as foreign currency option and forward contracts.

We classified 39.3% of total investments measured and reported at fair value as Level II at December 31, 2018 .

Level III

Pricing inputs are unobservable for the financial instruments and include situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. The types of financial instruments generally included in this category are private portfolio companies, real assets investments, credit investments, equity method investments for which the fair value option was elected and investments and debt obligations of consolidated CMBS entities.

We classified 55.9% of total investments measured and reported at fair value as Level III at December 31, 2018 . The valuation of our Level III investments at December 31, 2018 represents management's best estimate of the amounts that we would anticipate realizing on the sale of these investments in an orderly transaction at such date.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Level III Valuation Methodologies

With respect to our private equity portfolio, which includes growth equity investments, we generally employ two valuation methodologies when determining the fair value of an investment. The first methodology is typically a market comparables analysis that considers key financial inputs and recent public and private transactions and other available measures. The second methodology utilized is typically a discounted cash flow analysis, which incorporates significant assumptions and judgments. Estimates of key inputs used in this methodology include the weighted average cost of capital for the investment and assumed inputs used to calculate terminal values, such as exit EBITDA multiples. In certain cases the results of the discounted cash flow approach can be significantly impacted by these estimates. Other inputs are also used in both methodologies. Also, as discussed in greater detail under "—Business Environment" and "Risk Factors—Risks Related to the Assets We Manage—Our investments are impacted by various economic conditions that are difficult to quantify or predict, but may have a significant adverse impact on the value of our investments" in this report, a change in interest rates could have a significant impact on valuations. In addition, when a definitive agreement has been executed to sell an investment, KKR generally considers a significant determinant of fair value to be the consideration to be received by KKR pursuant to the executed definitive agreement.

Upon completion of the valuations conducted using these methodologies, a weighting is ascribed to each method, and an illiquidity discount is typically applied where appropriate. The ultimate fair value recorded for a particular investment will generally be within a range suggested by the two methodologies, except that the value may be higher or lower than such range in the case of investments being sold pursuant to an executed definitive agreement.

Across the total Level III private equity investment portfolio, including investments in both consolidated and unconsolidated investment funds, approximately 69% of the fair value is derived from investments that are valued based exactly 50% on market comparables and 50% on a discounted cash flow analysis. Less than 2% of the fair value of this Level III private equity investment portfolio is derived from investments that are valued either based 100% on market comparables or 100% on a discounted cash flow analysis. As of December 31, 2018 , the overall weights ascribed to the market comparables methodology, the discounted cash flow methodology, and a methodology based on pending sales for this portfolio of Level III private equity investments were 41%, 47%, and 12%, respectively.

In the case of growth equity investments, enterprise values may be determined using the market comparables analysis and discounted cash flow analysis described above. A scenario analysis may also be conducted to subject the estimated enterprise values to a downside, base and upside case, which involves significant assumptions and judgments. A milestone analysis may also be conducted to assess the current level of progress towards value drivers that we have determined to be important, which involves significant assumptions and judgments. The enterprise value in each case may then be allocated across the investment's capital structure to reflect the terms of the security and subjected to probability weightings. In certain cases, the values of growth equity investments may be based on recent or expected financings.

Real asset investments in infrastructure, energy and real estate are valued using one or more of the discounted cash flow analysis, market comparables analysis and direct income capitalization, which in each case incorporates significant assumptions and judgments. Infrastructure investments are generally valued using the discounted cash flow analysis. Key inputs used in this methodology can include the weighted average cost of capital and assumed inputs used to calculate terminal values, such as exit EBITDA multiples. Energy investments are generally valued using a discounted cash flow analysis. Key inputs used in this methodology that require estimates include the weighted average cost of capital. In addition, the valuations of energy investments generally incorporate both commodity prices as quoted on indices and long-term commodity price forecasts, which may be substantially different from, and are currently higher than, commodity prices on certain indices for equivalent future dates. Certain energy investments do not include an illiquidity discount. Long-term commodity price forecasts are utilized to capture the value of the investments across a range of commodity prices within the energy investment portfolio associated with future development and to reflect a range of price expectations. Real estate investments are generally valued using a combination of direct income capitalization and discounted cash flow analysis. Key inputs used in such methodologies that require estimates include an unlevered discount rate and current capitalization rate, and certain real estate investments do not include a minimum illiquidity discount. The valuations of real assets investments also use other inputs.

On a segment basis, our energy real asset investments in oil and gas-producing properties as of December 31, 2018 had a fair value of approximately $668 million . Based on this fair value, we estimate that an immediate, hypothetical 10% decline in the fair value of these energy investments from one or more adverse movements to the investments' valuation inputs would result in a decline in book value of $66.8 million. As of December 31, 2018 , if we were to value our energy investments using only the commodity prices as quoted on indices and did not use long-term commodity price forecasts, and also held all other inputs to their valuation constant, we estimate that book value would have been approximately $103 million lower.

These hypothetical declines relate only to book value. There would be no current impact on KKR's unrealized carried interest since all of the investment funds which hold these types of energy investments have investment values that are either below their cost or not currently accruing carried interest. Additionally, there would be no impact on fees since fees earned from investment funds which hold investments in oil and gas-producing properties are based on either committed capital or capital invested.

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

Credit Investments: Credit investments are valued using values obtained from dealers or market makers, and where these values are not available, credit investments are generally valued by us based on ranges of valuations determined by an independent valuation firm. Valuation models are based on discounted cash flow analyses, for which the key inputs are determined based on market comparables, which incorporate similar instruments from similar issuers.

Key unobservable inputs that have a significant impact on our Level III investment valuations as described above are included in Item 8. Financial Statements and Supplementary Data—Note 5 "Fair Value Measurements."

Level III Valuation Process

The valuation process involved for Level III measurements is completed on a quarterly basis and is designed to subject the valuation of Level III investments to an appropriate level of consistency, oversight, and review.

For Private Markets investments classified as Level III, investment professionals prepare preliminary valuations based on their evaluation of financial and operating data, company specific developments, market valuations of comparable companies and other factors. KKR begins its procedures to determine the fair values of its Level III assets one month prior to the end of a reporting period, and KKR follows additional procedures to ensure that its determinations of fair value for its Level III assets are appropriate as of the relevant reporting date. These preliminary valuations are reviewed by an independent valuation firm engaged by KKR to perform certain procedures in order to assess the reasonableness of KKR's valuations annually for all Level III investments in Private Markets and quarterly for investments other than certain investments, which have values less than preset value thresholds and which in the aggregate comprise less than 5% of the total value of KKR's Level III Private Markets investments. The valuations of certain real asset investments are determined solely by an independent valuation firm without the preparation of preliminary valuations by our investment professionals, and instead such independent valuation firm relies on valuation information available to it as a broker or valuation firm. For credit investments and debt obligations of consolidated CMBS vehicles, an independent valuation firm is generally engaged quarterly by KKR with respect to most investments classified as Level III. The valuation firm either provides a value or provides a valuation range from which KKR's investment professionals select a point in the range to determine the preliminary valuation or performs certain procedures in order to assess the reasonableness and provide positive assurance of KKR's valuations. After reflecting any input from the independent valuation firm, the valuation proposals are submitted for review and approval by KKR's valuation committees. As of December 31, 2018 , less than 4% of the total value of our Level III credit investments were not valued with the engagement of an independent valuation firm.

KKR has a global valuation committee that is responsible for coordinating and implementing the firm's valuation process to ensure consistency in the application of valuation principles across portfolio investments and between periods. The global valuation committee is assisted by the asset class-specific valuation committees that exist for private equity (including core investments), growth equity, real estate, energy and infrastructure and credit. The asset class-specific valuation committees are responsible for the review and approval of all preliminary Level III valuations in their respective asset classes on a quarterly basis. The members of these valuation committees are comprised of investment professionals, including the heads of each respective strategy, and professionals from business operations functions such as legal, compliance and finance, who are not primarily responsible for the management of the investments. For periods prior to the completion of the PAAMCO Prisma transaction, when Level III valuations were required to be performed on hedge fund investments, a valuation committee for hedge funds reviewed these valuations.

All Level III valuations are also subject to approval by the global valuation committee, which is comprised of senior employees including investment professionals and professionals from business operations functions, and includes one of KKR's Co-Presidents and Co-Chief Operating Officers and its Chief Financial Officer, General Counsel and Chief Compliance Officer. When valuations are approved by the global valuation committee after reflecting any input from it, the valuations of Level III investments, as well as the valuations of Level I and Level II investments, are presented to the audit committee of the board of directors of KKR & Co. Inc. and are then reported to the board of directors.

As of December 31, 2018 , upon completion by, where applicable, an independent valuation firm of certain limited procedures requested to be performed by them on certain investments, the independent valuation firm concluded that the fair values, as determined by KKR, of those investments reviewed by them were reasonable. The limited procedures did not involve an audit, review, compilation or any other form of examination or attestation under generally accepted auditing standards and were not conducted on all Level III investments. We are responsible for determining the fair value of investments in good faith, and the limited procedures performed by an independent valuation firm are supplementary to the inquiries and procedures that we are required to undertake to determine the fair value of the commensurate investments.

As described above, Level II and Level III investments were valued using internal models with significant unobservable inputs and our determinations of the fair values of these investments may differ materially from the values that would have resulted if readily observable inputs had existed. Additional external factors may cause those values, and the values of investments for which readily observable inputs exist, to increase or decrease over time, which may create volatility in our earnings and the amounts of assets and stockholders' equity that we report from time to time.

Changes in the fair value of investments impacts the amount of carried interest that is recognized as well as the amount of investment income that is recognized for investments held directly and through our consolidated funds as described below. We estimate that an immediate 10% decrease in the fair value of investments held directly and through consolidated investment funds generally would result in a commensurate change in the amount of net gains (losses) from investment activities for investments held directly and through investment funds and a more significant impact to the amount of carried interest recognized, regardless of whether the investment was valued using observable market prices or management estimates with significant unobservable pricing inputs. With respect to consolidated investment funds, the impact that the consequential decrease in investment income would have on net income attributable to KKR would generally be significantly less than the amount described above, given that a majority of the change in fair value of our consolidated funds would be attributable to noncontrolling interests and therefore we are only impacted to the extent of our carried interest and our balance sheet investments.

As of December 31, 2018 , there were no investments which represented greater than 5% of total investments on a GAAP basis. On a segment basis, as of December 31, 2018 , investments which represented greater than 5% of total segment investments consisted of First Data Corporation and USI, Inc. valued at $998.1 million and $650.1 million , respectively. Our investment income on a GAAP basis and our book value can be impacted by volatility in the public markets related to our holdings of publicly traded securities, including our sizable holdings of First Data Corporation. See "—Business Environment" for a discussion on the impact of global equity markets on our financial condition and "—Segment Balance Sheet" for additional information regarding our largest holdings on a segment basis.

Recognition of Investment Income

Investment income consists primarily of the net impact of: (i) realized and unrealized gains and losses on investments; (ii) dividends; (iii) interest income; (iv) interest expense and (v) foreign exchange gains and losses relating to mark-to-market activity on foreign exchange forward contracts, foreign currency options, foreign denominated debt and debt securities issued by consolidated CFEs.

Certain of our investment funds are consolidated. When a fund is consolidated, the portion of our funds' investment income that is allocable to our carried interests and capital investments is not shown in the consolidated financial statements. For funds that are consolidated, all investment income (loss), including the portion of a funds' investment income (loss) that is allocable to KKR's carried interest, is included in investment income (loss) on the consolidated statements of operations. The carried interest that KKR retains in net income (loss) attributable to KKR & Co. Inc. is reflected as an adjustment to net income (loss) attributable to noncontrolling interests. However, because certain of our funds remain consolidated and because we hold a minority economic interest in these funds' investments, our share of the investment income is less than the total amount of investment income presented in the consolidated financial statements for these consolidated funds.

Recognition of Carried Interest in the Statement of Operations

Carried interest entitles the general partner of a fund to a greater allocable share of the fund's earnings from investments relative to the capital contributed by the general partner and correspondingly reduces noncontrolling interests' attributable share of those earnings. Carried interest is earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment returns decrease or turn negative in subsequent periods, recognized carried interest will be reversed and reflected as losses in the statement of operations. For funds that are not consolidated, amounts earned pursuant to carried interest are included in capital allocation-based income in the consolidated statements of operations. Amounts earned pursuant to carried interest at consolidated funds are eliminated from fees and other upon consolidation of the fund and are included as investment income (loss) in net gains (losses) from investment activities along with all of the other investment gains and losses at the consolidated fund.

Carried interest is recognized in the statement of operations based on the contractual conditions set forth in the agreements governing the fund as if the fund were terminated and liquidated at the reporting date and the fund's investments were realized at the then estimated fair values. Due to the extended durations of our private equity funds, we believe that this approach results in income recognition that best reflects our periodic performance in the management of those funds. Amounts earned pursuant to carried interest are earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment amounts earned decrease or turn negative in subsequent periods, recognized carried interest will be reversed and to the extent that the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, a clawback obligation would be recorded. For funds that are not consolidated, this clawback obligation, if any, is reflected as a reduction of our investment balance as this is where carried interest is initially recorded. For funds that are consolidated, this clawback obligation, if any, is reflected as an increase in noncontrolling interests in the consolidated statements of financial condition.

Prior to January 1, 2016, most of our historical private equity funds that provide for carried interest do not have a preferred return. For these funds, the management company is required to refund up to 20% of any management fees earned from its limited partners in the event that the fund recognizes carried interest. At such time as the fund recognizes carried interest in an amount sufficient to cover 20% of the management fees earned or a portion thereof, a liability due to the fund's limited partners is recorded and revenue is reduced for the amount of the carried interest recognized, not to exceed 20% of the management fees earned. The refunds to the limited partners are paid, and liabilities relieved, at such time that the underlying investment is sold and the associated carried interest is realized. In the event that a fund's carried interest is not sufficient to cover all or a portion of the amount that represents 20% of the earned management fees, such management fees would be retained and not returned to the funds' limited partners.

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

Recently Issued Accounting Pronouncements

For a full discussion of recently issued accounting pronouncements, see Item 8. Financial Statements and Supplementary Data—Note 2 "Summary of Significant Accounting Policies."

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risks primarily relates to movements in the fair value of investments, including the effect that those movements have on our management fees, carried interest, and net gains from investment activities. The fair value of investments may fluctuate in response to changes in the values of investments, foreign currency exchange rates, and interest rates. Additionally, interest rate movements can adversely impact the amount of interest income we receive on credit instruments bearing variable rates and could also impact the amount of interest that we pay on debt obligations bearing variable rates.

The quantitative information provided in this section was prepared using estimates and assumptions that management believes are appropriate in order to provide a reader with an indication of the directional impact that a hypothetical adverse movement in certain risks would have on net income attributable to KKR & Co. Inc. In all cases, these directional impacts are presented after deducting amounts that are attributable to noncontrolling interests held by KKR Holdings. As of December 31, 2018 , KKR & Co. Inc. and KKR Holdings held interests in our business of 64.1% and 35.9% , respectively. The actual impact of a hypothetical adverse movement in these risks could be materially different from the amounts shown below.

The firm uses various committees to help manage market risk and general business risks.

Management of Market Risk

When we commit capital of a certain amount from our balance sheet to investments or transactions, a balance sheet committee of senior employees, including our two Co-Chief Executive Officers, a Co-President/Co-Chief Operating Officer, and the Chief Financial Officer, must approve the investment or transaction before it may be made. The committee may delegate authority to other employees subject to maximum commitment sizes or other limitations determined by the committee. In addition, this committee supervises activities governing KKR's capital structure, liquidity, and the composition of our balance sheet.

Certain securities transactions by our capital markets business are subject to risk tolerance limits, regulatory capital requirements, and the review and approval of one or more committees in compliance with rules applicable to broker-dealers pursuant to the Exchange Act. When our capital is committed to capital markets transactions after diligence is conducted, such transactions are subject to the review and approval of a capital markets underwriting committee. These transactions are also subject to risk tolerance limits. The risk tolerance limits establish the level of investment we may make in a single company or type of transaction, for example, and are designed to avoid undue concentration and risk exposure. Regulatory capital requirements also place limits on the size of securities underwritings the capital markets business can conduct based on quantitative measure of assets, liabilities, and certain off-balance-sheet items. Aggregate balance sheet risk and capital deployed for transactions are monitored on an ongoing basis by the balance sheet committee referenced above.

With respect to the funds and other investment vehicles through which we make investments for our fund investors, KKR manages risk by subjecting transactions to the review and approval of an applicable investment committee or portfolio manager; a portfolio management committee (or other designated senior employees) then regularly monitors these investments. Before making an investment, investment professionals identify risks in due diligence, evaluating, among other things, business, financial, legal and regulatory issues, financial data, and other information relevant to a particular investment. An investment team presents the investment and its identified risks to an investment committee or a portfolio manager, which must approve each investment before it may be made. If an investment is made, a portfolio management committee (or other designated senior employees) is responsible for working with our investment professionals to monitor the investment on an ongoing basis.

Management of General Business Risk

KKR has an investment management and distribution committee comprised of senior employees across our business lines, and includes our Co-Presidents/Co-Chief Operating Officers. The investment management and distribution committee focuses on coordinating investment and distribution activities across the firm. KKR has a risk and operations committee comprised of senior employees from across our business operations, and includes our Co-Presidents/Co-Chief Operating Officers, Chief Financial Officer, General Counsel, and Chief Compliance Officer. The risk and operations committee focuses on KKR's operations and enterprise risk management.

KKR's global conflicts and compliance committee is responsible for analyzing and addressing new or potential conflicts of interest that may arise in KKR's business, including conflicts relating to specific transactions as well as potential conflicts involving the overall activities of KKR and its various businesses. This committee also reviews and monitors certain

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

Changes in Fair Value

The majority of our investments are reported at fair value. Net changes in the fair value of investments impact the net gains (losses) from investment activities in our consolidated statements of operations. Based on investments held as of December 31, 2018 , we estimate that an immediate 10% decrease in the fair value of investments generally would result in a commensurate change in the amount of net gains (losses) from investment activities (except that carried interest would likely be more significantly impacted), regardless of whether the investment was valued using observable market prices or management estimates with significant unobservable pricing inputs. The impact that the consequential decrease in investment income would have on net income attributable to KKR & Co. Inc. would generally be significantly less than the amount described above, given that a significant portion of the change in fair value would be attributable to noncontrolling interests and therefore we are only impacted to the extent of our carried interest and our balance sheet investments and to a lesser extent our management fees. Because of this, the quantitative information that follows represents the impact that a reduction to each of the income streams shown below would have on net income attributable to KKR & Co. Inc. before income taxes. The actual impact to individual line items within the consolidated statements of operations would differ from the amounts shown below as a result of (i) the inclusion of amounts attributable to KKR Holdings in individual line items within the consolidated statement of operations, (ii) the elimination of management fees and carried interest as a result of the consolidation of certain investment funds and CFEs, and (iii) the gross-up of net gains (losses) from investment activities, in each case as a result of the consolidation of certain investment funds and CFEs.

Based on the fair value of investments as of December 31, 2018 , we estimate that an immediate, hypothetical 10% decline in the fair value of investments would result in declines in net income attributable to KKR & Co. Inc. before income taxes in 2019 from reductions in the following items, if not offset by other factors:

	Management Fees	Carried Interest, Net of Carry Pool Allocation	Net Gains/(Losses) From Investment Activities Including General Partner Capital Interest
		($ in thousands)	
10% Decline in Fair Value of Investments [(1)]	$ 17,791 [(2)]	$ 276,880 [(3)]	$ 631,580 [(3)]

(1) An immediate, hypothetical 10% decline in the fair value of investments would also impact our ability to earn incentive fees. Since the majority of our incentive fees are earned at December 31st or September 30th of each calendar year and are not subject to clawback, a 10% decline in fair value would generally result in the recognition of no incentive fees on a prospective basis and result in lower net income relative to prior years where such incentive fees may have been earned.

(2) Represents an annualized reduction in management fees.

(3) Decrease would impact our statement of operations in a single quarter. With respect to carried interest, for purposes of this analysis the impact of preferred returns are ignored.

Management Fees

Our management fees in our Private Markets investment funds are generally calculated based on the amount of capital committed or invested by a fund, as described under "Business—Our Business Lines—Private Markets." Accordingly, movements in the fair value of investments do not significantly affect the amount of fees we may charge in Private Markets funds. Management fees in our infrastructure funds are calculated based on NAV of the fund and, in some cases, we additionally earn management fees on the fund's remaining commitment.

In the case of our Public Markets business, management fees are often calculated based on the average NAV of the fund for that particular period, although certain funds in our Public Markets business line have management fees based on the amount of capital invested. In the case of our CLO vehicles, management fees are calculated based on the collateral of the vehicle. The collateral is based on the par value of the investments and cash on hand.

To the extent that management fees are calculated based on the NAV of the fund's investments, the amount of fees that we may charge will increase or decrease in direct proportion to the effect of changes in the fair value of the fund's investments. The proportion of our management fees that are based on NAV depends on the number and type of funds in existence. For the year ended December 31, 2018 , the fund management fees that were recognized based on the NAV of the applicable funds was approximately 26% .

Publicly Traded Securities

Our investment funds and KKR's balance sheet hold certain investments in portfolio companies whose securities are publicly traded. The market prices of securities may be volatile and are likely to fluctuate due to a number of factors beyond our control. These factors include actual or anticipated fluctuations in the quarterly and annual results of such companies or of other companies in the industries in which they operate, market perceptions concerning the availability of additional securities for sale, general economic, social or political developments, industry conditions, changes in government regulation, shortfalls in operating results from levels forecasted by securities analysts, the general state of the securities markets and other material events, such as significant management changes, re-financings, acquisitions, and dispositions. In addition, although a substantial portion of our investments are comprised of investments in portfolio companies whose securities are not publicly traded, the value of these privately held investments may also fluctuate as our Level III investments are valued in part using a market comparables analysis. Consequently, due to similar factors beyond our control as described above for portfolio companies whose securities are publicly traded, the value of these Level III investments may fluctuate with market prices. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Environment."

Exchange Rate Risk

Our investment funds, CLO vehicles, and KKR's balance sheet hold investments denominated in currencies other than the U.S. dollar. Those investments expose us and our fund investors to the risk that the value of the investments will be affected by changes in exchange rates between the currency in which the investments are denominated and the currency in which the investments are made. Additionally, a portion of our management fees are denominated in non-U.S. dollar currencies. Our policy is to reduce these risks by employing hedging techniques, including using foreign currency options and foreign exchange forward contracts to reduce exposure to future changes in exchange rates when a meaningful amount of capital has been invested in currencies other than the currencies in which the investments are denominated.

Our primary exposure to exchange rate risk relates to movements in the value of exchange rates between the U.S. dollar and other currencies in which our investments are denominated (including euros, British pounds, Japanese yen, among others), net of the impact of foreign exchange hedging strategies. The quantitative information that follows represents the impact that a reduction to each of the income streams shown below would have on net income attributable to KKR & Co. Inc. before income taxes. The actual impact to individual line items within the statements of operations would differ from the amounts shown below as a result of (i) the inclusion of amounts attributable to KKR Holdings in individual line items within the consolidated statement of operations, (ii) the elimination of carried interest as a result of the consolidation of certain investment funds, and (iii) the gross-up of net gains (losses) from investment activities, in each case as a result of the consolidation of certain investment funds and CLO vehicles.

We estimate that an immediate, hypothetical 10% decline in the exchange rates between the U.S. dollar and all of the major foreign currencies in which our investments were denominated as of December 31, 2018 (i.e. an increase in the value of the U.S. dollar against these foreign currencies) would result in declines in net income attributable to KKR & Co. Inc. before income taxes in 2019 from reductions in the following items, net of the impact of foreign exchange hedging strategies, if not offset by other factors:

	Carried Interest, Net of Carry Pool Allocation	Net Gains/(Losses) From Investment Activities Including General Partner Capital Interest
	($ in thousands)	
10% Decline in Foreign Currencies Against the U.S. Dollar [1]	$ 47,029 [2]	$ 54,787 [2]

(1) An immediate, hypothetical 10% decline in exchange rates between the U.S. dollar and all of the major foreign currencies in which our investments were denominated would only marginally impact our ability to earn incentive fees since the majority of our funds in which we are entitled to earn incentive fees are denominated in U.S. dollars. Additionally, the impact on our management fees that are denominated in non-US dollar currencies considering the impact of foreign exchange hedging strategies employed would not be expected to be material.

(2) Decrease would impact our statement of operations in a single quarter. With respect to carried interest, for purposes of this analysis the impact of preferred returns are ignored.

Interest Rate Risk

Valuation of Investments

Changes in credit markets and in particular, interest rates, can impact investment valuations, particularly our Level III investments, and may have offsetting results depending on the valuation methodology used. For example, we typically use a discounted cash flow analysis as one of the methodologies to ascertain the fair value of our investments that do not have readily observable market prices. If applicable interest rates rise, then the assumed cost of capital for those portfolio companies would be expected to increase under the discounted cash flow analysis, and this effect would negatively impact their valuations if not offset by other factors. Conversely, a fall in interest rates can positively impact valuations of certain portfolio companies if not offset by other factors. These impacts could be substantial depending upon the magnitude of the change in interest rates. In certain cases, the valuations obtained from the discounted cash flow analysis and the other primary methodology we use, the market multiples approach, may yield different and offsetting results. For example, the positive impact of falling interest rates on discounted cash flow valuations may offset the negative impact of the market multiples valuation approach and may result in less of a decline in value than for those investments that had a readily observable market price. Finally, low interest rates related to monetary stimulus and economic stagnation may also negatively impact expected returns on all investments, as the demand for relatively higher return assets increases and supply decreases.

Interest Income

We and certain consolidated funds, including CLOs, hold credit investments that generate interest income based on variable interest rates. We are exposed to interest rate risk relating to investments that generate yield since a meaningful portion of credit investments held by us and our consolidated funds, including CLOs, earn income based on variable interest rates. However, the contractual interest rate structure for a large portion of our credit investments bearing variable rates have "floors," which establish a minimum rate of interest that will be earned. In the current low interest rate environment, a large portion of the credit investments held by us and our consolidated funds, including CLOs, are earning interest marginally above the contractual floor and therefore, for these investments, a decrease in variable interest rates would not materially impact the amount of interest income earned. The impact on net income attributable to KKR & Co. Inc. resulting from a decrease of a hypothetical 100 basis points in variable interest rates used in the recognition of interest income would not be expected to be material since (i) many variable rate credit investments are subject to floors as described above and (ii) a substantial portion of this decrease would be attributable to noncontrolling interests.

Interest Expense

We and certain consolidated funds, including CLOs, have debt obligations that include revolving credit agreements, certain investment financing arrangements and debt securities issued by CLO vehicles that accrue interest at variable rates. Changes in these rates would affect the amount of interest payments that our consolidated funds, including CLOs, would have to make. With respect to consolidated funds and CLOs, the impact on net income attributable to KKR & Co. Inc. resulting from an increase of a hypothetical 100 basis points in variable interest rates used in the recognition of interest expense would not be expected to be material since a substantial portion of this increase would be attributable to noncontrolling interests. With respect to debt obligations held by KKR and not in the consolidated funds or CLOs, as of December 31, 2018 , KKR had debt obligations outstanding with an aggregate principal amount of approximately $258.5 million that accrues interest at a variable rate. Our policy is to reduce these risks by employing hedging techniques, including using interest rate swaps. The impact on net income attributable to KKR & Co. Inc. resulting from an increase of a hypothetical 100 basis points in variable interest rates used in the recognition of interest expense, net of the impact of interest rate hedging strategies, would not be expected to be material.

Credit Risk

We are party to agreements providing for various financial services and transactions that contain an element of risk in the event that the counterparties are unable to meet the terms of such agreements. In these agreements, we depend on these counterparties to make payment or otherwise perform. We generally endeavor to reduce our risk of exposure by limiting the counterparties with which we enter into financial transactions to reputable financial institutions. In addition, availability of financing from financial institutions may be uncertain due to market events, and we may not be able to access these financing markets.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statements of financial condition of KKR & Co. Inc. (formerly KKR & Co. L.P.) and its subsidiaries (the “Company”) as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows, for each of the three years in the period ended December 31, 2018, and the related notes and the financial statement schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). We also have audited the Company’s internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

Basis for Opinions

The Company’s management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

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

/s/ Deloitte & Touche LLP
New York, New York
February 15, 2019

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

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

	December 31, 2018	December 31, 2017
Assets		
Cash and Cash Equivalents	$ 1,751,287	$ 1,876,687
Cash and Cash Equivalents Held at Consolidated Entities	693,860	1,802,372
Restricted Cash and Cash Equivalents	196,365	56,302
Investments	44,907,982	39,013,934
Due from Affiliates	657,189	554,349
Other Assets	2,536,692	2,531,075
Total Assets	$ 50,743,375	$ 45,834,719
Liabilities and Equity		
Debt Obligations	$ 22,341,192	$ 21,193,859
Due to Affiliates	275,584	323,810
Accounts Payable, Accrued Expenses and Other Liabilities	2,743,990	3,654,250
Total Liabilities	25,360,766	25,171,919
Commitments and Contingencies		
Redeemable Noncontrolling Interests	1,122,641	610,540
Stockholders' Equity [(1)]		
KKR & Co. L.P. Capital - Common Unitholders (486,174,736 common units issued and outstanding as of December 31, 2017)	—	6,722,863
Preferred Units (20,000,000 units issued and outstanding as of December 31, 2017)	—	482,554
Preferred Stock (20,000,000 shares issued and outstanding as of December 31, 2018)	482,554	—
Class A Common Stock (534,857,237 shares issued and outstanding as of December 31, 2018)	5,349	—
Class B Common Stock (1 share issued and outstanding as of December 31, 2018)	—	—
Class C Common Stock (299,081,239 shares issued and outstanding as of December 31, 2018)	2,991	—
Additional Paid-In Capital	8,106,408	—
Retained Earnings	91,953	—
Accumulated Other Comprehensive Income (Loss)	(39,645)	(19,481)
Total KKR & Co. Inc. Stockholders' Equity	8,649,610	7,185,936
Noncontrolling Interests	15,610,358	12,866,324
Total Equity	24,259,968	20,052,260
Total Liabilities and Equity	$ 50,743,375	$ 45,834,719

(1) See Note 1 "Organization."

See notes to consolidated financial statements.

KKR & CO. INC.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Continued)

(Amounts in Thousands)

The following presents the portion of the consolidated balances presented in the consolidated statements of financial condition attributable to consolidated variable interest entities ("VIEs") as of December 31, 2018 and 2017. KKR's consolidated VIEs consist primarily of (i) certain collateralized financing entities ("CFEs") holding collateralized loan obligations ("CLOs") and commercial real estate mortgage-backed securities ("CMBS") and (ii) certain investment funds. With respect to consolidated VIEs, the following assets may only be used to settle obligations of these consolidated VIEs and the following liabilities are only the obligations of these consolidated VIEs. The noteholders, limited partners and other creditors of these VIEs have no recourse to KKR's general assets. Additionally, KKR has no right to the benefits from, nor does KKR bear the risks associated with, the assets held by these VIEs beyond KKR's beneficial interest therein and any income generated from the VIEs. There are neither explicit arrangements nor does KKR hold implicit variable interests that would require KKR to provide any material ongoing financial support to the consolidated VIEs, beyond amounts previously committed, if any.

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

	December 31, 2017		
	Consolidated CFEs	Consolidated KKR Funds and Other Entities	Total
Assets			
Cash and Cash Equivalents Held at Consolidated Entities	$ 1,467,829	$ 231,423	$ 1,699,252
Restricted Cash and Cash Equivalents	—	21,255	21,255
Investments	15,573,203	9,408,967	24,982,170
Due from Affiliates	—	23,562	23,562
Other Assets	176,572	168,003	344,575
Total Assets	$ 17,217,604	$ 9,853,210	$ 27,070,814
Liabilities			
Debt Obligations	$ 15,586,216	$ 770,350	$ 16,356,566
Accounts Payable, Accrued Expenses and Other Liabilities	923,494	243,660	1,167,154
Total Liabilities	$ 16,509,710	$ 1,014,010	$ 17,523,720

See notes to consolidated financial statements.

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

	For the Years Ended December 31,		
	2018	**2017**	**2016**
Revenues			
Fees and Other	$ 1,841,326	$ 1,541,604	$ 1,104,908
Capital Allocation-Based Income	554,510	2,015,676	935,110
Total Revenues	2,395,836	3,557,280	2,040,018
Expenses			
Compensation and Benefits	1,374,363	1,695,490	1,063,813
Occupancy and Related Charges	59,706	58,722	64,622
General, Administrative and Other	655,408	582,480	567,039
Total Expenses	2,089,477	2,336,692	1,695,474
Investment Income (Loss)			
Net Gains (Losses) from Investment Activities	1,254,832	928,144	210,972
Dividend Income	175,154	202,115	187,853
Interest Income	1,396,532	1,242,419	1,021,809
Interest Expense	(876,029)	(808,898)	(789,953)
Total Investment Income (Loss)	1,950,489	1,563,780	630,681
Income (Loss) Before Taxes	2,256,848	2,784,368	975,225
Income Tax Expense (Benefit)	(194,098)	224,326	24,561
Net Income (Loss)	2,450,946	2,560,042	950,664
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	(37,352)	73,972	(8,476)
Net Income (Loss) Attributable to Noncontrolling Interests	1,357,235	1,467,765	649,833
Net Income (Loss) Attributable to KKR & Co. Inc.	1,131,063	1,018,305	309,307
Series A Preferred Stock Dividends	23,288	23,288	17,337
Series B Preferred Stock Dividends	10,076	10,076	4,898
Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	$ 1,097,699	$ 984,941	$ 287,072
Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock			
Basic	$ 2.14	$ 2.10	$ 0.64
Diluted	$ 2.06	$ 1.95	$ 0.59
Weighted Average Shares of Class A Common Stock Outstanding			
Basic	514,102,571	468,282,642	448,905,126
Diluted	533,707,039	506,288,971	483,431,048

See notes to consolidated financial statements.

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

	For the Years Ended December 31,		
	2018	2017	2016
Net Income (Loss)	$ 2,450,946	$ 2,560,042	$ 950,664
Other Comprehensive Income (Loss), Net of Tax:			
Foreign Currency Translation Adjustments	(48,764)	54,654	(34,583)
Comprehensive Income (Loss)	2,402,182	2,614,696	916,081
Less: Comprehensive Income (Loss) Attributable to Redeemable Noncontrolling Interests	(37,352)	73,972	(8,476)
Less: Comprehensive Income (Loss) Attributable to Noncontrolling Interests	1,326,164	1,498,861	634,813
Comprehensive Income (Loss) Attributable to KKR & Co. Inc.	$ 1,113,370	$ 1,041,863	$ 289,744

See notes to consolidated financial statements.

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

The statements below for the years ended December 31, 2017 and 2016 and the six months ended June 30, 2018 represent KKR & Co. Inc. as a partnership prior to the Conversion:

	KKR & Co. L.P.								
	Common Units	Capital - Common Unitholders	Accumulated Other Comprehensive Income (Loss)	Total Capital - Common Units	Capital - Series A Preferred Units	Capital - Series B Preferred Units	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
Balance at January 1, 2016	457,834,875	$ 5,575,981	$ (28,799)	$ 5,547,182	$ —	$ —	$ 43,731,774	$ 49,278,956	$ 188,629
Net Income (Loss)		287,072		287,072	17,337	4,898	649,833	959,140	(8,476)
Other Comprehensive Income (Loss)- Foreign Currency Translation (Net of Tax)			(19,563)	(19,563)			(15,020)	(34,583)	
Changes in Consolidation				—			(34,240,240)	(34,240,240)	
Exchange of KKR Holdings L.P. Units and Other Securities to KKR & Co. L.P. Common Units	7,627,578	91,357	(830)	90,527			(90,527)	—	
Tax Effects Resulting from Exchange of KKR Holdings L.P. Units and Other		(1,495)	96	(1,399)				(1,399)	
Net Delivery of Common Units - Equity Incentive Plan	8,672,152	(50,515)		(50,515)				(50,515)	
Equity-Based and Other Non-Cash Compensation		186,227		186,227			78,663	264,890	
Unit Repurchases	(21,754,270)	(296,844)		(296,844)				(296,844)	
Equity Issued in connection with a Preferred Unit Offering				—	332,988	149,566		482,554	
Capital Contributions				—			2,525,635	2,525,635	479,031
Capital Distributions ($0.64 per unit)		(285,408)		(285,408)	(17,337)	(4,898)	(2,094,216)	(2,401,859)	(26,836)
Balance at December 31, 2016	452,380,335	$ 5,506,375	$ (49,096)	$ 5,457,279	$ 332,988	$ 149,566	$ 10,545,902	$ 16,485,735	$ 632,348
Net Income (Loss)		984,941		984,941	23,288	10,076	1,467,765	2,486,070	73,972
Other Comprehensive Income (Loss)- Foreign Currency Translation (Net of Tax)			23,558	23,558			31,096	54,654	
Changes in Consolidation				—			(1,682)	(1,682)	(315,057)
Transfer of interest under common control and Other (see Note 15 "Equity")		16,139	7,359	23,498			(23,498)	—	
Exchange of KKR Holdings L.P. Units and Other Securities to KKR & Co. L.P. Common Units	20,086,963	291,040	(1,979)	289,061			(289,061)	—	
Tax Effects Resulting from Exchange of KKR Holdings L.P. Units and Other		(3,469)	677	(2,792)				(2,792)	
Net Delivery of Common Units - Equity Incentive Plan	8,979,472	(58,679)		(58,679)				(58,679)	
Equity-Based and Other Non-Cash Compensation		204,308		204,308			141,727	346,035	
Common Units Issued in Connection with the Purchase of an Investment	4,727,966	94,181		94,181				94,181	
Capital Contributions				—			3,119,917	3,119,917	220,167
Capital Distributions ($0.67 per unit)		(311,973)		(311,973)	(23,288)	(10,076)	(2,125,842)	(2,471,179)	(890)
Balance at December 31, 2017	486,174,736	$ 6,722,863	$ (19,481)	$ 6,703,382	$ 332,988	$ 149,566	$ 12,866,324	$ 20,052,260	$ 610,540

See notes to consolidated financial statements.

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

	KKR & Co. L.P.								
	Common Units	Capital - Common Unitholders	Accumulated Other Comprehensive Income (Loss)	Total Capital - Common Units	Capital - Series A Preferred Units	Capital - Series B Preferred Units	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
Balance at January 1, 2018	486,174,736	$ 6,722,863	$ (19,481)	$ 6,703,382	$ 332,988	$ 149,566	$ 12,866,324	$ 20,052,260	$ 610,540
Net Income (Loss)		850,483		850,483	11,644	5,038	1,294,467	2,161,632	7,658
Other Comprehensive Income (Loss)- Foreign Currency Translation (Net of Tax)			(9,237)	(9,237)			(14,676)	(23,913)	
Changes in Consolidation				—			370,307	370,307	
Exchange of KKR Holdings L.P. Units and Other Securities to KKR & Co. L.P. Common Units	32,722,098	507,470	(1,998)	505,472			(505,472)	—	
Tax Effects Resulting from Exchange of KKR Holdings L.P. Units and Other		6,448	17	6,465				6,465	
Net Delivery of Common Units - Equity Incentive Plan	7,652,340	(53,439)		(53,439)				(53,439)	
Equity-Based and Other Non-Cash Compensation		125,994		125,994			61,942	187,936	
Unit Repurchases	(2,207,300)	(52,212)		(52,212)				(52,212)	
Capital Contributions				—			2,410,722	2,410,722	349,451
Capital Distributions ($0.34 per share)		(167,078)		(167,078)	(11,644)	(5,038)	(1,550,955)	(1,734,715)	(5,502)
Balance at June 30, 2018	524,341,874	$ 7,940,529	$ (30,699)	$ 7,909,830	$ 332,988	$ 149,566	$ 14,932,659	$ 23,325,043	$ 962,147

See notes to consolidated financial statements.

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

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

	Six Months Ended December 31, 2018	
	Amounts	**Shares**
KKR & Co. L.P. Partners' Capital - Common Unitholders		
Beginning of Period	$ 7,940,529	524,341,874
Reclassifications resulting from the Conversion	(7,940,529)	(524,341,874)
End of Period	—	—
Preferred Units		
Beginning of Period	482,554	20,000,000
Reclassifications resulting from the Conversion	(482,554)	(20,000,000)
End of Period	—	—
Preferred Stock		
Beginning of Period	—	—
Reclassifications resulting from the Conversion	482,554	20,000,000
End of Period	482,554	20,000,000
Class A Common Stock		
Beginning of Period	—	—
Reclassifications resulting from the Conversion	5,243	524,341,874
Exchange of KKR Holdings Units	65	6,428,323
Repurchases of Class A Common Stock	(53)	(5,333,251)
Net Delivery of Class A Common Stock	42	4,181,402
Class A Common Stock Issued in Connection with the Purchase of an Investment	52	5,238,889
End of Period	5,349	534,857,237
Class B Common Stock		
Beginning of Period	—	—
Issuance of Class B Common Stock resulting from the Conversion	—	1
End of Period	—	1
Class C Common Stock		
Beginning of Period	—	—
Issuance of Class C Common Stock resulting from the Conversion	3,041	304,107,762
Cancellation of Class C Common Stock	(50)	(5,026,523)
End of Period	2,991	299,081,239
Additional Paid-In Capital		
Beginning of Period	—	
Reclassifications resulting from the Conversion	7,932,245	
Exchange of KKR Holdings Units	114,958	
Tax Effects Resulting from Exchange of KKR Holdings Units and Other	(11,359)	
Net Delivery of Class A Common Stock	(45,399)	
Repurchases of Class A Common Stock	(120,877)	
Equity-Based Compensation	116,817	
Equity Issued in Connection with the Purchase of an Investment	120,023	
End of Period	8,106,408	
Retained Earnings		
Beginning of Period	—	
Net Income (Loss) Attributable to KKR & Co. Inc.	263,898	
Preferred Stock Dividends	(16,682)	
Common Stock Dividends ($0.295 per share)	(155,263)	
End of Period	91,953	

Accumulated Other Comprehensive Income (Loss)	
Beginning of Period	(30,699)
Foreign Currency Translation	(8,456)
Exchange of KKR Holdings Units to Class A Common Stock	(551)
Tax Effects Resulting from Exchange of KKR Holdings Units	61
End of Period	(39,645)
Total KKR & Co. Inc. Stockholders' Equity	8,649,610
Noncontrolling Interests (See Note 15 "Equity")	15,610,358
Total Equity	$ 24,259,968

See notes to consolidated financial statements.

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

	For the Years Ended December 31,		
	2018	**2017**	**2016**
Operating Activities			
Net Income (Loss)	$ 2,450,946	$ 2,560,042	$ 950,664
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Equity-Based and Other Non-Cash Compensation	331,708	334,820	264,890
Net Realized (Gains) Losses on Investments	(534,652)	(38,316)	(347,097)
Change in Unrealized (Gains) Losses on Investments	(720,180)	(889,828)	136,125
Capital Allocation-Based Income	(554,510)	(2,015,676)	(935,110)
Other Non-Cash Amounts	(23,211)	(51,129)	(24,553)
Cash Flows Due to Changes in Operating Assets and Liabilities:			
Change in Consolidation and Other	45,914	1,831	(324,522)
Change in Due from / to Affiliates	(201,196)	(285,562)	(79,372)
Change in Other Assets	24,226	86,545	(555,666)
Change in Accounts Payable, Accrued Expenses and Other Liabilities	93,536	1,581,967	648,737
Investments Purchased	(35,663,033)	(39,616,120)	(20,824,349)
Proceeds from Investments	27,143,977	34,799,260	19,649,033
Net Cash Provided (Used) by Operating Activities	(7,606,475)	(3,532,166)	(1,441,220)
Investing Activities			
Purchases of Fixed Assets	(102,664)	(97,070)	(62,663)
Development of Oil and Natural Gas Properties	(2,563)	(1,052)	(2,122)
Proceeds from Sale of Oil and Natural Gas Properties	26,630	—	858
Net Cash Provided (Used) by Investing Activities	(78,597)	(98,122)	(63,927)
Financing Activities			
Preferred Stock Dividends	(33,364)	(33,364)	(22,235)
Common Stock Dividends	(322,341)	(311,973)	(285,408)
Distributions to Redeemable Noncontrolling Interests	(16,100)	(890)	(26,836)
Contributions from Redeemable Noncontrolling Interests	565,553	220,167	479,031
Distributions to Noncontrolling Interests	(3,015,655)	(2,125,842)	(2,086,577)
Contributions from Noncontrolling Interests	4,359,615	3,116,722	2,496,352
Issuance of Preferred Stock (net of issuance costs)	—	—	482,554
Net Delivery of Class A Common Stock (Equity Incentive Plan)	(98,796)	(58,679)	(50,515)
Repurchases of Class A Common Stock	(173,142)	—	(296,844)
Proceeds from Debt Obligations	17,117,987	11,657,948	7,895,320
Repayment of Debt Obligations	(11,712,014)	(9,514,558)	(5,482,133)
Financing Costs Paid	(55,812)	(9,448)	(16,847)
Net Cash Provided (Used) by Financing Activities	6,615,931	2,940,083	3,085,862
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(24,708)	79,751	(22,388)
Net Increase/(Decrease) in Cash, Cash Equivalents and Restricted Cash	(1,093,849)	(610,454)	1,558,327
Cash, Cash Equivalents and Restricted Cash, Beginning of Period	3,735,361	4,345,815	2,787,488
Cash, Cash Equivalents and Restricted Cash, End of Period	$ 2,641,512	$ 3,735,361	$ 4,345,815

See notes to consolidated financial statements.

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

	For the Years Ended December 31,		
	2018	2017	2016
Supplemental Disclosures of Cash Flow Information			
Payments for Interest	$ 788,220	$ 773,882	$ 773,032
Payments for Income Taxes	$ 148,141	$ 55,216	$ 33,526
Supplemental Disclosures of Non-Cash Investing and Financing Activities			
Equity-Based and Other Non-Cash Contributions	$ 343,443	$ 346,035	$ 264,890
Non-Cash Contributions from Noncontrolling Interests	$ —	$ 3,195	$ 29,283
Non-Cash Distributions to Noncontrolling Interests	$ —	$ —	$ (7,639)
Debt Obligations - Net Gains (Losses), Translation and Other	$ 779,529	$ (512,745)	$ 228,405
Tax Effects Resulting from Exchange of KKR Holdings L.P. Units and delivery of Class A Common Stock	$ (4,833)	$ (2,792)	$ (1,399)
Impairments of Oil and Natural Gas Properties	$ —	$ —	$ 6,191
Gain on Sale of Oil and Natural Gas Properties	$ 15,224	$ —	$ 12,286
Change in Consolidation and Other			
Investments	$ (2,251,865)	$ (75,827)	$ (35,686,489)
Due From Affiliates	$ —	$ 15,379	$ 147,427
Other Assets	$ (94,853)	$ (298,097)	$ (532,226)
Debt Obligations	$ (3,427,070)	$ 46,809	$ (2,355,305)
Due to Affiliates	$ 8,857	$ 5,021	$ 329,083
Accounts Payable, Accrued Expenses and Other Liabilities	$ 198,270	$ (114,309)	$ (129,348)
Noncontrolling Interests	$ 593,172	$ (1,682)	$ (34,240,240)
Redeemable Noncontrolling Interests	$ —	$ (315,057)	$ —
Gain on Asset Contribution	$ 312,644	$ —	$ —

	December 31, 2018	December 31, 2017	December 31, 2016
Reconciliation to the Consolidated Statements of Financial Condition			
Cash and Cash Equivalents	$ 1,751,287	$ 1,876,687	$ 2,508,902
Cash and Cash Equivalents Held at Consolidated Entities	693,860	1,802,372	1,624,758
Restricted Cash and Cash Equivalents	196,365	56,302	212,155
Cash, Cash Equivalents and Restricted Cash, End of Period	$ 2,641,512	$ 3,735,361	$ 4,345,815

See notes to consolidated financial statements.

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

1. ORGANIZATION

KKR & Co. Inc. (NYSE: KKR), together with its subsidiaries ("KKR"), is a leading global investment firm that manages multiple alternative asset classes including private equity, energy, infrastructure, real estate and credit, with strategic partners that manage hedge funds. KKR aims to generate attractive investment returns for its fund investors by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation with KKR's portfolio companies. KKR invests its own capital alongside the capital it manages for fund investors and provides financing solutions and investment opportunities through its capital markets business.

On July 1, 2018, KKR & Co. L.P. converted from a Delaware limited partnership to a Delaware corporation named KKR & Co. Inc. (the "Conversion"). Because the Conversion became effective on July 1, 2018, the prior period amounts in the accompanying consolidated financial statements as of December 31, 2017, for the years ended December 31, 2017 and 2016, and for the six months ended June 30, 2018, reflect KKR as a limited partnership and not a corporation. In this report, references to KKR & Co. Inc. for periods prior to the Conversion mean KKR & Co. L.P., and references to KKR's Class A common stock, Series A Preferred Stock and Series B Preferred Stock for periods prior to the Conversion mean common units, Series A preferred units and Series B preferred units of KKR & Co. L.P., respectively, in each case, except where the context requires otherwise. As a result of the Conversion, the financial impact to the consolidated financial statements contained herein consisted of (i) reclassifications from partnership equity accounts to equity accounts reflective of a corporation and (ii) a partial step-up in the tax basis of certain assets resulting in the recognition of a net income tax benefit. See Note 15 "Equity" for the impact of the Conversion on KKR's equity accounts and Note 11 "Income Taxes" for the impact of the Conversion on KKR's income taxes.

In connection with the Conversion, a wholly-owned subsidiary of KKR & Co. Inc., KKR Group Holdings Corp., became (i) a general partner of KKR Fund Holdings L.P. ("Fund Holdings") and KKR International Holdings L.P. ("International Holdings") and (ii) the sole stockholder of KKR Management Holdings Corp. (the general partner of KKR Management Holdings L.P. ("Management Holdings")) and KKR Fund Holdings GP Limited (the other general partner of Fund Holdings and International Holdings). In addition, certain wholly-owned subsidiaries of KKR & Co. Inc., namely KKR Group Holdings L.P. ("Group Holdings"), KKR Group Limited (the general partner of Group Holdings), KKR Subsidiary Corp. and KKR Subsidiary Partnership L.P., were either merged into another wholly-owned subsidiary of KKR & Co. Inc. or dissolved. Fund Holdings, Management Holdings and International Holdings are collectively referred to as the "KKR Group Partnerships."

KKR & Co. Inc. both indirectly controls the KKR Group Partnerships and indirectly holds Class A partner units in each KKR Group Partnership (collectively, "KKR Group Partnership Units") representing economic interests in KKR's business. The remaining KKR Group Partnership Units are held by KKR Holdings L.P. ("KKR Holdings"), which is not a subsidiary of KKR & Co. Inc. As of December 31, 2018 , KKR & Co. Inc. held approximately 64.1% of the KKR Group Partnership Units and principals through KKR Holdings held approximately 35.9% of the KKR Group Partnership Units. The percentage ownership in the KKR Group Partnerships will continue to change as KKR Holdings and/or principals exchange units in the KKR Group Partnerships for shares of Class A common stock of KKR & Co. Inc. or when KKR & Co. Inc. otherwise issues or repurchases shares of Class A common stock of KKR & Co. Inc. The KKR Group Partnerships also have outstanding equity interests that provide for the carry pool and preferred units with economic terms that mirror the preferred stock issued by KKR & Co. Inc.

The following table presents the effect of changes in the ownership interest in the KKR Group Partnerships on KKR:

	For the Years Ended December 31,		
	2018	2017	2016
Net income (loss) attributable to KKR & Co. Inc.	$ 1,131,063	$ 1,018,305	$ 309,307
Transfers from noncontrolling interests:			
Exchange of KKR Group Partnership shares held by KKR Holdings L.P. (1)	570,898	247,946	90,910
Change from net income (loss) attributable to KKR & Co. Inc. and transfers from noncontrolling interests held by KKR Holdings	**$ 1,701,961**	**$ 1,266,251**	**$ 400,217**

(1) Increase in KKR's stockholders' equity for exchange of 36,890,095 , 17,786,064 , and 7,589,190 KKR Group Partnerships units for the years ended December 31, 2018, 2017, and 2016, respectively, held by KKR Holdings L.P., inclusive of deferred taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements (referred to hereafter as the "financial statements") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

KKR consolidates the financial results of the KKR Group Partnerships and their consolidated entities, which include the accounts of KKR's investment management and capital markets companies, the general partners of certain unconsolidated investment funds, general partners of consolidated investment funds and their respective consolidated investment funds and certain other entities including CFEs. References in the accompanying financial statements to "principals" are to KKR's senior employees and non-employee operating consultants who hold interests in KKR's business through KKR Holdings.

All intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and investment income (loss) during the reporting periods. Such estimates include but are not limited to (i) the determination of the income tax provision and (ii) the valuation of investments and financial instruments. Actual results could differ from those estimates, and such differences could be material to the financial statements.

Principles of Consolidation

The types of entities KKR assesses for consolidation include (i) subsidiaries, including management companies, broker-dealers and general partners of investment funds that KKR manages, (ii) entities that have all the attributes of an investment company, like investment funds, (iii) CFEs and (iv) other entities, including entities that employ non-employee operating consultants. Each of these entities is assessed for consolidation on a case by case basis depending on the specific facts and circumstances surrounding that entity.

Pursuant to its consolidation policy, KKR first considers whether an entity is considered a VIE and therefore whether to apply the consolidation guidance under the VIE model. Entities that do not qualify as VIEs are assessed for consolidation as voting interest entities ("VOEs") under the voting interest model.

KKR's funds are, for GAAP purposes, investment companies and therefore are not required to consolidate their investments in portfolio companies even if majority-owned and controlled. Rather, the consolidated funds and vehicles reflect their investments at fair value as described below in "Fair Value Measurements."

An entity in which KKR holds a variable interest is a VIE if any one of the following conditions exist: (a) the total equity investment at risk is not sufficient to permit the legal entity to finance its activities without additional subordinated financial support, (b) the holders of the equity investment at risk (as a group) lack either the direct or indirect ability through voting rights or similar rights to make decisions about a legal entity's activities that have a significant effect on the success of the legal entity or the obligation to absorb the expected losses or right to receive the expected residual returns, or (c) the voting rights of some investors are disproportionate to their obligation to absorb the expected losses of the legal entity, their rights to receive the expected residual returns of the legal entity, or both and substantially all of the legal entity's activities either involve or are conducted on behalf of an investor with disproportionately few voting rights. Limited partnerships and other similar entities where unaffiliated limited partners have not been granted (i) substantive participatory rights or (ii) substantive rights to either dissolve the partnership or remove the general partner ("kick-out rights") are VIEs under condition (b) above. KKR's investment funds that are not CFEs (i) are generally limited partnerships, (ii) generally provide KKR with operational discretion and control and (iii) generally have fund investors with no substantive rights to impact ongoing governance and operating activities of the fund, including the ability to remove the general partner, and as such the limited partners do not hold kick-out rights. Accordingly, most of KKR's investment funds are categorized as VIEs.

KKR consolidates all VIEs in which it is the primary beneficiary. A reporting entity is determined to be the primary beneficiary if it holds a controlling financial interest in a VIE. A controlling financial interest is defined as (a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The consolidation guidance requires an analysis to determine (i) whether an entity in which KKR holds a variable interest is a VIE and (ii) whether KKR's involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (for example, management and performance related fees), would give it a controlling financial interest. Performance of that analysis requires the exercise of judgment. Fees earned by KKR that are customary and commensurate with the level of effort required to provide those services, and where KKR does not hold other economic interests in the entity that would absorb more than an insignificant amount of the expected losses or returns of the entity, would not be considered variable interests. KKR factors in all economic interests including interests held through related parties, to determine if it holds a variable interest. KKR determines whether it is the primary beneficiary of a VIE at the time it becomes involved with a VIE and reconsiders that conclusion periodically.

For entities that are determined not to be VIEs, these entities are generally considered VOEs and are evaluated under the voting interest model. KKR consolidates VOEs it controls through a majority voting interest or through other means.

The consolidation assessment, including the determination as to whether an entity qualifies as a VIE or VOE depends on the facts and circumstances surrounding each entity and therefore certain of KKR's investment funds may qualify as VIEs whereas others may qualify as VOEs.

With respect to CLOs (which are generally VIEs), in its role as collateral manager, KKR generally has the power to direct the activities of the CLO that most significantly impact the economic performance of the entity. In some, but not all cases, KKR, through its residual interest in the CLO may have variable interests that represent an obligation to absorb losses of, or a right to receive benefits from, the CLO that could potentially be significant to the CLO. In cases where KKR has both the power to direct the activities of the CLO that most significantly impact the CLO's economic performance and the obligation to absorb losses of the CLO or the right to receive benefits from the CLO that could potentially be significant to the CLO, KKR is deemed to be the primary beneficiary and consolidates the CLO.

With respect to CMBS vehicles (which are generally VIEs), KKR holds unrated and non-investment grade rated securities issued by the CMBS, which are the most subordinate tranche of the CMBS vehicle. The economic performance of the CMBS is most significantly impacted by the performance of the underlying assets. Thus, the activities that most significantly impact the CMBS economic performance are the activities that most significantly impact the performance of the underlying assets. The special servicer has the ability to manage the CMBS assets that are delinquent or in default to improve the economic performance of the CMBS. KKR generally has the right to unilaterally appoint and remove the special servicer for the CMBS and as such is considered the controlling class of the CMBS vehicle. These rights give KKR the ability to direct the activities that most significantly impact the economic performance of the CMBS. Additionally, as the holder of the most subordinate tranche, KKR is in a first loss position and has the right to receive benefits, including the actual residual returns of the CMBS, if any. In these cases, KKR is deemed to be the primary beneficiary and consolidates the CMBS vehicle.

Investments

Investments consist primarily of private equity, real assets, credit, investments of consolidated CFEs, equity method, carried interest and other investments. Investments denominated in currencies other than the entity's functional currency are valued based on the spot rate of the respective currency at the end of the reporting period with changes related to exchange rate movements reflected as a component of Net Gains (Losses) from Investment Activities in the consolidated statements of operations. Security and loan transactions are recorded on a trade date basis. Further disclosure on investments is presented in Note 4 "Investments."

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

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

Credit - Consists primarily of investments in below investment grade corporate debt securities (primarily high yield bonds and syndicated bank loans), originated, distressed and opportunistic debt, real estate mortgage loans and interests in unconsolidated CLOs.

Investments of Consolidated CFEs - Consists primarily of (i) investments in below investment grade corporate debt securities (primarily high yield bonds and syndicated bank loans) held directly by the consolidated CLOs and (ii) investments in originated, fixed-rate real estate mortgage loans held directly by the consolidated CMBS vehicles.

Real Assets - Consists primarily of investments in (i) energy related assets, principally oil and natural gas producing properties, (ii) infrastructure assets, and (iii) real estate, principally residential and commercial real estate assets and businesses.

Equity Method - Other - Consists primarily of (i) certain direct interests in operating companies in which KKR is deemed to exert significant influence under GAAP and (ii) certain interests in partnerships and joint ventures that hold private equity and real estate investments.

Equity Method - Capital Allocation-Based Income - Consists primarily of (i) the capital interest KKR holds as the general partner in certain investment funds, which are not consolidated and (ii) the carried interest component of the general partner interest, which are accounted for as a single unit of account.

Other - Consists primarily of investments in common stock, preferred stock, warrants and options of companies that are not private equity, real assets, credit or investments of consolidated CFEs.

Investments held by Consolidated Investment Funds

The consolidated investment funds are, for GAAP purposes, investment companies and reflect their investments and other financial instruments, including portfolio companies that are majority-owned and controlled by KKR's investment funds, at fair value. KKR has retained this specialized accounting for the consolidated funds in consolidation. Accordingly, the unrealized gains and losses resulting from changes in fair value of the investments and other financial instruments held by the consolidated investment funds are reflected as a component of Net Gains (Losses) from Investment Activities in the consolidated statements of operations.

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

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

Energy Investments held directly by KKR

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

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

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

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

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

Fair Value Option

For certain investments and other financial instruments, KKR has elected the fair value option. Such election is irrevocable and is applied on a financial instrument by financial instrument basis at initial recognition. KKR has elected the fair value option for certain private equity, real assets, credit, investments of consolidated CFEs, equity method - other and other financial instruments not held through a consolidated investment fund. Accounting for these investments at fair value is consistent with how KKR accounts for its investments held through consolidated investment funds. Changes in the fair value of such instruments are recognized in Net Gains (Losses) from Investment Activities in the consolidated statements of operations. Interest income on interest bearing credit securities on which the fair value option has been elected is based on stated coupon rates adjusted for the accretion of purchase discounts and the amortization of purchase premiums. This interest income is recorded within Interest Income in the consolidated statements of operations.

Equity Method

For certain investments in entities over which KKR exercises significant influence but which do not meet the requirements for consolidation and for which KKR has not elected the fair value option, KKR uses the equity method of accounting. The carrying value of equity method investments, for which KKR has not elected the fair value option, is determined based on the amounts invested by KKR, adjusted for the equity in earnings or losses of the investee allocated based on KKR's respective ownership percentage, less distributions.

For equity method investments for which KKR has not elected the fair value option, KKR records its proportionate share of the investee's earnings or losses based on the most recently available financial information of the investee, which in certain cases may lag the date of KKR's financial statements by no more than three calendar months. As of December 31, 2018 , equity method investees for which KKR reports financial results on a lag include Marshall Wace LLP ("Marshall Wace"). KKR evaluates its equity method investments for which KKR has not elected the fair value option for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable.

The carrying value of investments classified as Equity Method - Capital Allocation-Based Income approximates fair value, because the underlying investments of the unconsolidated investment funds are reported at fair value.

Financial Instruments held by Consolidated CFEs

KKR measures both the financial assets and financial liabilities of the consolidated CFEs in its financial statements using the more observable of the fair value of the financial assets and the fair value of the financial liabilities which results in KKR's consolidated net income (loss) reflecting KKR's own economic interests in the consolidated CFEs including (i) changes in the fair value of the beneficial interests retained by KKR and (ii) beneficial interests that represent compensation for services rendered.

For the consolidated CLOs, KKR has determined that the fair value of the financial assets of the consolidated CLOs is more observable than the fair value of the financial liabilities of the consolidated CLOs. As a result, the financial assets of the consolidated CLOs are being measured at fair value and the financial liabilities are being measured in consolidation as: (1) the sum of the fair value of the financial assets and the carrying value of any nonfinancial assets that are incidental to the operations of the CLOs less (2) the sum of the fair value of any beneficial interests retained by KKR (other than those that represent compensation for services) and KKR's carrying value of any beneficial interests that represent compensation for services. The resulting amount is allocated to the individual financial liabilities (other than the beneficial interests retained by KKR).

For the consolidated CMBS vehicles, KKR has determined that the fair value of the financial liabilities of the consolidated CMBS vehicles is more observable than the fair value of the financial assets of the consolidated CMBS vehicles. As a result, the financial liabilities of the consolidated CMBS vehicles are being measured at fair value and the financial assets are being measured in consolidation as: (1) the sum of the fair value of the financial liabilities (other than the beneficial interests retained by KKR), the fair value of the beneficial interests retained by KKR and the carrying value of any nonfinancial liabilities that are incidental to the operations of the CMBS vehicles less (2) the carrying value of any nonfinancial assets that are incidental to the operations of the CMBS vehicles. The resulting amount is allocated to the individual financial assets.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. Except for certain of KKR's equity method investments (see "Equity Method" above in this Note 2 "Summary of Significant Accounting Policies") and debt obligations (as described in Note 10 "Debt Obligations"), KKR's investments and other financial instruments are recorded at fair value or at amounts whose carrying values approximate fair value. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation techniques are applied. These valuation techniques involve varying levels of management estimation and judgment, the degree of which is dependent on a variety of factors.

GAAP establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices in active markets generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments and financial instruments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination of fair values, as follows:

Level I - Pricing inputs are unadjusted, quoted prices in active markets for identical assets or liabilities as of the measurement date. The types of financial instruments included in this category are publicly-listed equities and securities sold short.

Level II - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies. The types of financial instruments included in this category are credit investments, investments and debt obligations of consolidated CLO entities, convertible debt securities indexed to publicly-listed securities, less liquid and restricted equity securities and certain over-the-counter derivatives such as foreign currency option and forward contracts.

Level III - Pricing inputs are unobservable for the financial instruments and include situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. The types of financial instruments generally included in this category are private portfolio companies, real assets investments, credit investments, equity method investments for which the fair value option was elected and investments and debt obligations of consolidated CMBS entities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. KKR's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the asset.

A significant decrease in the volume and level of activity for the asset or liability is an indication that transactions or quoted prices may not be representative of fair value because in such market conditions there may be increased instances of transactions that are not orderly. In those circumstances, further analysis of transactions or quoted prices is needed, and a significant adjustment to the transactions or quoted prices may be necessary to estimate fair value.

The availability of observable inputs can vary depending on the financial asset or liability and is affected by a wide variety of factors, including, for example, the type of instrument, whether the instrument has recently been issued, whether the instrument is traded on an active exchange or in the secondary market, and current market conditions. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by KKR in determining fair value is greatest for instruments categorized in Level III. The variability and availability of the observable inputs affected by the factors described above may cause transfers between Levels I, II, and III, which KKR recognizes at the beginning of the reporting period.

Investments and other financial instruments that have readily observable market prices (such as those traded on a securities exchange) are stated at the last quoted sales price as of the reporting date. KKR does not adjust the quoted price for these investments, even in situations where KKR holds a large position and a sale could reasonably affect the quoted price.

Management's determination of fair value is based upon the methodologies and processes described below and may incorporate assumptions that are management's best estimates after consideration of a variety of internal and external factors.

Level II Valuation Methodologies

Credit Investments: These instruments generally have bid and ask prices that can be observed in the marketplace. Bid prices reflect the highest price that KKR and others are willing to pay for an instrument. Ask prices represent the lowest price that KKR and others are willing to accept for an instrument. For financial assets and liabilities whose inputs are based on bid-ask prices obtained from third party pricing services, fair value may not always be a predetermined point in the bid-ask range. KKR's policy is generally to allow for mid-market pricing and adjusting to the point within the bid-ask range that meets KKR's best estimate of fair value.

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

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

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

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

Level III Valuation Methodologies

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

Private Equity Investments: KKR generally employs two valuation methodologies when determining the fair value of a private equity investment. The first methodology is typically a market comparables analysis that considers key financial inputs and recent public and private transactions and other available measures. The second methodology utilized is typically a discounted cash flow analysis, which incorporates significant assumptions and judgments. Estimates of key inputs used in this methodology include the weighted average cost of capital for the investment and assumed inputs used to calculate terminal values, such as exit EBITDA multiples. In certain cases the results of the discounted cash flow approach can be significantly impacted by these estimates. Other inputs are also used in both methodologies. In addition, when a definitive agreement has been executed to sell an investment, KKR generally considers a significant determinant of fair value to be the consideration to be received by KKR pursuant to the executed definitive agreement.

Upon completion of the valuations conducted using these methodologies, a weighting is ascribed to each method, and an illiquidity discount is typically applied where appropriate. The ultimate fair value recorded for a particular investment will generally be within a range suggested by the two methodologies, except that the value may be higher or lower than such range in the case of investments being sold pursuant to an executed definitive agreement.

When determining the weighting ascribed to each valuation methodology, KKR considers, among other factors, the availability of direct market comparables, the applicability of a discounted cash flow analysis, the expected hold period and manner of realization for the investment, and in the case of investments being sold pursuant to an executed definitive agreement, an estimated probability of such sale being completed. These factors can result in different weightings among investments in the portfolio and in certain instances may result in up to a 100% weighting to a single methodology.

When an illiquidity discount is to be applied, KKR seeks to take a uniform approach across its portfolio and generally applies a minimum 5% discount to all private equity investments. KKR then evaluates such private equity investments to determine if factors exist that could make it more challenging to monetize the investment and, therefore, justify applying a higher illiquidity discount. These factors generally include (i) whether KKR is unable to freely sell the portfolio company or conduct an initial public offering of the portfolio company due to the consent rights of a third party or similar factors, (ii) whether the portfolio company is undergoing significant restructuring activity or similar factors and (iii) characteristics about the portfolio company regarding its size and/or whether the portfolio company is experiencing, or expected to experience, a significant decline in earnings. These factors generally make it less likely that a portfolio company would be sold or publicly offered in the near term at a price indicated by using just a market multiples and/or discounted cash flow analysis, and these factors tend to reduce the number of opportunities to sell an investment and/or increase the time horizon over which an investment may be monetized. Depending on the applicability of these factors, KKR determines the amount of any incremental illiquidity discount to be applied above the 5% minimum, and during the time KKR holds the investment, the illiquidity discount may be increased or decreased, from time to time, based on changes to these factors. The amount of illiquidity discount applied at any time requires considerable judgment about what a market participant would consider and is based on the facts and circumstances of each individual investment. Accordingly, the illiquidity discount ultimately considered by a market participant upon the realization of any investment may be higher or lower than that estimated by KKR in its valuations.

In the case of growth equity investments, enterprise values may be determined using the market comparables analysis and discounted cash flow analysis described above. A scenario analysis may also be conducted to subject the estimated enterprise values to a downside, base and upside case, which involves significant assumptions and judgments. A milestone analysis may also be conducted to assess the current level of progress towards value drivers that we have determined to be important, which involves significant assumptions and judgments. The enterprise value in each case may then be allocated across the investment's capital structure to reflect the terms of the security and subjected to probability weightings. In certain cases, the values of growth equity investments may be based on recent or expected financings.

Real Asset Investments: Real asset investments in infrastructure, energy and real estate are valued using one or more of the discounted cash flow analysis, market comparables analysis and direct income capitalization, which in each case incorporates significant assumptions and judgments.

Infrastructure investments are generally valued using the discounted cash flow analysis. Key inputs used in this methodology can include the weighted average cost of capital and assumed inputs used to calculate terminal values, such as exit EBITDA multiples.

Energy investments are generally valued using a discounted cash flow approach, and where applicable, a market approach using comparable companies and transactions. Key inputs used in our valuations include (i) the weighted average cost of capital, (ii) future commodity prices, as quoted on indices and long-term commodity price forecasts and (iii) the asset’s future operating performance.

Real estate investments are generally valued using a combination of direct income capitalization and discounted cash flow analysis. Certain real estate investments are valued by KKR based on ranges of valuations determined by an independent valuation firm. Key inputs used in such methodologies that require estimates include an unlevered discount rate and current capitalization rate. The valuations of real assets investments also use other inputs.

Credit Investments: Credit investments are valued using values obtained from dealers or market makers, and where these values are not available, credit investments are generally valued by KKR based on ranges of valuations determined by an independent valuation firm. Valuation models are based on discounted cash flow analyses, for which the key inputs are determined based on market comparables, which incorporate similar instruments from similar issuers.

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

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

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

Revenues

For the years ended December 31, 2018 , 2017 , and 2016, respectively, revenues consisted of the following:

	For the Years Ended December 31,		
	2018	**2017**	**2016**
Management Fees	$ 724,558	$ 700,245	$ 619,243
Fee Credits	(231,943)	(257,401)	(128,707)
Transaction Fees	988,954	783,952	350,091
Monitoring Fees	87,545	82,238	65,418
Incentive Fees	14,038	4,601	8,709
Expense Reimbursements	146,989	121,927	81,549
Oil and Gas Revenue	51,465	63,460	65,754
Consulting Fees	59,720	42,582	42,851
Total Fees and Other	1,841,326	1,541,604	1,104,908
Carried Interest	441,529	1,740,661	803,185
General Partner Capital Interest	112,981	275,015	131,925
Total Capital Allocation-Based Income	554,510	2,015,676	935,110
Total Revenues	**$ 2,395,836**	**$ 3,557,280**	**$ 2,040,018**

Fees and Other

Fees and Other, as detailed above, are accounted for as contracts with customers. Under the guidance for contracts with customers, KKR is required to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract and (e) recognize revenue when (or as) KKR satisfies its performance obligation. In determining the transaction price, KKR has included variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved.

The following table summarizes KKR's revenues from contracts with customers:

Revenue Type	Customer	Performance Obligation	Performance Obligation Satisfied Over Time or Point In Time [(1)]	Variable or Fixed Consideration	Payment Terms	Subject to Return Once Recognized	Classification of Uncollected Amounts [(2)]
Management Fees	Investment funds, CLOs and other vehicles	Investment management services	Over time as services are rendered	Variable consideration since varies based on fluctuations in the basis of the management fee over time	Typically quarterly or annually in arrears	No	Due from Affiliates
Transaction Fees	Portfolio companies and third party companies	Advisory services and debt and equity arranging and underwriting	Point in time when the transaction (e.g. underwriting) is completed	Fixed consideration	Typically paid on or shortly after transaction closes	No	Due from Affiliates (portfolio companies) Other Assets (third parties)
Monitoring Fees							
Recurring Fees	*Portfolio companies*	*Monitoring services*	*Over time as services are rendered*	*Variable consideration since varies based on fluctuations in the basis of the recurring fee*	*Typically quarterly in arrears*	*No*	*Due from Affiliates*
Termination Fees	*Portfolio companies*	*Monitoring services*	*Point in time when the termination is completed*	*Fixed consideration*	*Typically paid on or shortly after termination occurs*	*No*	*Due from Affiliates*
Incentive Fees	Investment funds and other vehicles	Investment management services that result in achievement of minimum investment return levels	Point in time at the end of the performance measurement period (quarterly or annually) if investment performance is achieved	Variable consideration since contingent upon the investment fund and other vehicles achieving more than stipulated investment return hurdles	Typically paid shortly after the end of the performance measurement period	No	Due from Affiliates
Expense Reimbursements	Investment funds and portfolio companies	Investment management and monitoring services	Point in time when the related expense is incurred	Fixed consideration	Typically shortly after expense is incurred	No	Due from Affiliates
Oil and Gas Revenues	Oil and gas wholesalers	Delivery of oil liquids and gas	Point in time when delivery has occurred and title has transferred	Fixed consideration	Typically shortly after delivery	No	Other Assets
Consulting Fees	Portfolio companies and other companies	Consulting and other services	Over time as services are rendered	Fixed consideration	Typically quarterly in arrears	No	Due from Affiliates

(1) For performance obligations satisfied at a point in time, there were no significant judgments made in evaluating when a customer obtains control of the promised service.

(2) For amounts classified in Other Assets, see Note 8 "Other Assets and Accounts Payable, Accrued Expenses and Other Liabilities." For amounts classified in Due from Affiliates, see Note 13 "Related Party Transactions."

Management Fees

KKR provides investment management services to investment funds, CLOs, and other vehicles in exchange for a management fee. Management fees are determined quarterly based on an annual rate and are generally based upon a percentage of the capital committed or capital invested during the investment period. Thereafter, management fees are generally based on a percentage of remaining invested capital, net asset value, gross assets or as otherwise defined in the respective contractual agreements. Since some of the factors that cause the fees to fluctuate are outside of KKR's control, management fees are considered to be constrained and are therefore not included in the transaction price. Additionally, after the contract is established there are no significant judgments made when determining the transaction price.

Management fees earned from private equity funds generally range from 1.5% to 2% of committed capital during the fund's investment period and are generally 0.75% to 1.25% of invested capital after the expiration of the fund's investment period with subsequent reductions over time. Typically, an investment period is defined as a period of up to six years. The actual length of the investment period is often shorter due to the earlier deployment of committed capital. Management fees earned from growth equity, real assets, and core investment strategy funds generally range from 1.0% to 2.0% and are generally based on the investment fund's average net asset value, capital commitments, or invested capital.

Management fees earned from credit funds and other investment vehicles in the Public Markets business line generally range from 0.25% to 1.50% . Such rates may be based on the investment fund's average net asset value, capital commitments, or invested capital. Management fees earned from CLOs include senior collateral management fees and subordinate collateral management fees. When combined, senior collateral management fees and subordinate collateral management fees are determined based on an annual rate ranging from 0.40% to 0.50% of collateral. If amounts distributable on any payment date are insufficient to pay the collateral management fees according to the priority of payments, any shortfall is deferred and payable on subsequent payment dates. For the purpose of calculating the collateral management fees, collateral, the payment dates, and the priority of payments are terms defined in the management agreements.

Management fees earned from KKR's consolidated investment funds, CLOs and other vehicles are eliminated in consolidation. However, because these amounts are funded by, and earned from, noncontrolling interests, KKR's allocated share of the net income from the consolidated investment funds, CLOs and other vehicles is increased by the amount of fees that are eliminated. Accordingly, the elimination of these fees does not impact the net income (loss) attributable to KKR or KKR stockholders' equity.

Fee Credits

Under the terms of the management agreements with certain of its investment funds, KKR is required to share with such funds an agreed upon percentage of certain fees, including monitoring and transaction fees earned from portfolio companies ("Fee Credits"). Investment funds earn Fee Credits only with respect to monitoring and transaction fees that are allocable to the fund's investment in the portfolio company and not, for example, any fees allocable to capital invested through co-investment vehicles. Fee Credits are calculated after deducting certain costs incurred in connection with pursuing potential investments that do not result in completed transactions ("broken-deal expenses") and generally amount to 80% for older funds, or 100% for newer funds, of allocable monitoring and transaction fees after broken-deal expenses are recovered, although the actual percentage may vary from fund to fund. Fee Credits are recognized and owed to investment funds concurrently with the recognition of monitoring fees, transaction fees and broken-deal expenses. Since Fee Credits are payable to investment funds, amounts owed are generally applied as a reduction of the management fee that is otherwise billed to the investment fund. Fee credits are recorded as a reduction of revenues in the consolidated statement of operations. Fee credits owed to investment funds are recorded in Due to Affiliates on the consolidated statements of financial condition (See Note 13 "Related Party Transactions").

Transaction Fees

KKR (i) arranges debt and equity financing, places and underwrites securities offerings and provides other types of capital markets services for companies seeking financing in its Capital Markets business line and (ii) provides advisory services in connection with successful Private Markets and Public Markets portfolio company investment transactions, in each case, in exchange for a transaction fee. Transaction fees are separately negotiated for each transaction and are generally based on (i) in our Capital Markets business line, a percentage of the overall transaction size and (ii) for Private Markets and Public Markets transactions, a percentage of either total enterprise value of an investment or a percentage of the aggregate price paid for an investment. After the contract is established, there are no significant judgments made when determining the transaction price.

Monitoring Fees

KKR provides services in connection with monitoring portfolio companies in exchange for a fee. Recurring monitoring fees are separately negotiated for each portfolio company. In addition, certain monitoring fee arrangements may provide for a termination payment following an initial public offering or change of control as defined in the contractual terms of the related agreement. These termination payments are recognized in the period when the related transaction closes. After the contract is established, there are no significant judgments made when determining the transaction price.

Incentive Fees

KKR provides investment management services to certain investment funds, CLOs and other vehicles in exchange for a management fee as discussed above and, in some cases an incentive fee when KKR is not entitled to a carried interest. Incentive fee rates generally range from 5% to 20% of investment gains. Incentive fees are considered a form of variable consideration as these fees are subject to reversal, and therefore the recognition of such fees is deferred until the end of each fund's measurement period (which is generally one year) when the performance-based incentive fees become fixed and determinable. Incentive fees are generally paid within 90 days of the end of the investment vehicles' measurement period. After the contract is established, there are no significant judgments made when determining the transaction price.

Expense Reimbursements

Providing investment management services to investment funds and monitoring KKR's portfolio companies require KKR to arrange for services on behalf of them. In those situations where KKR is acting as an agent on behalf of its investment funds or portfolio companies, it presents the cost of services on a net basis as a reduction of Revenues. In all other situations, KKR is primarily responsible for fulfilling the services and is therefore acting as a principal for those arrangements for accounting purposes. As a result, the expense and related reimbursement associated with those services is presented on a gross basis. Costs incurred are classified as Expenses and reimbursements of such costs are classified as Expense Reimbursements within Revenues on the consolidated statements of operations. After the contract is established, there are no significant judgments made when determining the transaction price.

Oil and Gas Revenue

KKR directly holds certain working and royalty interests in oil and natural gas producing properties that are not held through investment funds. Oil and gas revenue is recognized when the performance obligation is satisfied, which occurs at the point in time when control of the product transfers to the customer. Performance obligations are typically satisfied through the monthly delivery of production. Revenue is recognized based on KKR's proportionate share of production from non-operated properties as marketed by the operator. After the contract is established, there are no significant judgments made when determining the transaction price.

Consulting Fees

Certain consolidated entities that employ non-employee operating consultants provide consulting and other services to portfolio companies and other companies in exchange for a consulting fee. Consulting fees are separately negotiated with each portfolio company for which services are provided and are not shared with KKR. After the contract is established, there are no significant judgments made when determining the transaction price.

Capital Allocation-Based Income

Capital allocation-based income is earned from those arrangements where KKR has a general partner capital interest and is entitled to a disproportionate allocation of investment income (referred to hereafter as "carried interest"). KKR accounts for its general partner interests in capital allocation-based arrangements as financial instruments under ASC 323, Investments - Equity Method and Joint Ventures ("ASC 323") since the general partner has significant governance rights in the investment funds in which it invests, which demonstrates significant influence. In accordance with ASC 323, KKR records equity method income based on the proportionate share of the income of the investment fund, including carried interest, assuming the investment fund was liquidated as of each reporting date pursuant to each investment fund's governing agreements. Accordingly, these general partner interests are accounted for outside of the scope of ASC 606. Other arrangements surrounding contractual incentive fees through an advisory contract are separate and distinct and accounted for in accordance with ASC 606. In these incentive fee arrangements, accounted for in accordance with ASC 606, KKR's economics in the entity do not involve an allocation of capital. See "Incentive Fees" above.

Carried interest is allocated to the general partner based on cumulative fund performance to date, and where applicable, subject to a preferred return to the funds' limited partners. At the end of each reporting period, KKR calculates the carried interest that would be due to KKR for each investment fund, pursuant to the fund agreements, as if the fair value of the underlying investments were realized as of such date, irrespective of whether such amounts have been realized. As the fair value of underlying investments varies between reporting periods, it is necessary to make adjustments to amounts recorded as carried interest to reflect either (a) positive performance resulting in an increase in the carried interest allocated to the general partner or (b) negative performance that would cause the amount due to KKR to be less than the amount previously recognized, resulting in a negative adjustment to carried interest allocated to the general partner. In each case, it is necessary to calculate the carried interest on cumulative results compared to the carried interest recorded to date and to make the required positive or negative adjustments. KKR ceases to record negative carried interest allocations once previously recognized carried interest allocations for an investment fund have been fully reversed. KKR is not obligated to make payments for guaranteed returns or hurdles and, therefore, cannot have negative carried interest over the life of an investment fund. Accrued but unpaid carried interest as of the reporting date is reflected in Investments in the consolidated statements of financial condition.

Prior to January 1, 2018, to the extent an investment fund was not consolidated, KKR accounted for carried interest within Fees and Other separately from its general partner capital interest, which was included in Net Gains (Losses) from Investment Activities in the consolidated statements of operations. Effective January 1, 2018, the carried interest component of the general partner interest and the capital interest KKR holds in its investment funds as the general partner are accounted for as a single unit of account and reported in capital allocation-based income within Revenues in the consolidated statements of operations. This change in accounting principle has been applied on a full retrospective basis. For the years ended December 31, 2017 and 2016 $1,740.7 million and $803.2 million were reclassified from Fees and Other, respectively, to Capital Allocation-Based Income in the consolidated statements of operations. For the years ended December 31, 2017 and 2016, $275.0 million and $131.9 million were reclassified from Net Gains (Losses) from Investment Activities, respectively, to Capital Allocation-Based Income in the consolidated statements of operations. KKR has concluded that investments made alongside its fund investors in investment funds which entitle KKR to a carried interest represent equity method investments that are not in the scope of the amended revenue recognition guidance.

Compensation and Benefits

Compensation and Benefits expense includes (i) cash compensation consisting of salaries, bonuses, and benefits, (ii) equity based compensation consisting of charges associated with the vesting of equity-based awards (see Note 12 "Equity Based Compensation") and (iii) carry pool allocations and other performance-based income compensation.

All KKR employees and employees of certain consolidated entities receive a base salary that is paid by KKR or its consolidated entities, and is accounted for as Compensation and Benefits expense in the consolidated statements of operations. These employees are also eligible to receive discretionary cash bonuses based on performance, overall profitability and other matters. While cash bonuses paid to most employees are borne by KKR and certain consolidated entities and result in customary compensation and benefits expense, certain cash bonuses that are paid to certain of KKR's principals can be borne by KKR Holdings. These bonuses are funded with distributions that KKR Holdings receives on KKR Group Partnership Units held by KKR Holdings but are not then passed on to holders of unvested units of KKR Holdings. Because KKR principals are not entitled to receive distributions on units that are unvested, any amounts allocated to principals in excess of a principal's vested equity interests are reflected as employee compensation and benefits expense. These compensation charges are currently recorded based on the amount of cash expected to be paid by KKR Holdings.

Carry Pool Allocation

With respect to KKR's active and future funds and co-investment vehicles that provide for carried interest, KKR allocates to its employees and employees of certain consolidated entities a portion of the carried interest earned in relation to these funds as part of its carry pool. KKR currently allocates 40% or 43% , as applicable, of the carry it earns from these funds and vehicles to its carry pool. These amounts are accounted for as compensatory profit-sharing arrangements in Accounts Payable, Accrued Expenses and Other Liabilities within the accompanying consolidated statements of financial condition in conjunction with the related carried interest income or incentive fees and recorded as compensation expense.

Profit Sharing Plan

KKR provides certain profit sharing programs for KKR employees and other eligible personnel. In particular, KKR provides a 401(k) plan for eligible employees in the United States. For certain professionals who are participants in the 401(k) plan, KKR may, in its discretion, contribute an amount after the end of the plan year. For the years ended December 31, 2018, 2017 and 2016, KKR incurred expenses of $9.5 million , $8.2 million and $8.0 million , respectively, in connection with the 401(k) plan and other profit sharing programs.

General, Administrative and Other

General, administrative and other expense consists primarily of professional fees paid to legal advisors, accountants, advisors and consultants, insurance costs, travel and related expenses, communications and information services, depreciation and amortization charges, expenses (including impairment charges) incurred by oil and gas-producing entities that are consolidated, broken-deal expenses, and other general operating expenses. A portion of these general administrative and other expenses, in particular broken-deal expenses, are borne by fund investors.

Investment Income

Investment income consists primarily of the net impact of:

(i) Realized and unrealized gains and losses on investments, securities sold short, derivatives and debt obligations of consolidated CFEs which are recorded in Net Gains (Losses) from Investment Activities. Upon disposition of an investment, previously recognized unrealized gains or losses are reversed and a realized gain or loss is recognized.

(ii) Foreign exchange gains and losses relating to mark-to-market activity on foreign exchange forward contracts, foreign currency options and foreign denominated debt which are recorded in Net Gains (Losses) from Investment Activities.

(iii) Dividends, which are recognized on the ex-dividend date, or, in the absence of a formal declaration of a record date, on the date it is received.

(iv) Interest income, which is recognized as earned.

(v) Interest expense, which is recognized as incurred.

Income Taxes

KKR & Co. Inc. is a corporation for U.S. federal income tax purposes and thus is subject to U.S. federal, state and local corporate income taxes at the entity level on KKR's share of net taxable income. In addition, the KKR Group Partnerships and certain of their subsidiaries operate in the United States as partnerships for U.S. federal income tax purposes and as corporate entities in certain non-U.S. jurisdictions. These entities, in some cases, are subject to U.S. state or local income taxes or non-U.S. income taxes.

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

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

Deferred Income Taxes

Income taxes are accounted for using the asset and liability method of accounting. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis, using tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred assets and liabilities of a change in tax rates is recognized in the consolidated statements of operations in the period when the change is enacted.

Deferred tax assets, which are recorded in Other Assets within the statement of financial condition, are reduced by a valuation allowance when, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. When evaluating the realizability of the deferred tax assets, all evidence, both positive and negative, is considered. Items considered when evaluating the need for a valuation allowance include the ability to carry back losses, future reversals of existing temporary differences, tax planning strategies, and expectations of future earnings.

For a particular tax-paying component of an entity and within a particular tax jurisdiction, deferred tax assets and liabilities are offset and presented as a single amount within Other Assets or Accounts Payable, Accrued and Other Liabilities, as applicable, in the accompanying statements of financial condition.

2017 Tax Act

The Tax Cuts and Jobs Act, which was enacted in December 2017 (the "2017 Tax Act") made various changes to the U.S. tax code that include, but are not limited to, (1) reducing the U.S. federal corporate income tax rate to 21% effective January 1, 2018 and (2) requiring a one-time transition tax on certain un-repatriated earnings of foreign subsidiaries.

See Note 11 "Income Taxes" for further information on the financial statement impact of the 2017 Tax Act.

Uncertain Tax Positions

KKR analyzes its tax filing positions in all of the U.S. federal, state and local tax jurisdictions and foreign tax jurisdictions where it is required to file income tax returns, as well as for all open tax years in these jurisdictions. If, based on this analysis, KKR determines that uncertainties in tax positions exist, a reserve is established. The reserve for uncertain tax positions is recorded in Accounts Payable, Accrued and Other Liabilities in the accompanying statements of financial condition. KKR recognizes accrued interest and penalties related to uncertain tax positions within the provision for income taxes in the consolidated statements of operations.

KKR records uncertain tax positions on the basis of a two-step process: (a) determination is made whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position and (b) those tax positions that meet the more-likely-than-not threshold are recognized as the largest amount of tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

Cash and Cash Equivalents

KKR considers all highly liquid short-term investments with original maturities of 90 days or less when purchased to be cash equivalents.

Cash and Cash Equivalents Held at Consolidated Entities

Cash and cash equivalents held at consolidated entities represents cash that, although not legally restricted, is not available to fund general liquidity needs of KKR as the use of such funds is generally limited to the investment activities of KKR's investment funds and CFEs.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents primarily represent amounts that are held by third parties under certain of KKR's financing and derivative transactions. The duration of this restricted cash generally matches the duration of the related financing or derivative transaction.

Due from and Due to Affiliates

KKR considers its principals and their related entities, unconsolidated investment funds and the portfolio companies of its funds to be affiliates for accounting purposes. Receivables from and payables to affiliates are recorded at their current settlement amount.

Fixed Assets, Depreciation and Amortization

Fixed assets consist primarily of corporate real estate, leasehold improvements, furniture and computer hardware. Such amounts are recorded at cost less accumulated depreciation and amortization and are included in Other Assets within the accompanying consolidated statements of financial condition. Depreciation and amortization are calculated using the straight-line method over the assets' estimated economic useful lives, which for leasehold improvements are the lesser of the lease terms or the life of the asset, and three to seven years for other fixed assets.

Freestanding Derivatives

Freestanding derivatives are instruments that KKR and certain of its consolidated funds have entered into as part of their overall risk management and investment strategies. These derivative contracts are not designated as hedging instruments for accounting purposes. Such contracts may include forward, swap and option contracts related to foreign currencies and interest rates to manage foreign exchange risk and interest rate risk arising from certain assets and liabilities. All derivatives are recognized in Other Assets or Accounts Payable, Accrued Expenses and Other Liabilities and are presented on a gross basis in the consolidated statements of financial condition and measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. KKR's derivative financial instruments contain credit risk to the extent that its counterparties may be unable to meet the terms of the agreements. KKR attempts to reduce this risk by limiting its counterparties to major financial institutions with strong credit ratings.

Intangible Assets

Intangible assets consist primarily of contractual rights to earn future fee income, including management and incentive fees, and are recorded in Other Assets in the accompanying consolidated statements of financial condition. Identifiable finite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives and amortization expense is included within General, Administrative and Other in the accompanying consolidated statements of operations. Intangible assets are reviewed for impairment when circumstances indicate impairment may exist.

Goodwill

Goodwill represents the excess of acquisition cost over the fair value of net tangible and intangible assets acquired in connection with an acquisition. Goodwill is assessed for impairment annually in the third quarter of each fiscal year or more frequently if circumstances indicate impairment may have occurred. Goodwill is recorded in Other Assets in the accompanying consolidated statements of financial condition.

Securities Sold Short

Whether part of a hedging transaction or a transaction in its own right, securities sold short represent obligations of KKR to deliver the specified security at the contracted price at a future point in time, and thereby create a liability to repurchase the security in the market at the prevailing prices. The liability for such securities sold short, which is recorded in Accounts Payable, Accrued Expenses and Other Liabilities in the statement of financial condition, is marked to market based on the current fair value of the underlying security at the reporting date with changes in fair value recorded as unrealized gains or losses in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. These transactions may involve market risk in excess of the amount currently reflected in the accompanying consolidated statements of financial condition.

Comprehensive Income (Loss)

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances, excluding those resulting from contributions from and distributions to owners. In the accompanying consolidated financial statements, comprehensive income is comprised of (i) Net Income (Loss), as presented in the consolidated statements of operations and (ii) net foreign currency translation.

Foreign Currency

Consolidated entities which have a functional currency that differs from KKR's reporting currency are primarily KKR's investment management and capital markets companies located outside the United States and certain CFEs. Foreign currency denominated assets and liabilities are translated using the exchange rates prevailing at the end of each reporting period. Results of foreign operations are translated at the weighted average exchange rate for each reporting period. Translation adjustments are included as a component of accumulated other comprehensive income (loss) until realized. Foreign currency income or expenses resulting from transactions outside of the functional currency of a consolidated entity are recorded as incurred in general, administrative and other expense in the consolidated statements of operations.

Recently Issued Accounting Pronouncements

Adopted in 2018

Revenue from Contracts with Customers

The FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09") in May 2014 and subsequently issued several amendments to the standard. ASU 2014-09, and related amendments, provide comprehensive guidance for recognizing revenue from contracts with customers. Entities will be able to recognize revenue when the entity transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The guidance includes a five-step framework that requires an entity to: (i) identify the contracts with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contracts and (v) recognize revenue when the entity satisfies a performance obligation. The guidance in ASU 2014-09, and the related amendments, is effective for KKR beginning on January 1, 2018, and KKR adopted this guidance on that date. KKR has concluded that its Fees and Other are within the scope of the amended revenue recognition guidance. Additionally, KKR has concluded that investments made alongside its fund investors in investment funds which entitle KKR to a carried interest represent equity method investments not in the scope of the amended revenue recognition guidance. KKR has implemented ASU 2014-09 and its related amendments, and there were no changes to KKR's historical pattern of recognizing revenue. See the accounting policy for Revenues above.

Cash Flows

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which amends the guidance on the classification of certain cash receipts and payments in the statement of cash flows. The amended guidance adds or clarifies guidance on eight cash flow matters: (i) debt prepayment or debt extinguishment costs, (ii) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, (iii) contingent consideration payments made after a business combination, (iv) proceeds from the settlement of insurance claims, (v) proceeds from the settlement of corporate-owned life insurance policies, (vi) distributions received from equity method investees, (vii) beneficial interests in securitization transactions and (viii) separately identifiable cash flows and application of the predominance principle. The guidance is effective for KKR beginning on January 1, 2018, and KKR adopted this guidance on that date. This adoption did not have a material impact on KKR's consolidated statements of cash flows.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which amends the guidance to add or clarify guidance on the classification and presentation of restricted cash in the statement of cash flows. The amended guidance requires the following: (i) restricted cash and restricted cash equivalents should be included in the cash and cash-equivalents balances in the statement of cash flows; (ii) changes in restricted cash and restricted cash equivalents that result from transfers between cash, cash equivalents, and restricted cash and restricted cash equivalents should not be presented as cash flow activities in the statement of cash flows; (iii) a reconciliation between the statement of financial position and the statement of cash flows must be disclosed when the statement of financial position includes more than one line item for cash, cash equivalents, restricted cash, and restricted cash equivalents and (iv) the nature of the restrictions must be disclosed for material restricted cash and restricted cash equivalents amounts. The guidance is effective for KKR beginning on January 1, 2018, and KKR adopted this guidance on that date. Upon adoption, (i) Restricted Cash and Cash Equivalents and (ii) Cash and Cash Equivalents Held at Consolidated Entities were (a) included in the cash and cash-equivalents balances in the consolidated statements of cash flows and (b) disclosed in a reconciliation between the consolidated statements of financial condition and the consolidated statements of cash flows. This guidance has been applied on a full retrospective basis. For the years ended December 31, 2017 and 2016, $97.9 million and $121.0 million, respectively, of cash used by operating activities and $155.9 million and $1.4 million, respectively, of cash provided by investing activities were removed from net cash provided (used) by operating activities and net cash provided (used) by investing activities, respectively, and included in net increase/(decrease) in cash, cash-equivalents and restricted cash in the consolidated statements of cash flows.

Equity-Based Compensation

In May 2017, the FASB issued ASU No. 2017-09, Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting ("ASU 2017-09"), which amends the scope of modification accounting for share-based payment arrangements. ASU 2017-09 provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting. Specifically, an entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. ASU 2017-09 is effective for fiscal years and interim periods beginning after December 15, 2017. This guidance has been adopted as of January 1, 2018 and did not have a material impact to KKR.

In June 2018, the FASB issued ASU No. 2018-07, Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting ("ASU 2018-07"), which generally simplifies the accounting for share-based payments granted to nonemployees for goods and services. Under ASU 2018-07, most of the guidance on such payments to nonemployees is generally aligned with the requirements for share-based payments granted to employees. Prior to adoption of ASU 2018-07, share-based payment arrangements with employees were accounted for under ASC 718, Compensation - Stock Compensation, while nonemployee share-based payments issued for goods and services were accounted for under ASC 505-50, Equity - Equity Based Payments to Non-Employees. ASC 505-50, before the ASU's amendments, differed significantly from ASC 718. Differences included the guidance on (1) the determination of the measurement date (which generally is the date on which the measurement of equity-classified share-based payments becomes fixed), (2) the accounting for performance conditions, (3) the ability of a nonpublic entity to use certain practical expedients for measurement and (4) the accounting for share-based payments after vesting. ASU 2018-07 eliminates most of these differences. The guidance is effective for fiscal periods beginning after December 15, 2018. KKR has elected to early adopt ASU 2018-07 during the second quarter of 2018 with adjustments reflected as of January 1, 2018. Such adoption did not have a material impact to KKR.

Income Taxes

In October 2016, the FASB issued ASU No. 2016-16, Income Taxes (Topic 740): Intra-entity Transfers of Assets Other Than Inventory ("ASU 2016-16"), which removed the prohibition in ASC 740 against the immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory. ASU 2016-16 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual reporting periods. This guidance has been adopted as of January 1, 2018 and did not have a material impact to KKR.

Fair Value Measurement

In August 2018, the FASB issued ASU No. 2018-13, which changes the fair value measurement disclosure requirements. The ASU eliminates, amends and adds disclosure requirements for fair value measurements. The guidance is effective for fiscal periods beginning after December 15, 2019. KKR has elected to early adopt ASU 2018-13 in its entirety during the third quarter of 2018. Such adoption did not have a material impact to KKR.

Effective on January 1, 2019

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) which has subsequently been amended by ASU 2018-01, 2018-10, 2018-11. The guidance requires the recognition of lease assets and lease liabilities for those leases classified as operating leases under previous GAAP. The guidance retains a distinction between finance leases and operating leases. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases under previous GAAP. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly from previous GAAP. For operating leases, a lessee is required to do the following: (a) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial condition; (b) recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis and (c) classify all cash payments within operating activities in the statement of cash flows. The guidance is effective for fiscal periods beginning after December 15, 2018. Early application is permitted. The only material lease arrangements KKR is engaged in are leases of office space where KKR is the lessee under the terms of operating lease agreements. KKR is finalizing its analysis of the impact of this guidance on the financial statements and such guidance is not expected to have a material impact to KKR.

Premium Amortization on Purchased Callable Debt Securities

In March 2017, the FASB issued ASU No. 2017-08, Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities ("ASU 2017-08"). This guidance amends the amortization period for certain purchased callable debt securities held at a premium. The guidance requires the premium to be amortized to the earliest call date. The guidance does not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. ASU 2017-08 is effective for fiscal years and interim periods beginning after December 15, 2018. Early adoption is permitted and the guidance when adopted should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. KKR is currently evaluating the impact of this guidance on the financial statements.

Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income

In February 2018, the FASB issued ASU No. 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income ("ASU 2018-02"). Under ASC 740-10-45-15, the effects of changes in tax rates and laws on deferred tax balances are recorded as a component of tax expense related to continuing operations for the period in which the law was enacted, even if the assets and liabilities related to items of accumulated other comprehensive income ("OCI"). ASU 2018-02 allows entities to reclassify from accumulated OCI to retained earnings stranded tax effects related to the change in federal tax rate for all items accounted for in OCI. Entities can also elect to reclassify other stranded tax effects that relate to the 2017 Tax Act, but do not directly relate to the change in the federal tax rate. Tax effects that are stranded in OCI for other reasons may not be reclassified. In the period of adoption, entities that elect to reclassify the income tax effects of the 2017 Tax Act from accumulated OCI to retained earnings must disclose that they made such an election. Entities must also disclose a description of other income tax effects related to the 2017 Tax Act that are reclassified from accumulated OCI to retained earnings, if any. The guidance is effective for fiscal periods beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted for periods for which financial statement have not yet been issued or made available upon issuance, including in the period the 2017 Tax Act was enacted. An entity that adopts ASU 2018-02 in an annual or interim periods after the period of enactment is able to choose whether to apply the amendments retrospectively to each period in which the effect of the 2017 Tax Act is recognized or to apply the amendments in the period of adoption. KKR is currently evaluating the impact of this guidance on the financial statements.

Effective on January 1, 2020

Goodwill

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. This guidance simplifies the accounting for goodwill impairments by eliminating the second step from the goodwill impairment test. The ASU requires goodwill impairments to be measured on the basis of the fair value of a reporting unit relative to the reporting unit's carrying amount rather than on the basis of the implied amount of goodwill relative to the goodwill balance of the reporting unit. The ASU also (i) clarifies the requirements for excluding and allocating foreign currency translation adjustments to reporting units related to an entity's testing of reporting units for goodwill impairment and (ii) clarifies that an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The guidance is effective for fiscal periods beginning after December 15, 2019. Early adoption is allowed for entities as of January 1, 2017, for annual and any interim impairment tests occurring after January 1, 2017. KKR is currently evaluating the impact of this guidance on the financial statements.

Implementation Costs Incurred in a Cloud Computing Arrangement

In August 2018, the FASB issued ASU No. 2018-15, which addresses a customer’s accounting for implementation costs incurred in a cloud computing arrangement ("CCA") that is a service contract. The ASU aligns the accounting for costs incurred to implement a CCA that is a service arrangement with the guidance on capitalizing costs associated with developing or obtaining internal-use software. The guidance is effective for fiscal periods beginning after December 15, 2019. Early adoption is permitted and this ASU can be applied on either a retrospective or prospective basis. KKR is currently evaluating the impact of this guidance on the financial statements.

3. NET GAINS (LOSSES) FROM INVESTMENT ACTIVITIES

Net Gains (Losses) from Investment Activities in the consolidated statements of operations consist primarily of the realized and unrealized gains and losses on investments (including foreign exchange gains and losses attributable to foreign denominated investments and related activities) and other financial instruments, including those for which the fair value option has been elected. Unrealized gains or losses result from changes in the fair value of these investments and other financial instruments during a period. Upon disposition of an investment or financial instrument, previously recognized unrealized gains or losses are reversed and an offsetting realized gain or loss is recognized in the current period.

The following tables summarize total Net Gains (Losses) from Investment Activities for the years ended December 31, 2018, 2017 and 2016, respectively:

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

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

	For the Year Ended December 31, 2016		
	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total
Private Equity (1)	$ 306,180	$ (196,892)	$ 109,288
Credit (1)	(182,858)	87,110	(95,748)
Investments of Consolidated CFEs (1)	(258,430)	444,142	185,712
Real Assets (1)	87,512	141,886	229,398
Equity Method - Other (1)	3,830	(130,311)	(126,481)
Other Investments (1)	(646,794)	(84,444)	(731,238)
Foreign Exchange Forward Contracts and Options (2)	108,404	(7,986)	100,418
Securities Sold Short (2)	594,743	(90,607)	504,136
Other Derivatives (2)	(49,712)	70,534	20,822
Debt Obligations and Other (3)	384,222	(369,557)	14,665
Net Gains (Losses) From Investment Activities	**$ 347,097**	**$ (136,125)**	**$ 210,972**

(1) See Note 4 "Investments."

(2) See Note 8 "Other Assets and Accounts Payable, Accrued Expenses and Other Liabilities."

(3) See Note 10 "Debt Obligations."

4. INVESTMENTS

Investments consist of the following:

	December 31, 2018	December 31, 2017
Private Equity	$ 7,349,559	$ 3,301,261
Credit	9,099,135	7,621,320
Investments of Consolidated CFEs	14,733,423	15,573,203
Real Assets	3,157,954	2,302,061
Equity Method - Other	4,212,874	3,324,631
Equity Method - Capital Allocation-Based Income	3,584,415	4,132,171
Other Investments	2,770,622	2,759,287
Total Investments	**$ 44,907,982**	**$ 39,013,934**

As of December 31, 2018 and 2017, there were no investments which represented greater than 5% of total investments. The majority of the securities underlying private equity investments represent equity securities.

Equity Method

Equity method investments include (i) certain investments in KKR's investment funds which are not consolidated and (ii) certain investments in operating companies in which KKR is deemed to exert significant influence.

Under the equity method of accounting, KKR's share of earnings (losses) from equity method investments is reflected as a component of Net Gains (Losses) from Investment Activities in the consolidated statements of operations. Because the underlying investments of unconsolidated investment funds are reported at fair value, the carrying value of these equity method investments representing KKR's interests in unconsolidated funds approximates fair value. The carrying value of equity method investments in certain operating companies, in which KKR is determined to exert significant influence, is generally determined based on the amounts invested by KKR, adjusted for the equity in earnings or losses of the investee allocated based on KKR's respective ownership percentage, less distributions. In some cases, KKR has elected the fair value option to account for certain of these equity method investments. With respect to equity method investments where KKR has elected the fair value option, KKR's net income or loss associated with these investments predominantly represents fair value adjustments in the investments. Changes in estimated fair value are recorded in Net Gains (Losses) from Investment Activities in the consolidated statement of operations.

KKR evaluates each of its equity method investments to determine if any are significant as defined in the regulations promulgated by the U.S. Securities and Exchange Commission (the "SEC"). As of and for the years ended December 31, 2018, 2017, and 2016, no individual equity method investment held by KKR met the significance criteria. As such, KKR is not required to present separate financial statements for any of its equity method investments.

Investment in Marshall Wace

On November 2, 2015, KKR entered into a long-term strategic relationship with Marshall Wace and acquired a 24.9% interest in Marshall Wace through a combination of cash and Class A common stock. Subject to the exercise of a put option by Marshall Wace or a call option by KKR, at subsequent closings to occur in the second, third, and fourth years following the initial closing described above, and subject to satisfaction or waiver of certain closing conditions, including regulatory approvals, KKR may at each such closing subscribe (or be required to subscribe) for an incremental 5% equity interest. The exercise of such options would require the use of cash and/or KKR Class A common stock. KKR's investment in Marshall Wace is accounted for using the equity method of accounting.

On each of November 30, 2017 and 2018, KKR acquired an additional 5.0% interest in Marshall Wace after the exercise of the options agreed to between Marshall Wace and KKR, bringing KKR's total ownership of Marshall Wace to 34.6% , after giving effect to certain equity dilution. These acquisitions in 2017 and 2018 were funded through a combination of cash and 4,727,966 and 5,238,889 shares of Class A common stock, respectively.

Strategic BDC Partnership with FS Investments

On April 9, 2018, KKR completed a transaction to form a new strategic BDC partnership with Franklin Square Holdings, L.P. ("FS Investments") to provide investment advisory services to Corporate Capital Trust ("CCT") and Corporate Capital Trust II ("CCT II"), which are business development companies ("BDCs") that were previously advised and sub-advised, respectively, by KKR, and four BDCs that were previously advised by FS Investments. Following the closing of this transaction in April 2018, the new strategic BDC partnership, FS/KKR Advisor, LLC, began serving as the investment adviser to all six of the aforementioned BDCs .

In connection with this transaction, KKR contributed a combination of cash and intangible assets, which consisted of advisory contractual rights, in exchange for a 50% equity interest in FS/KKR Advisor, LLC. Certain of the intangible assets contributed by KKR had a carrying amount of zero. As a result, the fair value of KKR’s 50% interest in FS/KKR Advisor, LLC received in this transaction exceeded the carrying amount of the assets contributed by approximately $313 million . KKR holds a noncontrolling financial interest in FS/KKR Advisor, LLC and reports its investment in FS/KKR Advisor, LLC using the equity method of accounting.

Summarized Financial Information

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

	December 31, 2018	December 31, 2017
Total Assets	$ 93,577,773	$ 66,989,419
Total Liabilities	$ 21,296,194	$ 10,510,223
Total Equity	$ 72,281,579	$ 56,479,196

The following table shows summarized financial information relating to the statements of operations for all of KKR's equity method investments assuming 100% ownership for the years ended December 31, 2018, 2017 and 2016:

	For the Years Ended December 31,		
	2018	2017	2016
Investment Related Revenues	$ 1,679,950	$ 1,167,038	$ 1,195,404
Other Revenues	5,304,634	3,002,987	1,201,693
Investment Related Expenses	1,258,782	482,336	464,616
Other Expenses	3,602,612	2,392,965	801,342
Net Realized and Unrealized Gain/(Loss) from Investments	1,818,861	9,217,912	3,625,293
Net Income (Loss)	$ 3,942,051	$ 10,512,636	$ 4,756,432

5 . FAIR VALUE MEASUREMENTS

The following tables summarize the valuation of assets and liabilities measured and reported at fair value by the fair value hierarchy. Investments classified as Equity Method - Other, for which the fair value option has not been elected, and Equity Method - Capital Allocation-Based Income, have been excluded from the tables below.

Assets, at fair value:

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

	December 31, 2017			
	Level I	Level II	Level III	Total
Private Equity	$ 1,043,390	$ 85,581	$ 2,172,290	$ 3,301,261
Credit	—	2,482,383	5,138,937	7,621,320
Investments of Consolidated CFEs	—	10,220,113	5,353,090	15,573,203
Real Assets	50,794	—	2,251,267	2,302,061
Equity Method - Other	60,282	247,748	1,076,709	1,384,739
Other Investments	864,872	134,404	1,760,011	2,759,287
Total Investments	2,019,338	13,170,229	17,752,304	32,941,871
Foreign Exchange Contracts and Options	—	96,584	—	96,584
Other Derivatives	—	33,125	51,949 (1)	85,074
Total Assets	**$ 2,019,338**	**$ 13,299,938**	**$ 17,804,253**	**$ 33,123,529**

(1) Includes derivative assets that were valued using a third-party valuation firm. The approach used to estimate the fair value of these derivative assets was generally the discounted cash flow method, which includes consideration of the current portfolio, projected portfolio construction, projected portfolio realizations, portfolio volatility (based on the volatility, correlation, and size of each underlying asset class), and the discounting of future cash flows to the reporting date.

Notes to Consolidated Financial Statements (Continued)

Liabilities, at fair value:

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

	December 31, 2017			
	Level I	Level II	Level III	Total
Securities Sold Short	$ 692,007	$ —	$ —	$ 692,007
Foreign Exchange Contracts and Options	—	260,948	—	260,948
Unfunded Revolver Commitments	—	—	17,629 (1)	17,629
Other Derivatives	—	27,581	41,800 (2)	69,381
Debt Obligations of Consolidated CFEs	—	10,347,980	5,238,236	15,586,216
Total Liabilities	**$ 692,007**	**$ 10,636,509**	**$ 5,297,665**	**$ 16,626,181**

(1) These unfunded revolver commitments are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR's Level III credit investments.

(2) Includes options issued in connection with the acquisition of the equity interest in Marshall Wace and its affiliates in November 2015 to increase KKR's ownership interest in periodic increments. The options are valued using a Monte-Carlo simulation valuation methodology. Key inputs used in this methodology that require estimates include Marshall Wace's dividend yield, assets under management volatility and equity volatility. See Note 4 "Investments."

Notes to Consolidated Financial Statements (Continued)

The following tables summarize changes in investments and debt obligations measured and reported at fair value for which Level III inputs have been used to determine fair value for the years ended months ended December 31, 2018 and 2017, respectively:

For the Year Ended December 31, 2018

	Level III Investments							Level III Debt Obligations
	Private Equity	Credit	Investments of Consolidated CFEs	Real Assets	Equity Method - Other	Other Investments	Total	Debt Obligations of Consolidated CFEs
Balance, Beg. of Period	$ 2,172,290	$ 5,138,937	$ 5,353,090	$ 2,251,267	$ 1,076,709	$ 1,760,011	$ 17,752,304	$ 5,238,236
Transfers In / (Out) Due to Changes in Consolidation	928,217	770,677	(4,153,641)	—	—	1,065	(2,453,682)	(4,045,957)
Transfers In	—	154,255	1,000,000	—	—	38,782	1,193,037	—
Transfers Out	(52,568)	(1,030,072)	—	—	—	—	(1,082,640)	—
Asset Purchases / Debt Issuances	2,383,277	4,265,569	—	1,309,390	657,332	814,407	9,429,975	800,350
Sales / Paydowns	(142,067)	(1,932,299)	(31,280)	(545,686)	(141,806)	(350,484)	(3,143,622)	—
Settlements	—	(1,350)	—	—	—	—	(1,350)	(20,722)
Net Realized Gains (Losses)	41,614	(236,595)	13,000	55,966	(149,825)	20,745	(255,095)	—
Net Unrealized Gains (Losses)	797,820	(294,417)	(98,624)	87,017	60,612	(167,940)	384,468	(95,124)
Change in Other Comprehensive Income	—	(69,975)	—	—	—	—	(69,975)	—
Balance, End of Period	**$ 6,128,583**	**$ 6,764,730**	**$ 2,082,545**	**$ 3,157,954**	**$ 1,503,022**	**$ 2,116,586**	**$ 21,753,420**	**$ 1,876,783**
Changes in Net Unrealized Gains (Losses) Included in Net Gains (Losses) from Investment Activities related to Level III Assets and Liabilities still held as of the Reporting Date	$ 808,637	$ (197,159)	$ (98,624)	$ 68,215	$ (86,009)	$ (120,413)	$ 374,647	$ (95,124)

For the Year Ended December 31, 2017

	Level III Investments							Level III Debt Obligations
	Private Equity	Credit	Investments of Consolidated CFEs	Real Assets	Equity Method - Other	Other Investments	Total	Debt Obligations of Consolidated CFEs
Balance, Beg. of Period	$ 1,559,559	$ 3,290,361	$ 5,406,220	$ 1,807,128	$ 570,522	$ 1,767,573	$ 14,401,363	$ 5,294,741
Transfers In / (Out) Due to Changes in Consolidation	—	(41,422)	—	45,639	—	—	4,217	—
Transfers In	—	—	—	—	—	3,511	3,511	—
Transfers Out	(14,532)	(16,671)	—	—	—	(1,496)	(32,699)	—
Asset Purchases / Debt Issuances	427,914	2,545,756	—	744,273	728,338	327,144	4,773,425	—
Sales / Paydowns	(175,676)	(1,224,468)	(45,562)	(528,617)	(291,326)	(262,953)	(2,528,602)	—
Settlements	—	134,561	—	—	—	—	134,561	(45,562)
Net Realized Gains (Losses)	6,846	(97,409)	—	(18,722)	21,865	(40,098)	(127,518)	—
Net Unrealized Gains (Losses)	368,179	518,049	(7,568)	201,566	47,310	(33,670)	1,093,866	(10,943)
Change in Other Comprehensive Income	—	30,180	—	—	—	—	30,180	—
Balance, End of Period	**$ 2,172,290**	**$ 5,138,937**	**$ 5,353,090**	**$ 2,251,267**	**$ 1,076,709**	**$ 1,760,011**	**$ 17,752,304**	**$ 5,238,236**
Changes in Net Unrealized Gains (Losses) Included in Net Gains (Losses) from Investment Activities related to Level III Assets and Liabilities still held as of the Reporting Date	$ 370,136	$ 424,099	$ (7,568)	$ 147,940	$ 61,855	$ (22,904)	$ 973,558	$ (10,943)

Notes to Consolidated Financial Statements (Continued)

Total realized and unrealized gains and losses recorded for Level III assets and liabilities are reported in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations.

The following table presents additional information about valuation methodologies and significant unobservable inputs used for investments and debt obligations that are measured and reported at fair value and categorized within Level III as of December 31, 2018 :

	Fair Value December 31, 2018	Valuation Methodologies	Unobservable Input(s) (1)	Weighted Average (2)	Range	Impact to Valuation from an Increase in Input (3)
Private Equity	**$ 6,128,583**					
Private Equity	**$ 3,813,748**	Inputs to market comparables and discounted cash flow and transaction price	Illiquidity Discount	6.1%	5.0% - 15.0%	Decrease
			Weight Ascribed to Market Comparables	29.9%	0.0% - 50.0%	(4)
			Weight Ascribed to Discounted Cash Flow	67.7%	5.0% - 100.0%	(5)
			Weight Ascribed to Transaction Price	2.4%	0.0% - 90.0%	(6)
		Market comparables	Enterprise Value/LTM EBITDA Multiple	13.0x	6.1x - 18.0x	Increase
			Enterprise Value/Forward EBITDA Multiple	11.8x	4.7x - 16.1x	Increase
		Discounted cash flow	Weighted Average Cost of Capital	10.6%	5.6% - 14.1%	Decrease
			Enterprise Value/LTM EBITDA Exit Multiple	11.9x	6.0x - 15.0x	Increase
Growth Equity	**$ 2,314,835**	Inputs to market comparables, discounted cash flow and milestones	Illiquidity Discount	11.0%	10.0% - 20.0%	Decrease
			Weight Ascribed to Market Comparables	30.2%	0.0% - 100.0%	(4)
			Weight Ascribed to Discounted Cash Flow	9.8%	0.0% - 75.0%	(5)
			Weight Ascribed to Milestones	60.0%	0.0% - 100.0%	(6)
		Scenario Weighting	Base	57.9%	40.0% - 80.0%	Increase
			Downside	16.6%	5.0% - 30.0%	Decrease
			Upside	25.5%	10.0% - 45.0%	Increase
Credit	**$ 6,764,730**	Yield Analysis	Yield	8.4%	3.5% - 22.2%	Decrease
			Net Leverage	2.0x	0.5x - 33.0x	Decrease
			EBITDA Multiple	9.8x	1.1x - 37.2x	Increase
Investments of Consolidated CFEs	**$ 2,082,545** (9)					
Debt Obligations of Consolidated CFEs	**$ 1,876,783**	Discounted cash flow	Yield	6.5%	2.8% - 16.5%	Decrease
Real Assets	**$ 3,157,954** (10)					
Energy	**$ 1,677,699**	Discounted cash flow	Weighted Average Cost of Capital	10.3%	9.4% - 13.3%	Decrease
			Average Price Per BOE (8)	$43.67	$35.65 - $48.28	Increase
Real Estate	**$ 1,274,747**	Inputs to direct income capitalization and discounted cash flow	Weight Ascribed to Direct Income Capitalization	31.4%	0.0% - 100.0%	(7)
			Weight Ascribed to Discounted Cash Flow	68.6%	0.0% - 100.0%	(5)
		Direct income capitalization	Current Capitalization Rate	6.2%	3.8% - 12.0%	Decrease
		Discounted cash flow	Unlevered Discount Rate	8.4%	4.8% - 18.0%	Decrease
Equity Method - Other	**$ 1,503,022**	Inputs to market comparables, discounted cash flow and transaction price	Illiquidity Discount	9.4%	5.0% - 15.0%	Decrease
			Weight Ascribed to Market Comparables	37.4%	0.0% - 50.0%	(4)
			Weight Ascribed to Discounted Cash Flow	37.9%	0.0% - 100.0%	(5)
			Weight Ascribed to Transaction Price	24.7%	0.0% - 100.0%	(6)
		Market comparables	Enterprise Value/LTM EBITDA Multiple	11.1x	6.1x - 13.9x	Increase
			Enterprise Value/Forward EBITDA Multiple	9.8x	4.7x - 11.6x	Increase
		Discounted cash flow	Weighted Average Cost of Capital	8.6%	5.6% - 13.0%	Decrease
			Enterprise Value/LTM EBITDA Exit Multiple	10.4x	6.0x - 12.5x	Increase

	Fair Value December 31, 2018		Valuation Methodologies	Unobservable Input(s) (1)	Weighted Average (2)	Range	Impact to Valuation from an Increase in Input (3)
Other Investments	$ 2,116,586	(11)	Inputs to market comparables, discounted cash flow and transaction price	Illiquidity Discount	10.1%	5.0% - 20.0%	Decrease
				Weight Ascribed to Market Comparables	37.0%	0.0% - 100.0%	(4)
				Weight Ascribed to Discounted Cash Flow	36.8%	0.0% - 100.0%	(5)
				Weight Ascribed to Transaction Price	26.2%	0.0% - 100.0%	(6)
			Market comparables	Enterprise Value/LTM EBITDA Multiple	10.5x	1.1x - 15.2x	Increase
				Enterprise Value/Forward EBITDA Multiple	9.1x	0.9x - 12.5x	Increase
			Discounted cash flow	Weighted Average Cost of Capital	16.9%	7.2% - 30.9%	Decrease
				Enterprise Value/LTM EBITDA Exit Multiple	8.5x	6.6x - 9.4x	Increase

(1) In determining certain of these inputs, management evaluates a variety of factors including economic conditions, industry and market developments, market valuations of comparable companies and company specific developments including exit strategies and realization opportunities. Management has determined that market participants would take these inputs into account when valuing the investments and debt obligations. LTM means last twelve months and EBITDA means earnings before interest, taxes, depreciation and amortization.

(2) Inputs were weighted based on the fair value of the investments included in the range.

(3) Unless otherwise noted, this column represents the directional change in the fair value of the Level III investments that would result from an increase to the corresponding unobservable input. A decrease to the unobservable input would have the opposite effect. Significant increases and decreases in these inputs in isolation could result in significantly higher or lower fair value measurements.

(4) The directional change from an increase in the weight ascribed to the market comparables approach would increase the fair value of the Level III investments if the market comparables approach results in a higher valuation than the discounted cash flow approach and transaction price. The opposite would be true if the market comparables approach results in a lower valuation than the discounted cash flow approach and transaction price.

(5) The directional change from an increase in the weight ascribed to the discounted cash flow approach would increase the fair value of the Level III investments if the discounted cash flow approach results in a higher valuation than the market comparables approach, transaction price and direct income capitalization approach. The opposite would be true if the discounted cash flow approach results in a lower valuation than the market comparables approach, transaction price and direct income capitalization approach.

(6) The directional change from an increase in the weight ascribed to the transaction price or milestones would increase the fair value of the Level III investments if the transaction price or milestones results in a higher valuation than the market comparables and discounted cash flow approach. The opposite would be true if the transaction price or milestones results in a lower valuation than the market comparables approach and discounted cash flow approach.

(7) The directional change from an increase in the weight ascribed to the direct income capitalization approach would increase the fair value of the Level III investments if the direct income capitalization approach results in a higher valuation than the discounted cash flow approach. The opposite would be true if the direct income capitalization approach results in a lower valuation than the discounted cash flow approach.

(8) The total energy fair value amount includes multiple investments (in multiple locations throughout North America) that are held in multiple investment funds and produce varying quantities of oil, condensate, natural gas liquids, and natural gas. Commodity price may be measured using a common volumetric equivalent where one barrel of oil equivalent ("BOE"), is determined using the ratio of six thousand cubic feet of natural gas to one barrel of oil, condensate or natural gas liquids. The price per BOE is provided to show the aggregate of all price inputs for the various investments over a common volumetric equivalent although the valuations for specific investments may use price inputs specific to the asset for purposes of our valuations. The discounted cash flows include forecasted production of liquids (oil, condensate, and natural gas liquids) and natural gas with a forecasted revenue ratio of approximately 88% liquids and 12% natural gas.

(9) KKR measures CMBS investments on the basis of the fair value of the financial liabilities of the CMBS vehicle. See Note 2 "Summary of Significant Accounting Policies."

(10) Includes one Infrastructure investment for $205.5 million that was valued using a discounted cash flow analysis. The significant inputs used included the weighted average cost of capital 6.9% and the enterprise value/LTM EBITDA Exit Multiple 11.0 x.

(11) Consists primarily of investments in common stock, preferred stock, warrants and options of companies that are not private equity, real assets, credit, equity method - other or investments of consolidated CFEs.

In the table above, certain private equity investments may be valued at cost for a period of time after an acquisition as the best indicator of fair value. In addition, certain valuations of private equity investments may be entirely or partially derived by reference to observable valuation measures for a pending or consummated transaction.

The various unobservable inputs used to determine the Level III valuations may have similar or diverging impacts on valuation. Significant increases and decreases in these inputs in isolation and interrelationships between those inputs could result in significantly higher or lower fair value measurements as noted in the table above.

Notes to Consolidated Financial Statements (Continued)

6. FAIR VALUE OPTION

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

	December 31, 2018	December 31, 2017
Assets		
Private Equity	$ 2,977	$ 3,744
Credit	4,950,819	4,381,519
Investments of Consolidated CFEs	14,733,423	15,573,203
Real Assets	310,399	343,820
Equity Method - Other	1,792,190	1,384,739
Other Investments	235,012	344,996
Total	**$ 22,024,820**	**$ 22,032,021**
Liabilities		
Debt Obligations of Consolidated CFEs	$ 13,958,554	$ 15,586,216
Total	**$ 13,958,554**	**$ 15,586,216**

The following tables present the net realized and net unrealized gains (losses) on financial instruments for which the fair value option was elected for the years ended December 31, 2018, 2017 and 2016, respectively:

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

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

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Notes to Consolidated Financial Statements (Continued)

	For the Year Ended December 31, 2016		
	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total
Assets			
Private Equity	$ (245,014)	$ 238,600	$ (6,414)
Credit	(144,854)	48,922	(95,932)
Investments of Consolidated CFEs	(258,430)	444,142	185,712
Real Assets	8,835	4,159	12,994
Equity Method - Other	3,830	(127,741)	(123,911)
Other	(10,361)	(19,386)	(29,747)
Total	**$ (645,994)**	**$ 588,696**	**$ (57,298)**
Liabilities			
Debt Obligations of Consolidated CFEs	325,548	(357,321)	(31,773)
Total	**$ 325,548**	**$ (357,321)**	**$ (31,773)**

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

For the years ended December 31, 2018 , 2017 , and 2016, basic and diluted Net Income (Loss) attributable to KKR & Co. Inc. per share of Class A common stock were calculated as follows:

	For the Years Ended December 31,		
	2018	2017	2016
Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	$ 1,097,699	$ 984,941	$ 287,072
Excess of carrying value over consideration transferred on redemption of KFN 7.375% Series A LLC Preferred Shares	3,102	—	—
Net Income (Loss) Available to KKR & Co. Inc. Class A Common Stockholders	**$ 1,100,801**	**$ 984,941**	**$ 287,072**
Basic Net Income (Loss) Per Share of Class A Common Stock			
Weighted Average Shares of Class A Common Stock Outstanding - Basic	**514,102,571**	**468,282,642**	**448,905,126**
Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock - Basic	**$ 2.14**	**$ 2.10**	**$ 0.64**
Diluted Net Income (Loss) Per Share of Class A Common Stock			
Weighted Average Shares of Class A Common Stock Outstanding - Basic	514,102,571	468,282,642	448,905,126
Weighted Average Unvested Shares of Class A Common Stock and Other Exchangeable Securities	19,604,468	38,006,329	34,525,922
Weighted Average Shares of Class A Common Stock Outstanding - Diluted	**533,707,039**	**506,288,971**	**483,431,048**
Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock - Diluted	**$ 2.06**	**$ 1.95**	**$ 0.59**

Weighted Average Shares of Class A Common Stock Outstanding - Diluted primarily includes unvested equity awards that have been granted under the Amended and Restated KKR & Co. Inc. 2010 Equity Incentive Plan (the "Equity Incentive Plan") as well as exchangeable equity securities issued in connection with the acquisition of Avoca. Vesting or exchanges of these equity interests dilute KKR & Co. Inc. and KKR Holdings pro rata in accordance with their respective ownership interests in the KKR Group Partnerships.

For the years ended December 31, 2018 , 2017 , and 2016, KKR Holdings units have been excluded from the calculation of Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock - Diluted since the exchange of these units would not dilute KKR's respective ownership interests in the KKR Group Partnerships.

	For the Years Ended December 31,		
	2018	2017	2016
Weighted Average KKR Holdings Units	**314,458,757**	**344,422,095**	**357,873,788**

Additionally, for the year ended December 31, 2018 , 5.0 million shares of KKR Class A common stock subject to a market price-based vesting condition were excluded from the calculation of Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock - Diluted since the vesting conditions have not been satisfied. See Note 12 "Equity Based Compensation."

8. OTHER ASSETS AND ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

Other Assets consist of the following:

	December 31, 2018	December 31, 2017
Unsettled Investment Sales [1]	$ 101,789	$ 134,781
Receivables	27,258	138,109
Due from Broker [2]	396,512	682,403
Oil & Gas Assets, net [3]	225,256	252,371
Deferred Tax Assets, net	538,161	131,944
Interest Receivable	241,547	189,785
Fixed Assets, net [4]	451,206	364,203
Foreign Exchange Contracts and Options [5]	177,264	96,584
Intangible Assets, net [6]	9,863	129,178
Goodwill [7]	83,500	83,500
Derivative Assets	40,995	85,074
Deposits	7,299	16,330
Prepaid Taxes	69,165	83,371
Prepaid Expenses	23,551	25,677
Deferred Financing Costs	13,871	7,534
Other	129,455	110,231
Total	**$ 2,536,692**	**$ 2,531,075**

(1) Represents amounts due from third parties for investments sold for which cash settlement has not occurred.

(2) Represents amounts held at clearing brokers resulting from securities transactions.

(3) Includes proved and unproved oil and natural gas properties under the successful efforts method of accounting, which is net of impairment write-downs, accumulated depreciation, depletion and amortization. Depreciation, depletion and amortization amounted to $22.3 million , $24.7 million , and $38.9 million for the years ended December 31, 2018 , 2017, and 2016, respectively. Whenever events or changes in circumstances indicate that the carrying amounts of such oil and natural gas properties may not be recoverable, KKR evaluates its proved and unproved oil and natural gas properties and related equipment and facilities for impairment on a field-by-field basis. For the years ended December 31, 2018 and 2017, there was no impairment charge. For the year ended December 31, 2016, KKR recorded impairment charges totaling approximately $6.2 million to write down certain of its oil and natural gas properties. The impairment charge is recorded in General, Administrative and Other in the accompanying consolidated statements of operations.

(4) Net of accumulated depreciation and amortization of $113,453 and $156,859 as of December 31, 2018 and 2017, respectively. Depreciation and amortization expense of $14,993 , $15,329 , and $16,045 for the years ended December 31, 2018 , 2017, and 2016, respectively, is included in General, Administrative and Other in the accompanying consolidated statements of operations.

(5) Represents derivative financial instruments used to manage foreign exchange risk arising from certain foreign currency denominated investments. Such instruments are measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. See Note 3 "Net Gains (Losses) from Investment Activities" for the net changes in fair value associated with these instruments.

(6) Net of accumulated amortization of $63,532 and $61,348 as of December 31, 2018 and 2017, respectively. Amortization expense of $7,700 , $17,811 , and $26,387 for the years ended December 31, 2018 , 2017, and 2016, respectively, is included in General, Administrative and Other in the accompanying consolidated statements of operations.

(7) As of December 31, 2018 , the carrying value of goodwill is recorded and assessed for impairment at the reporting unit.

Notes to Consolidated Financial Statements (Continued)

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

	December 31, 2018	December 31, 2017
Amounts Payable to Carry Pool (1)	$ 922,977	$ 1,220,559
Unsettled Investment Purchases (2)	541,165	885,945
Securities Sold Short (3)	344,124	692,007
Derivative Liabilities	35,640	69,381
Accrued Compensation and Benefits	107,887	35,953
Interest Payable	212,969	168,673
Foreign Exchange Contracts and Options (4)	60,749	260,948
Accounts Payable and Accrued Expenses	130,554	152,916
Taxes Payable	24,453	35,933
Uncertain Tax Positions	66,775	58,369
Unfunded Revolver Commitments	52,066	17,629
Other Liabilities	244,631	55,937
Total	**$ 2,743,990**	**$ 3,654,250**

(1) Represents the amount of carried interest payable to principals, professionals and other individuals with respect to KKR's active funds and co-investment vehicles that provide for carried interest.

(2) Represents amounts owed to third parties for investment purchases for which cash settlement has not occurred.

(3) Represents the obligations of KKR to deliver a specified security at a future point in time. Such securities are measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. See Note 3 "Net Gains (Losses) from Investment Activities" for the net changes in fair value associated with these instruments.

(4) Represents derivative financial instruments used to manage foreign exchange risk arising from certain foreign currency denominated investments. Such instruments are measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. See Note 3 "Net Gains (Losses) from Investment Activities" for the net changes in fair value associated with these instruments.

9. VARIABLE INTEREST ENTITIES

Consolidated VIEs

KKR consolidates certain VIEs in which it is determined that KKR is the primary beneficiary as described in Note 2 "Summary of Significant Accounting Policies" and which are predominately CFEs and certain investment funds. The primary purpose of these VIEs is to provide strategy specific investment opportunities to earn investment gains, current income or both in exchange for management and performance based fees or carried interest. KKR's investment strategies for these VIEs differ by product; however, the fundamental risks have similar characteristics, including loss of invested capital and loss of management and performance based fees or carried interest. KKR does not provide performance guarantees and has no other financial obligation to provide funding to these consolidated VIEs, beyond amounts previously committed, if any.

Unconsolidated VIEs

KKR holds variable interests in certain VIEs which are not consolidated as it has been determined that KKR is not the primary beneficiary. VIEs that are not consolidated predominantly include certain investment funds sponsored by KKR.

KKR's investment strategies differ by investment fund; however, the fundamental risks have similar characteristics, including loss of invested capital and loss of management and performance based fees or carried interest. KKR's maximum exposure to loss as a result of its investments in the unconsolidated investment funds is the carrying value of such investments, including KKR's capital interest and any unrealized carried interest, which was approximately $3.6 billion at December 31, 2018 . Accordingly, disaggregation of KKR's involvement by type of unconsolidated investment fund would not provide more useful information. For these unconsolidated investment funds in which KKR is the sponsor, KKR may have an obligation as general partner to provide commitments to such investment funds. As of December 31, 2018 , KKR's commitments to these unconsolidated investment funds was $2.2 billion . KKR has not provided any financial support other than its obligated amount as of December 31, 2018 .

As of December 31, 2018 and 2017, the maximum exposure to loss, before allocations to the carry pool and noncontrolling interests, if any, for those VIEs in which KKR is determined not to be the primary beneficiary but in which it has a variable interest is as follows:

	December 31, 2018	December 31, 2017
Investments	$ 3,610,502	$ 4,417,003
Due from (to) Affiliates, net	410,489	176,131
Maximum Exposure to Loss	**$ 4,020,991**	**$ 4,593,134**

10. DEBT OBLIGATIONS

KKR enters into credit agreements and issues debt for its general operating and investment purposes. KKR consolidates and reports KFN's debt obligations which are non-recourse to KKR beyond the assets of KFN.

Certain of KKR's consolidated investment funds borrow to meet financing needs of their operating and investing activities. Fund financing facilities have been established for the benefit of certain investment funds. When an investment fund borrows from the facility in which it participates, the proceeds from the borrowings are limited for their intended use by the borrowing investment fund. KKR's obligations with respect to these financing arrangements are generally limited to KKR's pro rata equity interest in such funds.

In certain cases, KKR has majority-owned investment vehicles that make investments and purchase other assets with borrowings that are collateralized only by the investments and assets they own.

In addition, certain consolidated CFE vehicles issue debt securities to third-party investors which are collateralized by assets held by the CFE vehicle. Debt securities issued by CFEs are supported solely by the assets held at the CFEs and are not collateralized by assets of any other KKR entity. CFEs also may have warehouse facilities with banks to provide liquidity to the CFE. The CFE's debt obligations are non-recourse to KKR beyond the assets of the CFE.

KKR's borrowings consisted of the following:

	December 31, 2018			December 31, 2017		
	Financing Available	Borrowing Outstanding	Fair Value	Financing Available	Borrowing Outstanding	Fair Value
Revolving Credit Facilities:						
Corporate Credit Agreement	$ 1,000,000	$ —	$ —	$ 1,000,000	$ —	$ —
KCM Credit Agreement	451,338	—	—	487,656	—	—
KCM Short-Term Credit Agreement	750,000	—	—	750,000	—	—
Notes Issued:						
KKR Issued 6.375% Notes Due 2020 (1)	—	498,975	523,500 (14)	—	498,390	549,000 (14)
KKR Issued 5.500% Notes Due 2043 (2)	—	491,836	508,615 (14)	—	491,496	580,000 (14)
KKR Issued 5.125% Notes Due 2044 (3)	—	990,740	974,320 (14)	—	990,375	1,107,100 (14)
KKR Issued 0.509% Notes Due 2023 (4)	—	226,895	227,298 (14)	—	—	—
KKR Issued 0.764% Notes Due 2025 (5)	—	44,923	45,161 (14)	—	—	—
KKR Issued 1.595% Notes Due 2038 (6)	—	92,817	94,568 (14)	—	—	—
KFN Issued 5.500% Notes Due 2032 (7)	—	493,568	496,359	—	493,129	505,235
KFN Issued 5.200% Notes Due 2033 (8)	—	118,291	115,582	—	—	—
KFN Issued 5.400% Notes Due 2033 (9)	—	68,683	68,780	—	—	—
KFN Issued Junior Subordinated Notes (10)	—	232,142	203,135	—	236,038	201,828
Other Debt Obligations:						
Financing Facilities of Consolidated Funds and Other (11)	3,840,877	5,123,768	5,123,768	2,056,096	2,898,215	2,898,215
CLO Senior Secured Notes (12)	—	11,667,970	11,667,970	—	10,055,686	10,055,686
CLO Subordinated Notes (12)	—	413,801	413,801	—	292,294	292,294
CMBS Debt Obligations (13)	—	1,876,783	1,876,783	—	5,238,236	5,238,236
	$ 6,042,215	**$ 22,341,192**	**$ 22,339,640**	**$ 4,293,752**	**$ 21,193,859**	**$ 21,427,594**

(1) $500 million aggregate principal amount of 6.375% senior notes of KKR due 2020. Borrowing outstanding is presented net of (i) unamortized note discount and (ii) unamortized debt issuance costs of $0.7 million and $1.0 million as of December 31, 2018 and 2017 , respectively.

(2) $500 million aggregate principal amount of 5.500% senior notes of KKR due 2043. Borrowing outstanding is presented net of (i) unamortized note discount and (ii) unamortized debt issuance costs of $3.6 million and $3.7 million as of December 31, 2018 and 2017 , respectively.

(3) $1.0 billion aggregate principal amount of 5.125% senior notes of KKR due 2044. Borrowing outstanding is presented net of (i) unamortized note discount (net of premium) and (ii) unamortized debt issuance costs of $8.0 million and $8.3 million as of December 31, 2018 and 2017 , respectively.

(4) ¥25 billion (or $228.2 million) aggregate principal amount of 0.509% senior notes of KKR due 2023. Borrowing outstanding is presented net of unamortized debt issuance costs of $1.3 million as of December 31, 2018 . These senior notes are denominated in Japanese Yen ("JPY").

(5) ¥5.0 billion (or $45.6 million) aggregate principal amount of 0.764% senior notes of KKR due 2025. Borrowing outstanding is presented net of unamortized debt issuance costs of $0.7 million as of December 31, 2018 . These senior notes are denominated in JPY.

(6) ¥10.3 billion (or $94.0 million) aggregate principal amount of 1.595% senior notes of KKR due 2038. Borrowing outstanding is presented net of unamortized debt issuance costs of $1.2 million as of December 31, 2018 . These senior notes are denominated in JPY.

(7) KKR consolidates KFN and thus reports KFN's outstanding $500.0 million aggregate principal amount of 5.500% senior notes due 2032. Borrowing outstanding is presented net of (i) unamortized note discount and (ii) unamortized debt issuance costs of $4.4 million and $4.7 million as of December 31, 2018 and 2017 , respectively. These debt obligations are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR's Level III credit investments.

(8) KKR consolidates KFN and thus reports KFN's outstanding $120.0 million aggregate principal amount of 5.200% senior notes due 2033. Borrowing outstanding is presented net of unamortized debt issuance costs of $1.7 million as of December 31, 2018 . These debt obligations are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR's Level III credit investments.

(9) KKR consolidates KFN and thus reports KFN's outstanding $70.0 million aggregate principal amount of 5.400% senior notes due 2033. Borrowing outstanding is presented net of unamortized debt issuance costs of $1.3 million as of December 31, 2018 . These debt obligations are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR's Level III credit investments.

(10) KKR consolidates KFN and thus reports KFN's outstanding $258.5 million aggregate principal amount of junior subordinated notes. The weighted average interest rate is 5.0% and 3.8% and the weighted average years to maturity is 17.8 years and 19.0 years as of December 31, 2018 and 2017 , respectively. These debt obligations are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR's Level III credit investments.

(11) Amounts include (i) borrowings at consolidated investment funds relating to financing arrangements with major financial institutions, generally to enable such investment funds to make investments prior to or without receiving capital from fund limited partners and (ii) borrowings by certain majority-owned investment vehicles that are collateralized only by the investments and assets they own. The weighted average interest rate is 4.6% and 4.2% as of December 31, 2018 and 2017 , respectively. In addition, the weighted average years to maturity is 3.3 years and 3.6 years as of December 31, 2018 and 2017 , respectively.

(12) CLO debt obligations are carried at fair value and are classified as Level II within the fair value hierarchy. See Note 5 "Fair Value Measurements."

(13) CMBS debt obligations are carried at fair value and are classified as Level III within the fair value hierarchy. See Note 5 "Fair Value Measurements."

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

Revolving Credit Facilities

Corporate Credit Agreement

On December 7, 2018, Kohlberg Kravis Roberts & Co. L.P. and the KKR Group Partnerships, as borrowers, entered into and closed on an Amended and Restated Credit Agreement (the "Corporate Credit Agreement") by and among the borrowers, the other borrowers from time to time party thereto, the guarantors from time to time party thereto, the lending institutions from time to time party thereto and HSBC Bank USA, National Association, as Administrative Agent, which amended and restated in its entirety the credit agreement dated as of October 22, 2014.

The Corporate Credit Agreement provides the borrowers with a senior unsecured multicurrency revolving credit facility in an aggregate principal amount of $1.0 billion , as of the closing date, with the option to request an increase in the facility amount of up to an additional $500 million , for an aggregate principal amount of $1.5 billion , subject to certain conditions, including obtaining new or increased commitments from new or existing lenders. The credit facility is a five - year facility, scheduled to mature on December 7, 2023, with the borrowers' option to extend the maturity date, subject to the consent of the applicable lenders, and the borrowers may prepay, terminate or reduce the commitments under the credit facility at any time without penalty. Borrowings under the credit facility are available for general corporate purposes. Interest on borrowings under the credit facility will be based on either London Interbank Offered Rate (LIBOR) or Alternate Base Rate, with the applicable margin per annum based on a corporate ratings-based pricing grid ranging from 56.5 basis points to 110 basis points (for LIBOR borrowings). The borrowers have agreed to pay a facility fee on the total commitments (whether used or unused) at a rate per annum also based on a corporate ratings-based pricing grid ranging from 6 basis points to 15 basis points. Borrowings under the credit facility are guaranteed by (i) KKR & Co. Inc., (ii) any other entity (other than the borrowers) that guarantees the 2020 Senior Notes, the 2043 Senior Notes or the 2044 Senior Notes (each as defined below), and (iii) any other entity (other than the borrowers) that guarantees the JPY Notes (as defined below).

KCM Credit Agreement

KKR Capital Markets maintains a revolving credit agreement with a major financial institution (the "KCM Credit Agreement") for use in KKR's capital markets business. This financial institution also holds a noncontrolling ownership interest in our capital markets business. The KCM Credit Agreement provides for revolving borrowings of up to $500 million with a $500 million sublimit for letters of credit.

On March 30, 2016, the KCM Credit Agreement was amended to extend the maturity date from March 30, 2017 to March 30, 2021. If a borrowing is made on the KCM Credit Agreement, the interest rate will vary depending on the type of drawdown requested. If the loan is a Eurocurrency loan, it will be based on LIBOR plus the applicable margin which ranges initially between 1.25% and 2.50% , depending on the amount and nature of the loan. If the loan is an ABR Loan, it will be based on the prime rate plus the applicable margin which ranges initially between 0.25% and 1.50% depending on the amount and nature of the loan. Borrowings under this facility may only be used for KKR's capital markets business, and its only obligors are entities involved in KKR's capital markets business, and its liabilities are non-recourse to other parts of KKR's business. A facility fee ranging between 0.20% and 0.40% is also payable on the entire facility amount.

As of December 31, 2018 and 2017 , no amounts were outstanding under the KCM Credit Agreement, however various letters of credit were outstanding in the amount of $48.7 million and $12.3 million , respectively, which reduce the overall borrowing capacity of the KCM Credit Agreement.

KCM Short-Term Credit Agreement

On June 28, 2018, KKR Capital Markets Holdings L.P. and certain other capital market subsidiaries of KKR & Co. Inc. (collectively, the “KCM Borrowers”) entered into a 364 -day revolving credit agreement (the “KCM Revolver Agreement”) with the same financial institution that provides the KCM Credit Agreement, as administrative agent. The KCM Revolver Agreement provides for revolving borrowings of up to $750 million , expires on June 27, 2019, and ranks pari passu with the KCM Credit Agreement. The prior 364 -day revolving credit agreement, dated as of June 29, 2017, between the KCM Borrowers, expired according to its terms on June 28, 2018. Borrowings under the KCM Revolver Agreement may only be used to facilitate the settlement of capital markets transactions syndicated by KKR’s capital markets business. Obligations under the KCM Revolver Agreement are limited to the KCM Borrowers, which are solely entities involved in KKR’s capital markets business, and liabilities under the KCM Revolver Agreement are non-recourse to other parts of KKR.

If a borrowing is made under the KCM Revolver Agreement, the interest rate will vary depending on the type of drawdown requested. If the borrowing is a Eurocurrency loan, it will be based on a LIBOR rate plus an applicable margin ranging between 1.25% and 2.50% , depending on the duration of the loan. If the borrowing is an ABR loan, it will be based on a base rate plus an applicable margin ranging between 0.25% and 1.50% , depending on the duration of the loan. A facility fee of 0.20% is also payable on the entire facility amount.

The KCM Revolver Agreement contains customary representations and warranties, events of default, and affirmative and negative covenants, including a financial covenant providing for a maximum debt to equity ratio for the KCM Borrowers. The KCM Borrowers’ obligations under the KCM Revolver Agreement are secured by certain assets of the KCM Borrowers.

Notes Issuances

KKR Issued 6.375% Notes Due 2020

On September 29, 2010, KKR Group Finance Co. LLC, a subsidiary of KKR Management Holdings Corp., issued $500 million aggregate principal amount of 6.375% Senior Notes due 2020 (the "2020 Senior Notes"), which were issued at a price of 99.584% . The 2020 Senior Notes are unsecured and unsubordinated obligations of KKR Group Finance Co. LLC and will mature on September 29, 2020, unless earlier redeemed or repurchased. The 2020 Senior Notes are fully and unconditionally guaranteed, jointly and severally, by KKR & Co. Inc. and the KKR Group Partnerships. The guarantees are unsecured and unsubordinated obligations of the guarantors.

The 2020 Senior Notes bear interest at a rate of 6.375% per annum, accruing from September 29, 2010. Interest is payable semi-annually in arrears on March 29 and September 29 of each year.

The indenture, as supplemented by a first supplemental indenture, relating to the 2020 Senior Notes includes covenants, including limitations on KKR Group Finance Co. LLC and the guarantors' ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The indenture, as supplemented, also provides for events of default and further provides that the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding 2020 Senior Notes may declare the 2020 Senior Notes immediately due and payable upon the occurrence and during the continuance of any event of default after expiration of any applicable grace period. In the case of specified events of bankruptcy, insolvency, receivership or reorganization, the principal amount of the 2020 Senior Notes and any accrued and unpaid interest on the 2020 Senior Notes automatically becomes due and payable. All or a portion of the 2020 Senior Notes may be redeemed at the issuer's option in whole or in part, at any time, and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the 2020 Senior Notes. If a change of control repurchase event occurs, the 2020 Senior Notes are subject to repurchase by the issuer at a repurchase price in cash equal to 101% of the aggregate principal amount of the 2020 Senior Notes repurchased plus any accrued and unpaid interest on the 2020 Senior Notes repurchased to, but not including, the date of repurchase.

KKR Issued 5.500% Notes Due 2043

On February 1, 2013, KKR Group Finance Co. II LLC, a subsidiary of KKR Management Holdings Corp., issued $500 million aggregate principal amount of 5.50% Senior Notes due 2043 (the "2043 Senior Notes"), which were issued at a price of 98.856% . The 2043 Senior Notes are unsecured and unsubordinated obligations of KKR Group Finance Co. II LLC and will mature on February 1, 2043, unless earlier redeemed or repurchased. The 2043 Senior Notes are fully and unconditionally guaranteed, jointly and severally, by KKR & Co. Inc. and the KKR Group Partnerships. The guarantees are unsecured and unsubordinated obligations of the guarantors.

The 2043 Senior Notes bear interest at a rate of 5.50% per annum, accruing from February 1, 2013. Interest is payable semi-annually in arrears on February 1 and August 1 of each year.

The indenture, as supplemented by a first supplemental indenture, relating to the 2043 Senior Notes includes covenants, including limitations on KKR Group Finance Co. II LLC and the guarantors' ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The indenture, as supplemented, also provides for events of default and further provides that the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding 2043 Senior Notes may declare the 2043 Senior Notes immediately due and payable upon the occurrence and during the continuance of any event of default after expiration of any applicable grace period. In the case of specified events of bankruptcy, insolvency, receivership or reorganization, the principal amount of the 2043 Senior Notes and any accrued and unpaid interest on the 2043 Senior Notes automatically becomes due and payable. All or a portion of the 2043 Senior Notes may be redeemed at the issuer's option in whole or in part, at any time, and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the 2043 Senior Notes. If a change of control repurchase event occurs, the 2043 Senior Notes are subject to repurchase by the issuer at a repurchase price in cash equal to 101% of the aggregate principal amount of the 2043 Senior Notes repurchased plus any accrued and unpaid interest on the 2043 Senior Notes repurchased to, but not including, the date of repurchase.

KKR Issued 5.125% Notes Due 2044

On May 29, 2014, KKR Group Finance Co. III LLC, a subsidiary of KKR Management Holdings Corp., issued $500 million aggregate principal amount of 5.125% Senior Notes due 2044 (the "2044 Senior Notes"), which were issued at a price of 98.612% . The 2044 Senior Notes are unsecured and unsubordinated obligations of the issuer and will mature on June 1, 2044, unless earlier redeemed or repurchased. The 2044 Senior Notes are fully and unconditionally guaranteed, jointly and severally, by KKR & Co. Inc. and the KKR Group Partnerships. The guarantees are unsecured and unsubordinated obligations of the guarantors.

The 2044 Senior Notes bear interest at a rate of 5.125% per annum, accruing from May 29, 2014. Interest is payable semi-annually in arrears on June 1 and December 1 of each year, commencing on December 1, 2014.

On March 18, 2015, KKR Group Finance Co. III LLC issued an additional $500 million aggregate principal amount of its 2044 Notes, which were priced at 101.062% . The 2044 Notes issued in March 2015 form a single series with the 2044 Notes issued in May 2014, and the terms are identical to each other except for the issue date, issue price, the first payment date, June 1, 2015, and the date from which interest begins to accrue for the 2044 Notes issued in March 2015.

The indenture, as supplemented by a first supplemental indenture, relating to the 2044 Senior Notes includes covenants, including limitations on the issuer's and the guarantors' ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The indenture, as supplemented, also provides for events of default and further provides that the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding 2044 Senior Notes may declare the 2044 Senior Notes immediately due and payable upon the occurrence and during the continuance of any event of default after expiration of any applicable grace period. In the case of specified events of bankruptcy, insolvency, receivership or reorganization, the principal amount of the 2044 Senior Notes and any accrued and unpaid interest on the 2044 Senior Notes automatically becomes due and payable. All or a portion of the 2044 Senior Notes may be redeemed at the issuer's option in whole or in part, at any time, and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the 2044 Senior Notes. If a change of control repurchase event occurs, the 2044 Senior Notes are subject to repurchase by the issuer at a repurchase price in cash equal to 101% of the aggregate principal amount of the 2044 Senior Notes repurchased plus any accrued and unpaid interest on the 2044 Senior Notes repurchased to, but not including, the date of repurchase.

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

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

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

The indenture, as supplemented by the first supplemental indenture, related to the JPY Notes includes covenants, including limitations on KKR Group Finance IV's and the guarantors' ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The indenture, as supplemented, also provides for events of default and further provides that the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding JPY Notes may declare the JPY Notes immediately due and payable upon the occurrence and during the continuance of any event of default after expiration of any applicable grace period. In the case of specified events of bankruptcy, insolvency, receivership or reorganization, the principal amount of the JPY Notes and any accrued and unpaid interest on the JPY Notes automatically become due and payable. KKR Group Finance IV may redeem the JPY Notes at its option, in whole but not in part, at a redemption price equal to 100% of the principal amount of the JPY Notes to be redeemed, together with interest accrued and unpaid to, but excluding, the date fixed for redemption, at any time, in the event of certain changes affecting taxation as provided in the JPY Indenture.

KFN Issued 5.500% Notes Due 2032

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

The indenture, as supplemented by a first supplemental indenture, relating to the KFN 2032 Senior Notes includes covenants, including (i) limitations on KFN's ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of certain of its subsidiaries or merge, consolidate or sell, transfer or lease assets, (ii) requirements that KFN maintain a minimum Consolidated Net Worth (as defined in the indenture) and (iii) requirements that KFN maintain a minimum Cash and Liquid Investments (as defined in the indenture). The indenture, as supplemented, also provides for events of default and further provides that the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding KFN 2032 Senior Notes may declare the KFN 2032 Senior Notes immediately due and payable upon the occurrence and during the continuance of any event of default after expiration of any applicable grace period. In the case of specified events of bankruptcy, insolvency, receivership or reorganization, the principal amount of the KFN 2032 Senior Notes and any accrued and unpaid interest on the KFN 2032 Senior Notes automatically becomes due and payable.

Beginning on March 30, 2022, KFN may redeem the KFN 2032 Senior Notes in whole, but not in part, at KFN's option, at a redemption price equal to 100% of the outstanding principal amount plus accrued and unpaid interest to, but excluding, the date of redemption. At any time prior to March 30, 2022, KFN may redeem the KFN 2032 Senior Notes in whole, but not in part, at KFN's option at any time, at a "make-whole" redemption price set forth in the KFN 2032 Senior Notes. If a change of control occurs, the KFN 2032 Senior Notes are subject to repurchase by the issuer at a repurchase price in cash equal to 101% of the aggregate principal amount of the KFN 2032 Senior Notes repurchased plus any accrued and unpaid interest on the KFN 2032 Senior Notes repurchased to, but not including, the date of repurchase.

On November 17, 2017, KFN issued an additional $125.0 million aggregate principal amount of the KFN 2032 Senior Notes, resulting in the total outstanding aggregate principal amount of $500.0 million . The additional KFN 2032 Senior Notes, which were issued under the indenture related to the existing KFN 2032 Senior Notes as supplemented by a second supplemental indenture, constitute a further issuance of and are part of the same series as the KFN 2032 Senior Notes first issued on March 30, 2017.

KFN Issued 5.200% Notes Due 2033

On February 12, 2018, KFN issued $120.0 million aggregate principal amount of 5.200% Senior Notes due 2033 (the "KFN 2033 Senior Notes"). The KFN 2033 Senior Notes are unsecured and unsubordinated obligations of KFN, which do not provide for recourse to KKR beyond the assets of KFN. The KFN 2033 Senior Notes are not guaranteed by KKR & Co. Inc. or the KKR Group Partnerships. The KFN 2033 Senior Notes will mature on February 12, 2033, unless earlier redeemed or repurchased. The KFN 2033 Senior Notes bear interest at a rate of 5.200% per annum, accruing from February 12, 2018. Interest is payable semi-annually in arrears on February 12 and August 12 of each year.

The indenture, as supplemented by a first supplemental indenture, relating to the KFN 2033 Senior Notes includes covenants, including (i) limitations on KFN's ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of certain of its subsidiaries or merge, consolidate or sell, transfer or lease assets, (ii) requirements that KFN maintain a minimum Consolidated Net Worth (as defined in the indenture) and (iii) requirements that KFN maintain a minimum Cash and Liquid Investments (as defined in the indenture). The indenture, as supplemented, also provides for events of default and further provides that the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding KFN 2033 Senior Notes may declare the KFN 2033 Senior Notes immediately due and payable upon the occurrence and during the continuance of any event of default after expiration of any applicable grace period. In the case of specified events of bankruptcy, insolvency, receivership or reorganization, the principal amount of the KFN 2033 Senior Notes and any accrued and unpaid interest on the KFN 2033 Senior Notes automatically becomes due and payable.

Beginning on February 12, 2023, KFN may redeem the KFN 2033 Senior Notes in whole, but not in part, at KFN's option, at a redemption price equal to 100% of the outstanding principal amount plus accrued and unpaid interest to, but excluding, the date of redemption. At any time prior to February 12, 2023, KFN may redeem the KFN 2033 Senior Notes in whole, but not in part, at KFN's option at any time, at a "make-whole" redemption price set forth in the KFN 2033 Senior Notes. If a change of control occurs, the KFN 2033 Senior Notes are subject to repurchase by the issuer at a repurchase price in cash equal to 101% of the aggregate principal amount of the KFN 2033 Senior Notes repurchased plus any accrued and unpaid interest on the KFN 2033 Senior Notes repurchased to, but not including, the date of repurchase.

KFN Issued 5.400% Notes Due 2033

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

The indenture, as supplemented by a second supplemental indenture, relating to the KFN 5.400% Senior Notes includes covenants, including (i) limitations on KFN's ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of certain of its subsidiaries or merge, consolidate or sell, transfer or lease assets, (ii) requirements that KFN maintain a minimum Consolidated Net Worth (as defined in the indenture) and (iii) requirements that KFN maintain minimum Cash and Liquid Investments (as defined in the indenture). The indenture, as supplemented, also provides for events of default and further provides that the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding KFN 5.400% Senior Notes may declare the KFN 5.400% Senior Notes immediately due and payable upon the occurrence and during the continuance of any event of default after expiration of any applicable grace period. In the case of specified events of bankruptcy, insolvency, receivership or reorganization, the principal amount of the KFN 5.400% Senior Notes and any accrued and unpaid interest on the KFN 5.400% Senior Notes automatically becomes due and payable.

Beginning on May 23, 2023, KFN may redeem the KFN 5.400% Senior Notes in whole, but not in part, at KFN's option, at a redemption price equal to 100% of the outstanding principal amount plus accrued and unpaid interest to, but excluding, the date of redemption. At any time prior to May 23, 2023, KFN may redeem the KFN 5.400% Senior Notes in whole, but not in part, at KFN's option at any time, at a "make-whole" redemption price set forth in the KFN 5.400% Senior Notes. If a change of control occurs, the KFN 5.400% Senior Notes are subject to repurchase by the issuer at a repurchase price in cash equal to 101% of the aggregate principal amount of the KFN 5.400% Senior Notes repurchased plus any accrued and unpaid interest on the KFN 5.400% Senior Notes repurchased to, but not including, the date of repurchase.

KFN Issued Junior Subordinated Notes

KFN established six 30 -year trusts between 2006 and 2007 for the sole purpose of issuing trust preferred securities. These trusts issued preferred securities to unaffiliated investors and common securities to KFN. The combined proceeds were invested by the trusts in junior subordinated notes issued by KFN. The junior subordinated notes are the sole assets of the trusts and mature between 2036 and 2037. Interest is payable on the junior subordinated notes quarterly and based on the associated trust ranges from between LIBOR plus 2.25% and LIBOR plus 2.65% . KFN may redeem the junior subordinated notes, in whole or in part, at any time, at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest to the redemption date.

Other Debt Obligations

Financing Facilities of Consolidated Funds and Other

Certain of KKR's consolidated investment funds have entered into financing arrangements with financial institutions, generally to provide liquidity to such investment funds. These financing arrangements are generally not direct obligations of the general partners of KKR's investment funds (beyond KKR's capital interest) or its management companies. Such borrowings have varying maturities and bear interest at floating rates. Borrowings are generally secured by the investment purchased with the proceeds of the borrowing and/or the uncalled capital commitment of each respective fund. When an investment vehicle borrows, the proceeds are available only for use by that investment vehicle and are not available for the benefit of other investment vehicles or KKR. Collateral within each investment vehicle is also available only against borrowings by that investment vehicle and not against the borrowings of other investment vehicles or KKR.

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

Debt Obligations of Consolidated CFEs

As of December 31, 2018 , debt obligations of consolidated CFEs consisted of the following:

	Borrowing Outstanding	Weighted Average Interest Rate	Weighted Average Remaining Maturity in Years
Senior Secured Notes of Consolidated CLOs	$ 11,667,970	3.2%	11.7
Subordinated Notes of Consolidated CLOs	413,801	(1)	12.0
Debt Obligations of Consolidated CMBS Vehicles	1,876,783	4.1%	24.6
	$ 13,958,554		

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

Debt obligations of consolidated CFEs are collateralized by assets held by each respective CFE vehicle and assets of one CFE vehicle may not be used to satisfy the liabilities of another. As of December 31, 2018 , the fair value of the consolidated CFE assets was $15.3 billion . This collateral consisted of Cash and Cash Equivalents Held at Consolidated Entities, Investments, and Other Assets.

Debt Covenants

Borrowings of KKR contain various debt covenants. These covenants do not, in management's opinion, materially restrict KKR's operating business or investment strategies as of December 31, 2018 . KKR is in compliance with its debt covenants in all material respects as of December 31, 2018 .

Scheduled principal payments for debt obligations at December 31, 2018 are as follows:

	Revolving Credit Facilities	Notes Issued	Other Debt Obligations	Total
2019	$ —	$ —	$ 1,561,700	$ 1,561,700
2020 - 2021	—	500,000	2,030,100	2,530,100
2022 - 2023	—	228,200	770,600	998,800
2024 and thereafter	—	2,588,100	14,960,300	17,548,400
	$ —	**$ 3,316,300**	**$ 19,322,700**	**$ 22,639,000**

11. INCOME TAXES

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

	For the Years Ended December 31,		
	2018	2017	2016
Current			
Federal Income Tax	$ 105,245	$ (34,611)	$ (3,440)
State and Local Income Tax	16,997	5,229	(443)
Foreign Income Tax	41,716 (1)	79,371	38,052
Subtotal	163,958	49,989	34,169
Deferred			
Federal Income Tax	(300,536)	178,449	(15,032)
State and Local Income Tax	(52,240)	(424)	1,348
Foreign Income Tax	(5,280) (1)	(3,688)	4,076
Subtotal	(358,056)	174,337	(9,608)
Total Income Taxes	**$ (194,098)**	**$ 224,326**	**$ 24,561**

(1) The foreign income tax provision was calculated on $141.0 million , $171.6 million , and $102.1 million of pre-tax income generated in foreign jurisdictions in the years 2018, 2017, and 2016, respectively.

KKR & Co. Inc. is a corporation for U.S. federal income tax purposes and thus is subject to U.S. federal, state and local corporate income taxes at the entity level on KKR's share of net taxable income. In addition, the KKR Group Partnerships and certain of their subsidiaries operate in the United States as partnerships for U.S. federal income tax purposes and as corporate entities in certain non-U.S. jurisdictions. These entities, in some cases, are subject to U.S. state or local income taxes or non-U.S. income taxes.

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

As a result of the Conversion, KKR recognized a partial step-up in the tax basis of certain assets that will be recovered as those assets are sold or the basis is amortized. On the date of the Conversion, we recorded an estimated net tax benefit and estimated net deferred tax asset of $257.1 million relating to this partial step-up in tax basis. Our overall tax provision is based on, among other things, an estimate of the amount of such partial step-up in tax basis that is derived from an analysis of the basis of our unitholders in their ownership of KKR common units at December 31, 2017, as adjusted by partial information received by KKR for some trades made in KKR common units in 2018. While this information does not completely reflect the actual basis of our unitholders at June 30, 2018, our estimate is based on the most recent unitholder basis information available to us. The amount of partial step-up in tax basis cannot be finally determined until complete trading information with respect to common units of KKR & Co. L.P. for the six months ended June 30, 2018 becomes available. KKR does not currently expect such information to become available until later in the first quarter of 2019 and after the filing of this Annual Report, and the timing and the availability of this information is not within KKR's control. Since the unitholder basis information currently available to us does not completely reflect the actual basis of our unitholders at June 30, 2018, the amount of partial step-up in tax basis as finally determined is expected to differ, possibly materially, from the current estimate, which in turn is expected to cause KKR's income tax provision and effective tax rate under GAAP to differ, possibly to a material extent, from the current estimate described herein. If the amount of the partial step-up in tax basis as finally determined is higher than the current estimate, KKR would record a higher net tax benefit and an incrementally greater deferred tax asset, which would have the effect of decreasing the amount of taxes payable by KKR in the future. If the amount of partial step-up in tax basis as finally determined is lower than the current estimate, KKR would record a lower net tax benefit and an incrementally lower deferred tax asset, which would have the effect of increasing the amount of taxes payable by KKR in the future. Realizations reported for the third and fourth quarters of 2018 will be adjusted to the extent that the updated step-up in tax basis changes the amount of step-up benefit that was realized.

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

	For the Years Ended December 31,		
	2018	2017	2016
Statutory U.S. Federal Income Tax Rate	21.00 %	35.00 %	35.00 %
Income not attributable to KKR & Co. Inc. (1)	(20.13)%	(38.64)%	(42.68)%
Foreign Income Taxes	1.66 %	2.62 %	4.32 %
State and Local Income Taxes	(0.16)%	0.05 %	0.05 %
Compensation Charges Borne by KKR Holdings	1.69 %	6.29 %	8.20 %
Conversion Benefit	(11.19)%	— %	— %
Change in Valuation Allowance	(0.53)%	— %	(1.03)%
Impact of the 2017 Tax Act	— %	3.52 %	— %
Other	(0.94)%	(0.78)%	(1.34)%
Effective Income Tax Rate	**(8.60)%**	**8.06 %**	**2.52 %**

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

Deferred income taxes reflect the net tax effects of temporary differences that may exist between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes using enacted tax rates in effect for the year in which the differences are expected to reverse. A summary of the tax effects of the temporary differences is as follows:

	December 31, 2018	December 31, 2017
Deferred Tax Assets		
Fund Management Fee Credits & Refunds	$ 60,740	$ 51,662
Equity Based Compensation	21,949	19,749
KKR Holdings Unit Exchanges (1)	127,275	93,229
Depreciation and Amortization (2)	293,481	13,421
Federal Foreign Tax Credit	—	15,028
Investment Basis Differences / Net Unrealized Gains & Losses (2)	16,613	—
Net Operating Loss Carryforwards	3,607	4,346
Other	14,496	5,875
Total Deferred Tax Assets before Valuation Allowance	538,161	203,310
Valuation Allowance	—	(11,872)
Total Deferred Tax Assets	538,161	191,438
Deferred Tax Liabilities		
Investment Basis Differences / Net Unrealized Gains & Losses	—	59,494
Total Deferred Tax Liabilities	—	59,494
Total Deferred Taxes, Net	**$ 538,161**	**$ 131,944**

(1) In connection with exchanges of KKR Holdings units into Class A common stock of KKR & Co. Inc., KKR records a deferred tax asset associated with an increase in KKR & Co. Inc.'s share of the tax basis of the tangible and intangible assets of the KKR Group Partnerships. This amount is offset by an adjustment to record amounts due to KKR Holdings and principals under the tax receivable agreement, which is included within Due to Affiliates in the consolidated statements of financial condition. The net impact of these adjustments was recorded as an adjustment to equity at the time of the exchanges.

(2) This deferred tax item includes a portion of the tax benefit KKR recognized as a result of the step-up in tax basis generated by the Conversion.

Future realization of the above deferred tax assets is dependent on KKR generating sufficient taxable income within the period of time that the tax benefits are expected to reverse. KKR considers projections of taxable income in evaluating its ability to utilize those deferred tax assets. In projecting its taxable income, KKR begins with historical results and incorporates assumptions concerning the amount and timing of future pretax operating income. Those assumptions require significant judgment and are consistent with the plans and estimates that KKR uses to manage its business. KKR has determined that it is more likely than not that all deferred tax assets will be realized and that a valuation allowance is not needed as of December 31, 2018.

As of December 31, 2018, KKR has a U.S. federal income tax net operating loss ("NOL") carryforward of $45.2 million attributable to 2016 and a cumulative state and local NOL carryforward of $90.2 million that will begin to expire in 2036. KKR intends to carry back its U.S. federal NOL to past years during 2019, and is reflecting the estimated refund related to the carryback within other assets as a prepaid tax. KKR has elected to treat taxes paid in foreign jurisdictions as a deduction in lieu of a Foreign Tax Credit (“FTC”), because of U.S. federal limitations on FTC utilization. As a result, the valuation allowance that was previously recorded due to the uncertainty as to whether or not KKR would be able to utilize its FTC carryover balance is no longer applicable.

Tax Contingencies

KKR files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, KKR is subject to examination by U.S. federal and certain state, local and foreign tax regulators. As of December 31, 2018, tax returns of KKR and its predecessor entities for the years 2015 through 2017 for U.S. federal purposes and 2011 through 2017 for state and local tax purposes are open under general statute of limitations provisions and therefore subject to examination.

At December 31, 2018, 2017 and 2016, KKR's unrecognized tax benefits relating to uncertain tax positions, excluding related interest and penalties, consisted of the following:

	For the Years Ended December 31,		
	2018	2017	2016
Unrecognized Tax Benefits, beginning of period	$ 48,170	$ 43,996	$ 22,792
Gross increases in tax positions in prior periods	—	—	—
Gross decreases in tax positions in prior periods	—	—	(1,351)
Gross increases in tax positions in current period	5,542	4,406	22,810
Lapse of statute of limitations	(114)	(232)	(255)
Unrecognized Tax Benefits, end of period	**$ 53,598**	**$ 48,170**	**$ 43,996**

If the above tax benefits were recognized it would reduce the effective income tax rate. KKR believes that there will not be a significant increase or decrease to the tax positions within 12 months of the reporting date.

The unrecognized tax benefits are recorded in Accounts Payable, Accrued Expenses and Other Liabilities. KKR recognizes interest and penalties accrued related to unrecognized tax benefits as income tax expense. Related to the unrecognized tax benefits, KKR accrued penalties of $0.3 million and interest of $2.6 million during 2018 and in total, as of December 31, 2018, recognized a liability for penalties of $2.6 million and interest of $10.6 million . During 2017, penalties of $0.1 million and interest of $2.2 million were accrued and in total, as of December 31, 2017, recognized a liability for penalties of $2.3 million and interest of $7.9 million .

12. EQUITY BASED COMPENSATION

The following table summarizes the expense associated with equity-based compensation for the years ended December 31, 2018 , 2017 and 2016, respectively.

	For the Years Ended December 31,		
	2018	2017	2016
Equity Incentive Plan	$ 242,811	$ 204,308	$ 186,227
KKR Holdings Principal Awards	104,625	143,204	44,837
Other Exchangeable Securities	—	—	12,091
Total [(1)]	**$ 347,436**	**$ 347,512**	**$ 243,155**

(1) Includes $11,735 and $11,214 of equity based charges for the years ended December 31, 2018 and 2017 related to employees of equity method investees. Such amounts are included in Net Gains (Losses) from Investment Activities in the consolidated statements of operations.

Equity Incentive Plan

Under the Equity Incentive Plan, KKR is permitted to grant equity awards representing ownership interests in KKR & Co. Inc. Class A common stock. Vested awards under the Equity Incentive Plan dilute KKR & Co. Inc. common stockholders and KKR Holdings pro rata in accordance with their respective percentage interests in the KKR Group Partnerships.

The total number of Class A common stock that may be issued under the Equity Incentive Plan is equivalent to 15% of the number of fully diluted shares of Class A common stock outstanding, subject to annual adjustment. Equity awards have been granted under the Equity Incentive Plan and are generally subject to service-based vesting, typically over a three to five year period from the date of grant. In certain cases, these awards are subject to transfer restrictions and/or minimum retained ownership requirements. The transfer restriction period, if applicable, lasts for (i) one year with respect to one-half of the interests vesting on any vesting date and (ii) two years with respect to the other one-half of the interests vesting on such vesting date. While providing services to KKR, if applicable, certain of these awards are also subject to minimum retained ownership rules requiring the award recipient to continuously hold shares of Class A common stock equivalents equal to at least 15% of their cumulatively vested awards that have the minimum retained ownership requirement.

Expense associated with the vesting of these awards is based on the closing price of the KKR & Co. Inc. Class A common stock on the date of grant, discounted for the lack of participation rights in the expected dividends on unvested shares. The discount range for awards granted prior to December 31, 2015 was based on management's estimates of future dividends that the unvested equity awards would not be entitled to receive between the grant date and the vesting date which ranged from 8% to 56% . The following table presents information regarding the discount for the lack of participation rights in the expected dividends for shares granted subsequent to December 31, 2015.

Date of Grant	Discount per share [(1)]
January 1, 2016 to December 31, 2016	$ 0.64
January 1, 2017 to December 31, 2017	$ 0.68
January 1, 2018 to June 30, 2018	$ 0.68
July 1, 2018 to Present	$ 0.50

(1) Represents the annual discount for the lack of participation rights on expected dividends. The total discount on any given tranche of unvested shares is calculated as the discount per share multiplied by the number of years in the applicable vesting period.

Expense is recognized on a straight line basis over the life of the award and assumes a forfeiture rate of up to 7% annually based upon expected turnover by class of recipient.

Market Condition Awards

On November 2, 2017, KKR's Co-Presidents and Co-Chief Operating Officers were each granted equity awards representing 2.5 million shares of KKR Class A common stock subject to a market price-based vesting condition ("Market Condition Awards"). These awards were granted under the Equity Incentive Plan. All of such awards will vest upon the market price of KKR Class A common stock reaching and maintaining a closing market price of $40 per share for 10 consecutive trading days on or prior to December 31, 2022, subject to the employee's continued service to the time of such vesting. If the $40 price target is not achieved by the close of business on December 31, 2022, the unvested Market Condition Awards will be automatically canceled and forfeited. These Market Condition Awards are subject to additional transfer restrictions and minimum retained ownership requirements after vesting. Due to the existence of the market condition, the vesting period for the Market Condition Awards is not explicit, and as such, compensation expense will be recognized over the period derived from the valuation technique used to estimate the grant-date fair value of the award (the "Derived Vesting Period").

The fair value of the Market Condition Awards at the date of grant was $4.02 per share based on a Monte-Carlo simulation valuation model due to the existence of the market condition described above. Below is a summary of the significant assumptions used to estimate the grant date fair value of the Market Condition Awards:

Closing KKR share price as of valuation date	$19.90
Risk Free Rate	2.02%
Volatility	25.00%
Dividend Yield	3.42%
Expected Cost of Equity	11.02%

In addition, the grant date fair value assumes that holders of the Market Condition Awards will not participate in dividends until such awards have met their vesting requirements.

Compensation expense is recognized over the Derived Vesting Period, which was estimated to be 3 years from the date of grant, on a straight-line basis.

As of December 31, 2018 , there was approximately $12.3 million of estimated unrecognized compensation expense related to unvested Market Condition Awards and such awards did not meet their market-price based vesting condition.

As of December 31, 2018 , there was approximately $400.0 million of total estimated unrecognized expense related to unvested awards, including Market Condition Awards. That cost is expected to be recognized as follows:

Year		**Unrecognized Expense (in millions)**
2019	$	191.9
2020		133.7
2021		57.7
2022		15.8
2023		0.9
Total	**$**	**400.0**

A summary of the status of unvested awards granted under the Equity Incentive Plan, excluding Market Condition Awards as described above, from January 1, 2018 through December 31, 2018 is presented below:

	Shares	Weighted Average Grant Date Fair Value
Balance, January 1, 2018	46,422,733	$ 14.98
Granted	5,489,046	22.42
Vested	(16,101,190)	15.02
Forfeitures	(2,410,406)	14.37
Balance, December 31, 2018	**33,400,183**	**$ 16.23**

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

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

Vesting Date	Shares
April 1, 2019	9,134,599
October 1, 2019	4,811,012
April 1, 2020	7,294,238
October 1, 2020	3,633,747
April 1, 2021	4,178,268
October 1, 2021	2,131,927
April 1, 2022	923,830
October 1, 2022	1,201,390
October 1, 2023	91,172
	33,400,183

KKR Holdings Awards

KKR Holdings units are exchangeable for KKR Group Partnership Units and allow for their exchange into Class A common stock of KKR & Co. Inc. on a one -for-one basis. As of December 31, 2018 and 2017, KKR Holdings owned approximately 35.9% or 299,081,239 units and 40.9% or 335,971,334 units, respectively, of outstanding KKR Group Partnership Units. Awards for KKR Holdings units that have been granted are generally subject to service based vesting, typically over a three to five year period from the date of grant. They are also generally subject to transfer restrictions which last for (i) one year with respect to one-half of the interests vesting on any vesting date and (ii) two years with respect to the other one-half of the interests vesting on such vesting date. While providing services to KKR, the recipients are also subject to minimum retained ownership rules requiring them to continuously hold 25% of their vested interests. Upon separation from KKR, award recipients are subject to the terms of a confidentiality and restrictive covenants agreement that would require the forfeiture of certain vested and unvested units should the terms of the agreement be violated. Holders of KKR Holdings units are not entitled to participate in distributions made on KKR Group Partnership Units underlying their KKR Holdings units until such units are vested. All of the KKR Holdings units (except for less than 0.3% of the outstanding KKR Holdings units) have been granted as of December 31, 2018 , and certain Holdings units remain subject to vesting.

The fair value of awards granted out of KKR Holdings is generally based on the closing price of KKR & Co. Inc. Class A common stock on the date of grant discounted for the lack of participation rights in the expected distributions on unvested units. KKR determined this to be the best evidence of fair value as KKR & Co. Inc. Class A common stock is traded in an active market and has an observable market price. Additionally, a KKR Holdings unit is an instrument with terms and conditions similar to those of KKR & Co. Inc. Class A common stock. Specifically, units in KKR Holdings and shares of KKR & Co. Inc. represent ownership interests in KKR Group Partnership Units and, subject to any vesting, minimum retained ownership requirements and transfer restrictions, each KKR Holdings unit is exchangeable into a KKR Group Partnership Unit and then into a share of KKR & Co. Inc. Class A common stock on a one -for-one basis.

In February 2016, approximately 28.9 million KKR Holdings units were granted that were originally subject to market condition and service-based vesting that were subsequently modified in November 2016 to eliminate the market condition vesting and instead require only service-based vesting in equal annual installments over a five year period. At the date of modification, total future compensation expense amounted to $320.9 million , net of estimated forfeitures, to be recognized over the remaining vesting period of the modified awards.

The awards described above were granted from outstanding but previously unallocated units of KKR Holdings, and consequently these grants did not increase the number of KKR Holdings units outstanding or outstanding KKR & Co. Inc. Class A common stock on a fully-diluted basis. If and when vested, these awards will not dilute KKR's respective ownership interests in the KKR Group Partnerships.

KKR Holdings Awards give rise to equity-based compensation in the consolidated statements of operations based on the grant-date fair value of the award discounted for the lack of participation rights in the expected distributions on unvested units. This discount is consistent with that noted above for shares issued under the Equity Incentive Plan.

Expense is recognized on a straight line basis over the life of the award and assumes a forfeiture rate of up to 7% annually based on expected turnover by class of recipient.

As of December 31, 2018 , there was approximately $257.2 million of estimated unrecognized expense related to unvested KKR Holdings awards. That cost is expected to be recognized as follows:

Year		Unrecognized Expense (in millions)
2019	$	96.2
2020		88.1
2021		47.5
2022		25.4
Total	**$**	**257.2**

A summary of the status of unvested awards granted under the KKR Holdings Plan from January 1, 2018 through December 31, 2018 is presented below:

	Units		Weighted Average Grant Date Fair Value
Balance, January 1, 2018	30,848,583	$	14.42
Granted	450,000		20.90
Vested	(6,494,590)		15.15
Forfeitures	(680,000)		11.99
Balance, December 31, 2018	**24,123,993**	**$**	**14.42**

The weighted average remaining vesting period over which unvested awards are expected to vest is 1.9 years.

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

Vesting Date	Units
April 1, 2019	229,514
May 1, 2019	3,680,000
October 1, 2019	2,455,000
April 1, 2020	124,479
May 1, 2020	3,680,000
October 1, 2020	2,940,000
May 1, 2021	3,680,000
October 1, 2021	3,425,000
October 1, 2022	3,910,000
	24,123,993

13. RELATED PARTY TRANSACTIONS

Due from Affiliates consists of:

	December 31, 2018	December 31, 2017
Amounts due from portfolio companies	$ 82,204	$ 129,594
Amounts due from unconsolidated investment funds	568,211	415,907
Amounts due from related entities	6,774	8,848
Due from Affiliates	**$ 657,189**	**$ 554,349**

Due to Affiliates consists of:

	December 31, 2018	December 31, 2017
Amounts due to KKR Holdings in connection with the tax receivable agreement	$ 117,862	$ 84,034
Amounts due to unconsolidated investment funds	157,722	239,776
Due to Affiliates	**$ 275,584**	**$ 323,810**

Tax Receivable Agreement

KKR is required to acquire KKR Group Partnership Units from time to time pursuant to the exchange agreement with KKR Holdings. The KKR Group Partnerships have each made an election under Section 754 of the Internal Revenue Code of 1986, as amended, that will remain in effect for each taxable year in which an exchange of KKR Group Partnership Units for Class A common stock occurs, which may result in an increase in KKR's tax basis of the assets of the KKR Group Partnerships at the time of an exchange of KKR Group Partnership Units. Certain of these exchanges are expected to result in an increase in KKR's share of the tax basis of the tangible and intangible assets of the KKR Group Partnerships, primarily attributable to a portion of the goodwill inherent in KKR's business that would not otherwise have been available. This increase in tax basis may increase depreciation and amortization deductions for tax purposes and therefore reduce the amount of income tax KKR otherwise would be required to pay in the future. This increase in tax basis may also decrease gain (or increase loss) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

KKR has entered into a tax receivable agreement with KKR Holdings, which requires KKR to pay to KKR Holdings, or to current and former principals who have exchanged KKR Holdings units for shares of Class A common stock (as transferees of KKR Group Partnership Units), 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that KKR realizes as a result of the increase in tax basis described above, as well as 85% of the amount of any such savings KKR actually realizes as a result of increases in tax basis that arise due to future payments under the agreement. KKR expects to benefit from the remaining 15% of cash savings, if any, in income tax that it realizes. A termination of the agreement or a change of control could give rise to similar payments based on tax savings that KKR would be deemed to realize in connection with such events.

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

As a result of the 2017 Tax Act, which lowered the U.S. federal corporate tax rate from 35% to 21%, expected future cash savings generated as a result of KKR Holdings exchanges are expected to decrease. Accordingly, KKR has decreased the liability associated with the tax receivable agreement to reflect lower future payments to individuals who exchanged KKR Holdings units for shares of Class A common stock. The amount of this reduction was $67.2 million and is included in Net Gains (Losses) from Investment Activities in the consolidated statements of operations for the year ended December 31, 2017.

For the years ended December 31, 2018 and 2017, no cash payments have been made under the tax receivable agreement. For the year ended December 31, 2016, cash payments that have been made under the tax receivable agreement were $5.0 million . KKR expects its intermediate holding companies to benefit from the remaining 15% of cash savings, if any, in income tax that they realize. As of December 31, 2018, $ 4.2 million of cumulative income tax savings have been realized.

Discretionary Investments

Certain of KKR's current and former employees and other qualifying personnel are permitted to invest, and have invested, their own capital in KKR's funds, in side-by-side investments with these funds and the firm, as well as in funds managed by its strategic manager partnerships. Side-by-side investments are made on the same terms and conditions as those acquired by the applicable fund or the firm, except that the side-by-side investments do not subject the investor to management fees or a carried interest. The cash contributed by these individuals aggregated $415.0 million , $505.1 million , and $328.3 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Aircraft and Other Services

Certain of the senior employees own aircraft that KKR uses for business purposes in the ordinary course of its operations. These senior employees paid for the purchase of these aircraft with personal funds and bear all operating, personnel and maintenance costs associated with their operation. The hourly rates that KKR pays for the use of these aircraft are based on current market rates for chartering private aircraft of the same type. KKR incurred $3.6 million , $3.9 million , and $5.1 million for the use of these aircraft for the years ended December 31, 2018, 2017 and 2016, respectively.

Facilities

Certain trusts, whose beneficiaries include children of Mr. Kravis and Mr. Roberts, and certain other senior employees who are not executive officers of KKR, are partners in a real-estate based partnership that maintains an ownership interest in KKR's Menlo Park location. Payments made to this partnership were $7.9 million , $7.6 million , and $7.4 million for the years ended December 31, 2018, 2017 and 2016, respectively.

14. SEGMENT REPORTING

KKR operates through one operating and reportable segment. This single reportable segment reflects how the chief operating decision makers allocate resources and assess performance under KKR's "one-firm approach," which includes operating collaboratively across business lines, with predominantly a single expense pool.

KKR’s segment reporting is presented prior to giving effect to the allocation of income (loss) between KKR & Co. Inc. and KKR Holdings L.P. and as such represents the business in total. In addition, KKR’s segment reporting is presented without giving effect to the consolidation of the investment funds and CFEs that KKR manages as well as other consolidated entities that are not subsidiaries of KKR & Co. Inc. The segment measures used in KKR’s segment reporting, including segment revenues, segment expenses, after-tax distributable earnings, segment assets, segment liabilities and segment book value are used by management in making operational and resource deployment decisions as well as assessing the overall performance of KKR’s business.

After-tax Distributable Earnings

After-tax distributable earnings is a performance measure of KKR’s earnings on a segment basis excluding mark-to-market gains (losses). Starting with the second quarter of 2018, it is defined as the amount of net realized earnings of KKR for a given reporting period, after deducting equity-based compensation. KKR revised the definition of after-tax distributable earnings starting in the second quarter of 2018, because it reflects how the chief operating decision makers allocate resources and assess the performance of KKR’s business. KKR believes that after-tax distributable earnings is useful to stockholders as it aligns KKR’s net realization performance with the manner in which KKR receives its revenues and determines the compensation of its employees. After-tax distributable earnings does not represent and is not used to calculate actual dividends under KKR’s dividend policy. Historically, equity-based compensation expense relating to the Equity Incentive Plan was not reflected in our calculation of after-tax distributable earnings. Under KKR’s segment presentation, equity-based compensation expense is included in after-tax distributable earnings as a component of compensation expense in order to reflect the dilutive nature of these non-cash equity-based awards. For comparability, after-tax distributable earnings for the comparable prior periods have been calculated using this definition.

Modification of Segment Information

In connection with a change of KKR's chief operating decision makers, KKR's management has reevaluated the manner in which it makes operational and resource deployment decisions and assesses the overall performance of KKR's business. As a result, KKR has modified the presentation of its segment financial information effective as of and for the three months ended June 30, 2018, with retrospective application to all prior periods presented.

The most significant changes between KKR's current segment presentation and its previous segment presentation reported prior to the three months ended June 30, 2018, are as follows:

- *After-tax Distributable Earnings* - After-tax distributable earnings is the performance measure for KKR's profitability and is used by management in making operational and resource deployment decisions since after-tax distributable earnings aligns KKR's net realized performance with the manner in which KKR receives its revenues and determines the compensation of its employees. Previously, economic net income was a key performance measure. The key distinction between after-tax distributable earnings and economic net income is that after-tax distributable earnings reflects the earnings of KKR excluding mark-to-market gains (losses).

- *Single Reportable Segment* - KKR operates through one operating and reportable segment as the chief operating decision makers assess performance of and allocate resources to all of its business lines on a collective basis. These performance assessments and resource allocation decisions are based both on individual and group performance and on broad considerations reflecting KKR's "one-firm approach," which includes operating collaboratively across business lines with predominantly a single expense pool. Historically, KKR operated as four reportable segments.

- *Elimination of Expense Allocation Process* - In previous periods, certain expenses were allocated among four historical reportable segments. For the reasons discussed above, a majority of our expenses, namely compensation expense and interest expense, are not specifically allocated among our business lines. Accordingly, KKR has eliminated the expense allocation process that was used in prior periods.

- *Inclusion of Equity Based Compensation in After-tax Distributable Earnings* - Historically, equity-based compensation expense relating to the Equity Incentive Plan was not reflected in our calculation of after-tax distributable earnings.

Under KKR's current segment presentation, equity-based compensation expense is included in after-tax distributable earnings as a component of compensation expense in order to reflect the dilutive nature of these non-cash equity-based awards. For comparability, after-tax distributable earnings for the comparable prior periods have been calculated using this new definition.

- *Interest Expense Excluded from Segment Revenues* - Historically, KKR's interest expense on its debt capital was allocated entirely to the Principal Activities business line (one of the four historical reportable segments) as a reduction of investment income. As such, interest expense was included as a reduction to total segment revenues. Under KKR's current segment presentation, interest expense is not allocated among its business lines, as its debt capital supports KKR's entire business and not any particular business line. As such, KKR's current segment presentation excludes interest expense from total segment revenues.

In connection with these modifications, segment information as of and for the years ended December 31, 2017 and 2016 have been presented in this Annual Report on Form 10-K to conform to KKR's current segment presentation for comparability purposes. Consequently, this information will be different from the historical segment financial results previously reported by KKR in its reports filed with the SEC.

The following tables set forth information regarding KKR's segment results.

	As of and for the Years Ended December 31,		
	2018	2017	2016
Segment Revenues			
Fees and Other, Net			
Management Fees	$ 1,069,074	$ 905,188	$ 797,862
Transaction Fees	977,485	777,247	344,274
Monitoring Fees	87,520	81,021	64,354
Fee Credits	(280,136)	(261,429)	(131,628)
Total Fees and Other, Net	**1,853,943**	**1,502,027**	**1,074,862**
Realized Performance Income (Loss)			
Carried Interest	1,218,647	1,198,981	1,256,208
Incentive Fees	138,330	73,395	33,346
Total Realized Performance Income (Loss)	**1,356,977**	**1,272,376**	**1,289,554**
Realized Investment Income (Loss)			
Net Realized Gains (Losses) (1)	365,324	194,020	371,563
Interest Income and Dividends	286,468	285,696	322,857
Total Realized Investment Income (Loss)	**651,792**	**479,716**	**694,420**
Total Segment Revenues	**$ 3,862,712**	**$ 3,254,119**	**$ 3,058,836**
Segment Expenses			
Compensation and Benefits (2)	1,533,431	1,282,745	1,119,564
Occupancy and Related Charges	57,022	56,410	62,400
Other Operating Expenses (3)	293,621	243,772	234,348
Total Segment Expenses	**$ 1,884,074**	**$ 1,582,927**	**$ 1,416,312**
Segment Operating Earnings	**1,978,638**	**1,671,192**	**1,642,524**
Interest Expense	187,379	181,612	188,761
Preferred Dividends	33,364	33,364	22,235
Income (Loss) Attributable to Noncontrolling Interests	8,807	6,551	2,336
Income Taxes Paid	151,848	94,065	87,723
After-tax Distributable Earnings	**$ 1,597,240**	**$ 1,355,600**	**$ 1,341,469**
Segment Assets	**$ 17,587,636**	**$ 15,761,312**	**$ 13,333,141**
Segment Liabilities	**$ 4,081,694**	**$ 3,565,216**	**$ 3,016,986**
Segment Book Value	**$ 12,980,560**	**$ 11,673,909**	**$ 9,796,591**

(1) Given the extraordinary nature of the Conversion, the reported segment financial results for the year ended December 31, 2018 exclude approximately $729.4 million of losses on certain investments which were realized in the second quarter of 2018 in advance of the Conversion.

(2) Includes equity-based compensation of $242.8 million , $204.3 million , and $186.2 million for the years ended December 31, 2018 , 2017 , and 2016, respectively.

(3) For the year ended December 31, 2018, excludes approximately $11.5 million of non-recurring costs in connection with the Conversion.

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

KKR's revenue activity is predominantly generated domestically. KKR North America Fund XI contributed more than 10% of KKR's total segment revenues for the year ended December 31, 2018 in the amount of $515.3 million . KKR 2006 Fund contributed more than 10% of KKR's total segment revenues for the years ended December 31, 2017 and 2016 in the amounts of $577.9 million and $529.0 million , respectively.

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

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

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

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

Notes to Consolidated Financial Statements (Continued)

The following tables provide KKR's segment revenues on a disaggregated basis by business line for the years ended December 31, 2018 , 2017 , and 2016:

	For the Year Ended December 31, 2018				
	Private Markets	Public Markets	Capital Markets	Principal Activities	Total
Fees and Other, Net					
Management Fees	$ 665,026	$ 404,048	$ —	$ —	$ 1,069,074
Transaction Fees	303,902	42,531	631,052	—	977,485
Monitoring Fees	87,520	—	—	—	87,520
Fee Credits	(239,441)	(40,695)	—	—	(280,136)
Total Fees and Other, Net	**817,007**	**405,884**	**631,052**	**—**	**1,853,943**
Realized Performance Income (Loss)					
Carried Interest	1,208,747	9,900	—	—	1,218,647
Incentive Fees	1,041	137,289	—	—	138,330
Total Realized Performance Income (Loss)	**1,209,788**	**147,189**	**—**	**—**	**1,356,977**
Realized Investment Income (Loss)					
Net Realized Gains (Losses)	—	—	—	365,324	365,324
Interest Income and Dividends	—	—	—	286,468	286,468
Total Realized Investment Income (Loss)	**—**	**—**	**—**	**651,792**	**651,792**
Total	**$ 2,026,795**	**$ 553,073**	**$ 631,052**	**$ 651,792**	**$ 3,862,712**

	For the Year Ended December 31, 2017				
	Private Markets	Public Markets	Capital Markets	Principal Activities	Total
Fees and Other, Net					
Management Fees	$ 575,451	$ 329,737	$ —	$ —	$ 905,188
Transaction Fees	288,879	48,370	439,998	—	777,247
Monitoring Fees	81,021	—	—	—	81,021
Fee Credits	(220,710)	(40,719)	—	—	(261,429)
Total Fees and Other, Net	**724,641**	**337,388**	**439,998**	**—**	**1,502,027**
Realized Performance Income (Loss)					
Carried Interest	1,198,981	—	—	—	1,198,981
Incentive Fees	—	73,395	—	—	73,395
Total Realized Performance Income (Loss)	**1,198,981**	**73,395**	**—**	**—**	**1,272,376**
Realized Investment Income (Loss)					
Net Realized Gains (Losses)	—	—	—	194,020	194,020
Interest Income and Dividends	—	—	—	285,696	285,696
Total Realized Investment Income (Loss)	**—**	**—**	**—**	**479,716**	**479,716**
Total	**$ 1,923,622**	**$ 410,783**	**$ 439,998**	**$ 479,716**	**$ 3,254,119**

Notes to Consolidated Financial Statements (Continued)

	For the Year Ended December 31, 2016									
	Private Markets		Public Markets		Capital Markets		Principal Activities		Total	
Fees and Other, Net										
Management Fees	$	466,422	$	331,440	$	—	$	—	$	797,862
Transaction Fees		132,602		30,155		181,517		—		344,274
Monitoring Fees		64,354		—		—		—		64,354
Fee Credits		(103,579)		(28,049)		—		—		(131,628)
Total Fees and Other, Net		**559,799**		**333,546**		**181,517**		**—**		**1,074,862**
Realized Performance Income (Loss)										
Carried Interest		1,252,370		3,838		—		—		1,256,208
Incentive Fees		—		33,346		—		—		33,346
Total Realized Performance Income (Loss)		**1,252,370**		**37,184**		**—**		**—**		**1,289,554**
Realized Investment Income (Loss)										
Net Realized Gains (Losses)		—		—		—		371,563		371,563
Interest Income and Dividends		—		—		—		322,857		322,857
Total Realized Investment Income (Loss)		**—**		**—**		**—**		**694,420**		**694,420**
Total	**$**	**1,812,169**	**$**	**370,730**	**$**	**181,517**	**$**	**694,420**	**$**	**3,058,836**

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

Revenues

	For the Years Ended December 31,					
	2018		2017		2016	
Total GAAP Revenues	**$**	**2,395,836**	**$**	**3,557,280**	**$**	**2,040,018**
Add: Management Fees - Consolidated Funds and Other		457,314		267,032		196,375
Deduct: Fee Credits - Consolidated Funds		48,193		4,028		2,921
Deduct: Capital Allocation-Based Income (GAAP)		554,510		2,015,676		935,110
Add: Segment Realized Carried Interest		1,218,647		1,198,981		1,256,208
Add: Segment Realized Investment Income (Loss)		651,792		479,716		694,420
Deduct: Revenue Earned by Other Consolidated Entities		111,185		106,042		108,605
Deduct: Expense Reimbursements		146,989		123,144		81,549
Total Segment Revenues	**$**	**3,862,712**	**$**	**3,254,119**	**$**	**3,058,836**

Expenses

	For the Years Ended December 31,		
	2018	2017	2016
Total GAAP Expenses	**$ 2,089,477**	**$ 2,336,692**	**$ 1,695,474**
Deduct: Equity-based and Other Compensation - KKR Holdings L.P.	100,182	141,727	78,663
Deduct: Unrealized Performance Income Compensation	(295,794)	247,601	(161,510)
Deduct: Amortization of Intangibles	7,700	17,821	41,803
Deduct: Reimbursable Expenses	176,126	155,173	111,016
Deduct: Operating Expenses relating to Other Consolidated Entities	179,818	172,920	216,958
Deduct: One-time Non-recurring Costs (1)	11,501	—	—
Add: Other	(25,870)	(18,523)	7,768
Total Segment Expenses	**$ 1,884,074**	**$ 1,582,927**	**$ 1,416,312**

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

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

	For the Years Ended December 31,		
	2018	2017	2016
GAAP Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	**$ 1,097,699**	**$ 984,941**	**$ 287,072**
Add: Net Income (Loss) Attributable to Noncontrolling Interests held by KKR Holdings L.P.	561,052	791,021	212,878
Add: Equity-based and Other Compensation - KKR Holdings L.P.	100,632	141,727	78,663
Add: Amortization of Intangibles and Other, net	26,116	122,870	(17,267)
Add: One-time Non-recurring Costs (1)	11,501	—	—
Add: Realized Losses on Certain Investments (2)	729,425	—	—
Deduct: Unrealized Carried Interest	(756,467)	600,242	(420,372)
Deduct: Net Unrealized Gains (Losses)	1,043,912	395,358	(584,423)
Add: Unrealized Performance Income Compensation	(295,794)	247,601	(161,510)
Deduct: Gain from remeasurement of tax receivable agreement liability (3)	—	67,221	—
Add: Income Tax Provision	(194,098)	224,326	24,561
Deduct: Income Taxes Paid	151,848	94,065	87,723
After-tax Distributable Earnings	**$ 1,597,240**	**$ 1,355,600**	**$ 1,341,469**

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

(2) Represents losses on certain investments which were realized in the second quarter of 2018 in advance of the Conversion.

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

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

Assets

	As of December 31,		
	2018	2017	2016
GAAP Assets	**$ 50,743,375**	**$ 45,834,719**	**$ 39,002,897**
Impact of Consolidation of Funds and Other Entities	(31,888,471)	(28,659,078)	(24,367,570)
Carry Pool Reclassification	(922,977)	(1,220,559)	(987,994)
Other Reclassifications	(344,291)	—	—
Impact of KKR Management Holdings Corp.	—	(193,770)	(314,192)
Segment Assets (1)	**$ 17,587,636**	**$ 15,761,312**	**$ 13,333,141**

Liabilities

	As of December 31,		
	2018	2017	2016
GAAP Liabilities	**$ 25,360,766**	**$ 25,171,919**	**$ 21,884,814**
Impact of Consolidation of Funds and Other Entities	(20,011,804)	(20,636,610)	(18,090,554)
Carry Pool Reclassification	(922,977)	(1,220,559)	(987,994)
Other Reclassifications	(344,291)	373,750	373,750
Impact of KKR Management Holdings Corp.	—	(123,284)	(163,030)
Segment Liabilities (1)	**$ 4,081,694**	**$ 3,565,216**	**$ 3,016,986**

Stockholders' Equity

	As of December 31,		
	2018	2017	2016
KKR & Co. Inc. Stockholders' Equity - Common Stockholders	**$ 8,167,056**	**$ 6,703,382**	**$ 5,457,279**
Impact of Consolidation of Funds and Other Entities	205,502	214,188	118,635
Other Reclassifications	(17,446)	(17,446)	(17,446)
Noncontrolling Interests Held by KKR Holdings L.P.	4,625,448	4,844,271	4,389,285
Impact of KKR Management Holdings Corp.	—	(70,486)	(151,162)
Segment Book Value (1)	**$ 12,980,560**	**$ 11,673,909**	**$ 9,796,591**

(1) As of December 31, 2018, KKR's segment assets, liabilities, and book value reflects KKR's tax assets and liabilities prepared under GAAP.

15. EQUITY

Stockholders' Equity

KKR & Co. Inc.'s common stock consists of Class A common stock, Class B common stock and Class C common stock. On July 1, 2018, as a result of the Conversion, (i) each outstanding common unit representing limited partner interests in KKR & Co. L.P. converted into one issued and outstanding, fully paid and nonassessable share of Class A common stock, (ii) each outstanding managing partner unit of KKR & Co. L.P. converted into one issued and outstanding, fully paid and nonassessable share of Class B common stock, and (iii) each outstanding special voting unit of KKR & Co. L.P. converted into one issued and outstanding, fully paid and nonassessable share of Class C common stock. KKR & Co. Inc.'s certificate of incorporation and bylaws provide stockholders with substantially the same rights and obligations that unitholders had immediately prior to the Conversion. Under the laws of the state of its incorporation, KKR & Co. Inc. is deemed to be the same entity as KKR & Co. L.P. In connection with the Conversion, each 6.75% Series A Preferred Unit and 6.50% Series B Preferred Unit of KKR & Co. L.P. was converted into one share of 6.75% Series A Preferred Stock ("Series A Preferred Stock") and 6.50% Series B Preferred Stock ("Series B Preferred Stock") of KKR & Co. Inc., respectively.

Upon Conversion, KKR's authorized capital stock consists of 5,000,000,000 shares, all with a par value of $0.01 per share, of which: (i) 3,500,000,000 are designated as Class A common stock; (ii) one is designated as Class B common stock; (iii) 499,999,999 are designated as Class C common stock; and (iv) 1,000,000,000 are designated as preferred stock, of which (a) 13,800,000 shares are designated as Series A Preferred Stock and (b) 6,200,000 shares are designated as Series B Preferred Stock.

Below is a summary of the reclassification from partnership equity accounts to equity accounts reflective of a corporation following the Conversion. See statements of changes in equity.

KKR & Co. L.P. Partners' Capital - Common Unitholders as of June 30, 2018	$	7,940,529
Less: Reclassifications to Class A Common Stock ($0.01 par value, 524,341,874 shares)		5,243
Less: Reclassifications to Class B Common Stock ($0.01 par value, 1 share)		—
Less: Reclassifications to Class C Common Stock ($0.01 par value, 304,107,762 shares)		3,041
Less: Reclassifications to Additional Paid-In Capital		7,932,245
KKR & Co. L.P. Partners' Capital - Common Unitholders as of July 1, 2018	$	—

Retained Earnings

Upon Conversion, there were no Retained Earnings as a corporation.

Accumulated Other Comprehensive Income (Loss)

There was no impact to Accumulated Other Comprehensive Income (Loss) upon Conversion.

Class A, Class B and Class C Common Stock

Class A common stock and Class C common stock are non-voting and are not entitled to vote on any matter that is generally subject to a vote of the stockholders, except as expressly provided in the certificate of incorporation and bylaws or required by Delaware law or the rules of the NYSE. Class B common stock is voting and is entitled to one vote per share on any matter that is submitted to a vote of the stockholders generally. For matters on which our Class A common stock is entitled to vote, as provided in the certificate of incorporation or bylaws or required by Delaware law or the rules of the NYSE, so long as the ratio at which KKR Group Partnership Units are exchangeable for Class A common stock remains on a one-for-one basis, Class C common stock will vote together with Class A common stock as a single class and on an equivalent basis unless required otherwise by Delaware law, except Class C common stock will vote separately as a class on any amendment to the certificate of incorporation that changes certain terms, rights or preferences of Class C common stock.

The holder of Class B common stock and holders of Class C common stock do not have any economic rights to receive dividends or receive distributions upon the dissolution, liquidation or winding up of KKR. Class A common stock, Class B common stock and Class C common stock are not entitled to preemptive rights, and, except in the case of impermissible transfers of the Class B common stock, which would result in KKR’s redemption of such Class B common stock, are not subject to conversion, redemption or sinking fund provisions.

Series A and Series B Preferred Stock

The board of directors is authorized, subject to limitations prescribed by Delaware law, to issue preferred stock in one or more series, to establish from time to time the number of shares to be included in each series, and to fix the designation, powers (including voting powers), preferences and rights of the shares of each series and any of its qualifications, limitations or restrictions, in each case without further vote or action by the stockholders (except as may be required by the terms of any preferred stock then outstanding).

KKR & Co. Inc. has outstanding 13,800,000 shares of Series A Preferred Stock and 6,200,000 shares of Series B Preferred Stock. Series A Preferred Stock and Series B Preferred Stock trade on the NYSE under the symbols "KKR PR A" and "KKR PR B", respectively, and were originally issued on March 17, 2016 and June 20, 2016, respectively. The terms of the preferred stock are set forth in our certificate of incorporation.

If declared, dividends on the Series A Preferred Stock and Series B Preferred Stock are payable quarterly on March 15, June 15, September 15 and December 15 of each year, at a rate per annum equal to 6.75% , in the case of Series A Preferred Stock, and 6.50% , in the case of Series B Preferred Stock. Dividends on the Series A Preferred Stock and Series B Preferred Stock are discretionary and non-cumulative. Holders of the Series A Preferred Stock and Series B Preferred Stock will only receive dividends on such shares when, as and if declared by the board of directors. KKR has no obligation to declare or pay any dividends for any dividend period, whether or not dividends on any series of preferred stock are declared or paid for any other dividend period.

Unless dividends have been declared and paid (or declared and set apart for payment) on Series A Preferred Stock and Series B Preferred Stock for a quarterly distribution period, KKR & Co. Inc. may not declare or pay dividends on, or repurchase, any of its shares that are junior to Series A Preferred Stock and Series B Preferred Stock, including Class A common stock, during such dividend period. A dividend period begins on a dividend payment date and extends to, but excludes, the next dividend payment date.

If KKR & Co. Inc. dissolves, then the holders of the Series A Preferred Stock and Series B Preferred Stock are entitled to receive payment of a $25.00 liquidation preference per share, plus declared and unpaid dividends, if any, to the extent that KKR has sufficient gross income (excluding any gross income attributable to the sale or exchange of capital assets) such that holders of such preferred stock have capital account balances equal to such liquidation preference, plus declared and unpaid dividends, if any.

The Series A Preferred Stock and Series B Preferred Stock do not have a maturity date. However, Series A Preferred Stock may be redeemed at KKR & Co. Inc.’s option, in whole or in part, at any time on or after June 15, 2021, at a price of $25.00 per share, plus declared and unpaid dividends, if any. Series B Preferred Stock may be redeemed at KKR & Co. Inc.’s option, in whole or in part, at any time on or after September 15, 2021, at a price of $25.00 per share, plus declared and unpaid dividends, if any. Holders of Series A Preferred Stock and Series B Preferred Stock have no right to require the redemption of such stock.

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

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

In connection with the issuance of the Series A Preferred Stock and Series B Preferred Stock, the KKR Group Partnerships issued for the benefit of KKR & Co. Inc. corresponding series of preferred units with economic terms that mirror those of the Series A Preferred Stock and Series B Preferred Stock, as applicable.

Share Repurchase Program

On May 3, 2018, KKR increased the available amount under its repurchase program to $500 million , which may be used for the repurchase of its shares of Class A common stock of KKR & Co. Inc. and retirement of equity awards issued pursuant to the Equity Incentive Plan (and any successor equity plan thereto). Under this repurchase program, shares of Class A common stock of KKR & Co. Inc. may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing, manner, price and amount of any repurchases will be determined by KKR in its discretion and will depend on a variety of factors, including legal requirements, price and economic and market conditions. KKR expects that the program, which has no expiration date, will be in effect until the maximum approved dollar amount has been used. The program does not require KKR to repurchase any specific number of shares of Class A common stock of KKR & Co. Inc., and the program may be suspended, extended, modified or discontinued at any time. During the years ended December 31, 2018 and 2016, approximately 7.5 million and 21.8 million shares of Class A common stock, respectively, were repurchased pursuant to this program. There were no shares of Class A common stock repurchased pursuant to this program during the year ended December 31, 2017 . During the year ended December 31, 2018, approximately 1.6 million equity awards were retired pursuant to this program. No equity awards were retired pursuant to this program for the years ended December 31, 2017 or 2016.

Noncontrolling Interests

Noncontrolling interests represent (i) noncontrolling interests in consolidated entities and (ii) noncontrolling interests held by KKR Holdings. There was no impact to Noncontrolling Interests upon Conversion.

Noncontrolling Interests in Consolidated Entities

Noncontrolling interests in consolidated entities represent the non-redeemable ownership interests in KKR that are held primarily by:

(i) third party fund investors in KKR's consolidated funds and certain other entities;

(ii) third parties entitled to up to 1% of the carried interest received by certain general partners of KKR's funds that have made investments on or prior to December 31, 2015;

(iii) certain former principals and their designees representing a portion of the carried interest received by the general partners of KKR's private equity funds that was allocated to them with respect to private equity investments made during such former principals' tenure with KKR prior to October 1, 2009;

(iv) certain principals and former principals representing all of the capital invested by or on behalf of the general partners of KKR's private equity funds prior to October 1, 2009 and any returns thereon; and

(v) third parties in KKR's capital markets business line.

On January 16, 2018, KKR Financial Holdings LLC ("KFN") completed the redemption of all of its outstanding 7.375% Series A LLC Preferred Shares.

During the third quarter of 2018, all remaining holders of exchangeable equity securities representing ownership interests in a subsidiary of a KKR Group Partnership issued in connection with the acquisition of Avoca Capital ("Avoca") have exchanged such securities for shares of Class A common stock.

Noncontrolling Interests held by KKR Holdings

Noncontrolling interests held by KKR Holdings include economic interests held by principals indirectly in the KKR Group Partnership Units. Such principals receive financial benefits from KKR's business in the form of distributions received from KKR Holdings and through their direct and indirect participation in the value of KKR Group Partnership Units held by KKR Holdings. These financial benefits are not paid by KKR & Co. Inc. and are borne by KKR Holdings.

The following tables present the calculation of total noncontrolling interests.

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

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

(1) Refer to the table below for calculation of net income (loss) attributable to noncontrolling interests held by KKR Holdings.

(2) With respect to noncontrolling interests held by KKR Holdings, calculated on a pro rata basis based on the weighted average KKR Group Partnership Units held by KKR Holdings during the reporting period.

(3) Calculated based on the proportion of KKR Holdings units and other exchangeable securities exchanged for KKR & Co. Inc. Class A common stock during the reporting period. The exchange agreement with KKR Holdings provides for the exchange of KKR Group Partnership Units held by KKR Holdings for KKR & Co. Inc. Class A common stock.

Net income (loss) attributable to each of KKR & Co. Inc. Class A common stockholders and KKR Holdings, with the exception of certain tax assets and liabilities that are directly allocable to KKR & Co. Inc., is attributed based on the percentage of the weighted average KKR Group Partnership Units directly or indirectly held by KKR & Co. Inc. and KKR Holdings, each of which directly or indirectly holds equity of the KKR Group Partnerships. However, primarily because of the (i) contribution of certain expenses borne entirely by KKR Holdings, (ii) the periodic exchange of KKR Holdings units for KKR & Co. Inc. Class A common stock pursuant to the exchange agreement and (iii) the contribution of certain expenses borne entirely by KKR associated with the Equity Incentive Plan, equity allocations shown in the consolidated statement of changes in equity differ from their respective pro rata ownership interests in KKR's net assets.

Notes to Consolidated Financial Statements (Continued)

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

	For the Years Ended December 31,		
	2018	2017	2016
Net income (loss)	$ 2,450,946	$ 2,560,042	$ 950,664
Less: Net income (loss) attributable to Redeemable Noncontrolling Interests	(37,352)	73,972	(8,476)
Less: Net income (loss) attributable to Noncontrolling Interests in consolidated entities	796,183	676,744	436,955
Less: Preferred Stock Dividends	33,364	33,364	22,235
Plus: Income tax expense (benefit) attributable to KKR & Co. Inc.	(229,232)	150,812	(18,937)
Less: Gain from remeasurement of tax receivable agreement liability attributable to KKR & Co. Inc. [(1)]	—	67,221	—
Net income (loss) attributable to KKR & Co. Inc. Class A Common Stockholders and KKR Holdings	**$ 1,429,519**	**$ 1,859,553**	**$ 481,013**
Net income (loss) attributable to Noncontrolling Interests held by KKR Holdings	**$ 561,052**	**$ 791,021**	**$ 212,878**

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

Redeemable Noncontrolling Interests

Redeemable Noncontrolling Interests represent noncontrolling interests of certain investment funds and vehicles that are subject to periodic redemption by fund investors following the expiration of a specified period of time (typically one year), or may be withdrawn subject to a redemption fee during the period when capital may not be otherwise withdrawn. Fund investors interests subject to redemption as described above are presented as Redeemable Noncontrolling Interests in the accompanying consolidated statements of financial condition and presented as Net Income (Loss) Attributable to Redeemable Noncontrolling Interests in the accompanying consolidated statements of operations. There was no impact to Redeemable Noncontrolling Interests upon Conversion.

When redeemable amounts become legally payable to fund investors, they are classified as a liability and included in Accounts Payable, Accrued Expenses and Other Liabilities in the accompanying consolidated statements of financial condition. For all consolidated investment vehicles and funds in which redemption rights have not been granted, noncontrolling interests are presented within Stockholders' Equity in the accompanying consolidated statements of financial condition as noncontrolling interests.

The following table presents the rollforward of Redeemable Noncontrolling Interests:

	For the Year Ended December 31,
	2018
Balance at the beginning of the period	$ 610,540
Net income (loss) attributable to Redeemable Noncontrolling Interests	(37,352)
Capital contributions	565,553
Capital distributions	(16,100)
Balance at the end of the period	**$ 1,122,641**

Transfer of Interests Under Common Control and Other

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

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

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

16. COMMITMENTS AND CONTINGENCIES

Funding Commitments

As of December 31, 2018 , KKR had unfunded commitments consisting of $5,274.0 million to its active investment vehicles. In addition to the uncalled commitments to KKR's investment funds, KKR has entered into contractual commitments with respect to (i) the purchase of investments and other assets in its Principal Activities business line and (ii) underwriting transactions, debt financing, and syndications in KKR's Capital Markets business line. As of December 31, 2018 , these commitments amounted to $370.5 million and $663.7 million , respectively. Whether these amounts are actually funded, in whole or in part, depends on the contractual terms of such commitments, including the satisfaction or waiver of any conditions to closing or funding. The unfunded commitments shown for KKR's Capital Markets business line are shown without reflecting arrangements that may reduce the actual amount of contractual commitments shown occurring after December 31, 2018 . KKR's capital markets business has an arrangement with a third party, which reduces its risk when underwriting certain debt transactions, and thus our unfunded commitments as of December 31, 2018 are reduced to reflect the amount to be funded by such third party. In the case of purchases of investments or assets in KKR's Principal Activities business line, the amount to be funded includes amounts that are intended to be syndicated to third parties, and the actual amounts to be funded may be less than shown.

Non-cancelable Operating Leases

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

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

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

Contingent Repayment Guarantees

The partnership documents governing KKR's carry-paying investment funds and vehicles generally include a "clawback" provision that, if triggered, may give rise to a contingent obligation requiring the general partner to return amounts to the fund for distribution to the fund investors at the end of the life of the fund. Under a clawback obligation, upon the liquidation of a fund, the general partner is required to return, typically on an after-tax basis, previously distributed carry to the extent that, due to the diminished performance of later investments, the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, including the effects of any performance thresholds. As of December 31, 2018 , no carried interest was subject to this clawback obligation, assuming that all applicable carry-paying funds were liquidated at their December 31, 2018 fair values. Had the investments in such funds been liquidated at zero value, the clawback obligation would have been approximately $2.0 billion . Carried interest is recognized in the consolidated statements of operations based on the contractual conditions set forth in the agreements governing the fund as if the fund were terminated and liquidated at the reporting date and the fund's investments were realized at the then estimated fair values. Amounts earned pursuant to carried interest are earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment amounts earned decrease or turn negative in subsequent periods, recognized carried interest will be reversed and to the extent that the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, a clawback obligation would be recorded. For funds that are consolidated, this clawback obligation, if any, is reflected as an increase in noncontrolling interests in the consolidated statements of financial condition. For funds that are not consolidated, this clawback obligation, if any, is reflected as a reduction of KKR's investment balance as this is where carried interest is initially recorded.

Indemnifications and Other Guarantees

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

Litigation

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

In December 2017, KKR & Co. L.P. and its Co-Chief Executive Officers were named as defendants in a lawsuit pending in Kentucky state court alleging, among other things, the violation of fiduciary and other duties in connection with certain separately managed accounts that Prisma Capital Partners LP, a former subsidiary of KKR, manages for the Kentucky Retirement Systems. Also named as defendants in the lawsuit are certain current and former trustees and officers of the Kentucky Retirement Systems, Prisma Capital Partners LP, and various other service providers to the Kentucky Retirement Systems and their related persons. The defendants' motion to dismiss was denied in November 2018.

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

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

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

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

17. QUARTERLY FINANCIAL DATA (UNAUDITED)

	For the Three Months Ended,			
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Statement of Operations Data:				
Total Revenues	$ 472,606	$ 971,620	$ 1,129,666	$ (178,056)
Total Expenses	436,601	675,050	740,090	237,736
Total Investment Income (Loss)	584,530	1,330,786	833,288	(798,115)
Income (Loss) Before Taxes	620,535	1,627,356	1,222,864	(1,213,907)
Income Tax Expense / (Benefit)	17,641	60,960	(129,405)	(143,294)
Net Income (Loss)	602,894	1,566,396	1,352,269	(1,070,613)
Less: Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	25,674	(18,016)	12,236	(57,246)
Less: Net Income (Loss) Attributable to Noncontrolling Interests	398,777	895,690	691,494	(628,726)
Net Income (Loss) Attributable to KKR & Co. Inc.	178,443	688,722	648,539	(384,641)
Less: Series A Preferred Stock Dividends	5,822	5,822	5,822	5,822
Less: Series B Preferred Stock Dividends	2,519	2,519	2,519	2,519
Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	$ 170,102	$ 680,381	$ 640,198	$ (392,982)
Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock				
Basic	$ 0.36	$ 1.33	$ 1.22	$ (0.74)
Diluted	$ 0.32	$ 1.24	$ 1.17	$ (0.74)
Weighted Average Shares of Class A Common Stock Outstanding				
Basic	487,704,838	510,586,631	525,240,214	532,266,521
Diluted	535,918,274	548,745,498	545,672,953	532,266,521

	For the Three Months Ended,			
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
Statement of Operations Data:				
Total Revenues	$ 767,755	$ 1,015,800	$ 749,652	$ 1,024,073
Total Expenses	540,014	629,728	530,247	636,703
Total Investment Income (Loss)	610,695	500,990	177,953	274,142
Income (Loss) Before Taxes	838,436	887,062	397,358	661,512
Income Tax Expense / (Benefit)	40,542	18,538	18,420	146,826
Net Income (Loss)	797,894	868,524	378,938	514,686
Less: Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	20,933	22,387	20,876	9,776
Less: Net Income (Loss) Attributable to Noncontrolling Interests	509,277	432,150	196,158	330,180
Net Income (Loss) Attributable to KKR & Co. Inc.	267,684	413,987	161,904	174,730
Less: Series A Preferred Stock Dividends	5,822	5,822	5,822	5,822
Less: Series B Preferred Stock Dividends	2,519	2,519	2,519	2,519
Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	$ 259,343	$ 405,646	$ 153,563	$ 166,389
Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock				
Basic	$ 0.57	$ 0.87	$ 0.33	$ 0.35
Diluted	$ 0.52	$ 0.81	$ 0.30	$ 0.32
Weighted Average Shares of Class A Common Stock Outstanding				
Basic	453,695,846	466,170,025	471,758,886	481,165,742
Diluted	496,684,340	501,177,423	506,873,177	520,156,583

18. SUBSEQUENT EVENTS

Common Stock Dividend

A dividend of $0.125 per share of Class A common stock of KKR & Co. Inc. was announced on February 1, 2019 , and will be paid on February 26, 2019 to Class A common stockholders of record as of the close of business on February 11, 2019 . KKR Holdings will receive its pro rata share of the distribution from the KKR Group Partnerships.

Preferred Stock Dividend

A dividend of $0.421875 per share of Series A Preferred Stock has been declared as announced on February 1, 2019 and set aside for payment on March 15, 2019 to holders of record of Series A Preferred Stock as of the close of business on March 1, 2019 .

A dividend of $0.406250 per share of Series B Preferred Stock has been declared as announced on February 1, 2019 and set aside for payment on March 15, 2019 to holders of record of Series B Preferred Stock as of the close of business on March 1, 2019 .

Equity Incentive Plan

On January 28, 2019, common stockholders of KKR & Co. Inc. approved the KKR & Co. Inc. 2019 Equity Incentive Plan (our "New Equity Incentive Plan"). Our New Equity Incentive Plan will become effective on March 29, 2019.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

As of the period ended December 31, 2018 , we carried out an evaluation, under the supervision and with the participation of our management, including the Co-Chief Executive Officers and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, our Co-Chief Executive Officers and Chief Financial Officer have concluded that, as of the period ended December 31, 2018 , our disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting

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

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

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2018 . In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework* that was issued in 2013. Based on its assessment, our management has concluded that, as of December 31, 2018 , our internal control over financial reporting is effective.

Changes in Internal Control Over Financial Reporting

No changes in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) of the Exchange Act) occurred during the fourth quarter of 2018 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Attestation Report of the Independent Registered Public Accounting Firm

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

ITEM 9B. OTHER INFORMATION

We are providing the following supplemental information about after-tax economic net income (loss) ("ENI") on a voluntary basis for comparability purposes. ENI is a measurement of the operating and investment earnings of KKR including mark-to-market gains (losses) that had been used in periods prior to the second quarter of 2018. ENI is calculated as after-tax distributable earnings, plus unrealized carried interest and unrealized investment income, less unrealized performance income compensation and non-current income taxes.

The following reconciles after-tax distributable earnings and ENI to GAAP Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders for the years ended December 31, 2018 , 2017, and 2016:

	Year Ended		
	December 31, 2018	December 31, 2017	December 31, 2016
		($ in thousands)	
After-tax Distributable Earnings	$ 1,597,240	$ 1,355,600	$ 1,341,469
Add: Unrealized Carried Interest	(756,467)	600,242	(420,372)
Add: Net Unrealized Gains (Losses)	1,043,912	395,358	(584,423)
Deduct: Unrealized Performance Income Compensation	(295,794)	247,601	(161,510)
Deduct: Non-current Income Taxes (1)	(38,300)	77,839	(77,441)
Add: Non-recurring Items (2)	(729,425)	—	—
ENI	1,489,354	2,025,760	575,625
Deduct: Net Income (Loss) Attributable to Noncontrolling Interests held by KKR Holdings L.P.	561,052	791,021	212,878
Deduct: Equity-based and Other Compensation - KKR Holdings L.P.	100,632	141,727	78,663
Deduct: Amortization of Intangibles and Other, net	26,116	122,870	(17,267)
Add: Gain from remeasurement of tax receivable agreement liability	—	67,221	—
Add: Provision for Income Tax (Benefit) - ENI	113,548	171,904	10,282
Deduct: Income Tax Expense (Benefit) - GAAP	(194,098)	224,326	24,561
Deduct: One-time Non-recurring Costs (3)	11,501	—	—
GAAP Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	$ 1,097,699	$ 984,941	$ 287,072

(1) Excludes the impact of the estimated tax benefit resulting from the partial step-up in the tax basis of certain assets in connection with the Conversion.

(2) Represents losses on certain investments which were realized in the second quarter of 2018 in advance of the Conversion.

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

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors and Executive Officers

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

Name	Age	Position(s)
Henry R. Kravis	75	Co-Chief Executive Officer, Co-Chairman and Director
George R. Roberts	75	Co-Chief Executive Officer, Co-Chairman and Director
Joseph Y. Bae	47	Co-President, Co-Chief Operating Officer and Director
Scott C. Nuttall	46	Co-President, Co-Chief Operating Officer and Director
Mary N. Dillon	57	Director
David C. Drummond	55	Director
Joseph A. Grundfest	67	Director
John B. Hess	64	Director
Xavier B. Niel	61	Director
Patricia F. Russo	66	Director
Thomas M. Schoewe	66	Director
Robert W. Scully	69	Director
William J. Janetschek	56	Chief Financial Officer
David J. Sorkin	59	General Counsel and Secretary

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

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

Joseph Y. Bae joined KKR in 1996 and is our Co-President and Co-Chief Operating Officer. Mr. Bae has been a member of the board of directors since July 16, 2017. Prior to July 2017, when he was promoted to his current position, he was the managing partner of KKR Asia and the global head of KKR's infrastructure and energy real asset businesses. He is the chairman of KKR's Asia and Americas Private Equity Investment Committees and serves on KKR's European Private Equity, Growth Equity, Energy, Infrastructure, Real Estate and Special Situations Investment Committees. He is also a member of KKR's Inclusion and Diversity Council. Prior to KKR, Mr. Bae worked for Goldman Sachs & Co. in its principal investment area, where he was involved in a broad range of merchant banking transactions. He has a B.A., magna cum laude, from Harvard College. Mr. Bae serves on the boards of a number of non-profit educational and cultural institutions including, as a trustee for

Phillips Andover Academy, the Global Advisory Council at Harvard University, a board member of the Lincoln Center and the Asia Society. Mr. Bae's intimate knowledge of KKR's business and operations and his experience in a variety of senior leadership roles within KKR provide significant value to the board of directors.

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

Mary N. Dillon has been a member of the board of directors since September 6, 2018. Ms. Dillon has served as Chief Executive Officer and a member of the board of directors of Ulta Beauty, Inc., a beauty products retailer, since July 2013. Prior to joining Ulta Beauty, she served as President and Chief Executive Officer and member of the board of directors of United States Cellular Corporation, a provider of wireless telecommunication services, beginning in June 2010. Prior to joining U.S. Cellular, Ms. Dillon served as Global Chief Marketing Officer and Executive Vice President of McDonald’s Corporation from 2005 to 2010, where she led its worldwide marketing efforts and global brand strategy. Prior to joining McDonald’s, Ms. Dillon held several positions of increasing responsibility at PepsiCo Corporation, including as President of the Quaker Foods division from 2004 to 2005 and as Vice President of Marketing for Gatorade and Quaker Foods from 2002 to 2004. Ms. Dillon served as a director of Target Corporation from 2007 to 2013 and as a member of its compensation committee from 2009 to 2013. Ms. Dillon joined the board of directors of Starbucks in January 2016 and serves as chair of its compensation and management development committee, and as a member of the nominating and corporate governance committee. Ms. Dillon provides the board with valuable knowledge and insights she gained through her various senior management and leadership roles, including as the chief executive officer of a publicly traded company. In addition, with over 30 years of experience in consumer-driven businesses, Mr. Dillon brings to the Board her extensive operational and marketing expertise in the retail industry.

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

Joseph A. Grundfest has been a member of the board of directors since July 15, 2010. Mr. Grundfest has been a member of the faculty of Stanford Law School since 1990, where he is the William A. Franke Professor of Law and Business. He is also senior faculty of the Arthur and Toni Rembe Rock Center for Corporate Governance at Stanford University; co-director of Directors' College, a venue for the continuing professional education of directors of publicly traded corporations; and co-founder of Financial Engines, Inc., a provider of services and advice to participants in employer-sponsored retirement plans, where he has served as a director since its inception in 1996 until 2018. Prior to joining the Stanford Law School faculty, Mr. Grundfest was a Commissioner of the SEC from 1985 to 1990. He holds a B.A. in Economics from Yale University and a J.D. from Stanford Law School. Mr. Grundfest's knowledge and expertise in capital markets, corporate governance, and securities laws provides significant value to the oversight and development of our business.

John B. Hess has been a member of the board of directors since July 28, 2011. Mr. Hess has been the chief executive officer of Hess Corporation since 1995 and a director since 1978. He was also director of Dow Chemical Co. from 2006 to 2013. He serves as a member of the Business Council, the Trilateral Commission and the Council on Foreign Relations and on the executive committee of the American Petroleum Institute and previously served on the Secretary of Energy Advisory Board Quadrennial Review Task Force. Mr. Hess is a member of the board of trustees at the Center for Strategic and International Studies, Mount Sinai Hospital, the Lincoln Center for the Performing Arts and the Dean's Advisors at Harvard Business School, and chairs The Harvard Business School Campaign. Mr. Hess earned a B.A. from Harvard College and an M.B.A. from

Harvard Business School. Mr. Hess provides significant value to the oversight and development of our business through his management and leadership roles at a global energy business, and his involvement with major businesses and public policy organizations also provides valuable perspectives for our business.

Xavier B. Niel has been a member of the board of directors since March 1, 2018. Mr. Niel is the founder, deputy chairman of the board and chief strategy officer of Iliad SA, a French telecommunications company that owns the internet provider Free and the low-cost mobile operator Free Mobile. Mr. Niel also owns majority stakes in telecom operators in various countries. He has been involved in the data communications, internet and telecommunications industry since the late 1980s. In 2010, Mr. Niel founded Kima Ventures SAS, which is an active early-stage investor. In 2013, he created 42, a school that trains computer specialists in France and the United States, and in 2017, he opened Station-F, a startup campus located in Paris. Mr. Niel brings significant value to the board due to his extensive experience as an entrepreneur who founded multiple companies, in addition to his leadership and technology experience.

Patricia F. Russo has been a member of the board of directors since April 15, 2011. Ms. Russo served as chief executive officer of Alcatel-Lucent from 2006 to 2008. Prior to the merger of Alcatel and Lucent in 2006, she served as chairman of Lucent Technologies, Inc. from 2003 to 2006, and as president and chief executive officer from 2002 to 2006. Before rejoining Lucent in 2002, Ms. Russo was president and chief operating officer of Eastman Kodak Company from March 2001 to December 2001. She has served as the chairman of Hewlett Packard Enterprise Company since 2015 and as a director of, Merck & Co., Inc. since 2009 and General Motors Company since 2009. Prior to its merger with Merck in 2009, Ms. Russo served as a director of Schering-Plough since 1995, and she served as a director of Hewlett Packard Company from 2011 to November 2015. From November 2016 to May 2018, Ms. Russo also served on the board of Arconic Inc., which separated from Alcoa Inc., where Ms. Russo served as a director from 2008 to November 2016. She graduated from Georgetown University with a bachelor's degree in political science and history, and obtained an Advanced Management Degree from Harvard Business School's Advanced Management Program. Ms. Russo's management and leadership experience as chief executive officer of complex global companies as well as her experience with corporate strategy, mergers and acquisitions, and sales and marketing brings important expertise to the oversight and development of our business. Ms. Russo also brings extensive experience in corporate governance as a member of boards and board committees of other public companies.

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

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

William J. Janetschek joined KKR in 1997 and is our Chief Financial Officer. Mr. Janetschek is also a member of KKR's Balance Sheet Committee, Global Valuation Committee and Risk and Operations Committee. Prior to joining KKR, he was a

Tax Partner at Deloitte & Touche LLP. He holds a B.S. from St. John's University and an M.S. from Pace University. Mr. Janetschek is actively involved in the community, serving as a sponsor and member of a variety of non-profit organizations including Student Sponsor Partners, St. Brigid Catholic Church and St. John's University.

David J. Sorkin joined KKR in 2007 and is our General Counsel and Secretary. Mr. Sorkin is also a member of KKR's Global Valuation Committee and Risk and Operations Committee. Prior to joining KKR, Mr. Sorkin was a partner with Simpson Thacher & Bartlett LLP. Mr. Sorkin serves as President of the board of directors of New Alternatives for Children. He received a B.A., summa cum laude, from Williams College and a J.D., cum laude, from Harvard Law School.

Independence and Composition of the Board of Directors

Our board of directors consists of twelve directors, eight of whom, Messrs. Drummond, Grundfest, Hess, Niel, Schoewe and Scully and Mses. Dillon and Russo, are independent under NYSE rules relating to corporate governance matters and the independence standards described in our corporate governance guidelines.

Because the Class B Stockholder controls more than 50% of our voting power, we are a "controlled company" within the meaning of the corporate governance standards of the NYSE. Under these standards, a "controlled company" may elect not to comply with certain corporate governance standards, including the requirements (1) that a majority of its board of directors consist of independent directors, (2) that its board of directors have a compensation committee that is comprised entirely of independent directors with a written charter addressing the committee's purpose and responsibilities and (3) that its board of directors have a nominating and corporate governance committee that is comprised entirely of independent directors with a written charter addressing the committee's purpose and responsibilities. We currently utilize the second and third of these exemptions. See "Risk Factors—Risks Related to Our Common Stock—As a 'controlled company,' we qualify for some exemptions from the corporate governance and other requirements of the NYSE." While we are exempt from NYSE rules relating to board independence, we intend to maintain a board of directors that consists of at least a majority of directors who are independent under NYSE rules. In the event that we cease to be a "controlled company" and our shares of Class A common stock continue to be listed on the NYSE, we will be required to comply with these provisions within the applicable transition periods.

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

Board Committees

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

Audit Committee

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

Conflicts Committee

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

Nominating and Corporate Governance Committee

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

Executive Committee

The executive committee consists of Messrs. Kravis and Roberts. The purpose of the executive committee is to act, when necessary, in place of the full board of directors during periods in which the board is not in session. The executive committee is authorized and empowered to act as if it were the full board of directors in overseeing our business and affairs, except that it is not authorized or empowered to take actions that have been specifically delegated to other board committees or to take actions with respect to: (i) the declaration of dividends on our Class A common stock; (ii) a merger or consolidation of us with or into another entity; (iii) a sale, lease or exchange of all or substantially all of our assets; (iv) a liquidation or dissolution of us; (v) any action that must be submitted to a vote of the Class B Stockholder's members or our stockholders; or (vi) any action that may not be delegated to a board committee under our certificate of incorporation, our bylaws or the DGCL.

Code of Business Conduct and Ethics

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

Corporate Governance Guidelines

Our board of directors has a governance policy, which addresses matters such as the board of directors' responsibilities and duties, the board of directors' composition and compensation and director independence. The governance guidelines are available on our website at *www.kkr.com* under the "Investor Center" section.

Communications to the Board of Directors

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

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who beneficially own more than ten percent of a registered class of our equity securities, to file initial reports of ownership and reports of changes in ownership with the SEC and furnish us with copies of all Section 16(a) forms they file. To our knowledge, based solely on our review of the copies of such reports or written representations from such persons that they were not required to file a Form 5 to report previously unreported ownership or changes in ownership, we believe that, with respect to the fiscal year ended December 31, 2018 , such persons complied with all such filing requirements.

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation Philosophy

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

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

Alignment of interests. Management equity ownership in the businesses in which we invest has been a guiding principle throughout our firm's history, and we apply that principle to ourselves: every employee of the firm is expected to have an equity interest in KKR. This equity ownership serves to align the interests of our employees with those of our stockholders. In addition, because we invest in and alongside our investment funds and have a carry pool from which we can allocate to our employees 40% or 43%, as applicable, of the carried interest that we generate through our business, we believe that our employees' interests are also aligned with those of our investors in the funds, vehicles and accounts that we manage, which in turn benefits our stockholders.

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

We refer to our two Co-Chief Executive Officers (Henry Kravis and George Roberts), our two Co-Presidents/Co-Chief Operating Officers (Joseph Bae and Scott Nuttall), our Chief Financial Officer (William Janetschek) and our General Counsel (David Sorkin) as our "named executive officers." We believe that the elements of compensation discussed below for our named executive officers serve these primary objectives. We are not required to conduct say-on-pay or say-on-frequency votes under the Dodd-Frank Act. However, we intend periodically to review the elements of our compensation, and we may make changes to the compensation structure relating to one or more named executive officers based on the outcome of such reviews from time to time.

KKR Holdings

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

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

KKR Holdings, from time to time, receives distributions that are made on KKR Group Partnership Units that are held by it. To the extent such distributions are received on KKR Group Partnership Units that underlie any KKR Holdings units that have satisfied their respective vesting requirements, if any, at the time distributions are declared on the underlying KKR Group Partnership Units, such distributions will be allocated and further distributed to the named executive officers as and when received. To the extent that such distributions are made on KKR Group Partnership Units underlying any KKR Holdings units that have not satisfied all vesting requirements at the time distributions are declared on the underlying KKR Group Partnership Units, such distributions may be allocated or otherwise applied in such amounts and in such manner as our Co-Chief Executive Officers, acting through the general partner of KKR Holdings, may determine. See "—Compensation Elements—Year-End

Bonus Compensation" for a description of these grants. As of February 12, 2019 , approximately 0.6 million KKR Holdings units remain unallocated.

In 2018 , our named executive officers received distributions on their vested KKR Holdings units, as well as dividends on shares of Class A common stock they own, and because these distributions and dividends are not considered to be compensation, they have not been reported in the Summary Compensation Table.

Compensation Elements

Base Salary

For 2018 , each of our named executive officers was paid an annual salary of $300,000. We believe that the base salary of our named executive officers should typically not be the most significant component of total compensation. Our Co-Chief Executive Officers determined that this amount was a sufficient minimum base salary for our named executive officers and decided that it should be the same for all named executive officers. We are responsible for funding this base salary.

Year-End Bonus Compensation

Our Co-Chief Executive Officers did not receive any year-end bonus compensation in 2018 . They have decided at this time not to receive any bonus from us or from KKR Holdings in excess of distributions payable with respect to their KKR Holdings units. Instead, they have decided that year-end bonus payments for 2018 should be made to our other employees in order to motivate and retain them for the benefit of the firm. See "—Other Compensation" below for certain incidental benefits provided by the firm.

In 2018 , our Co-Presidents/Co-Chief Operating Officers, Chief Financial Officer and General Counsel were awarded additional year-end cash compensation as bonus payments that were determined by our Co-Chief Executive Officers. Our Co-Chief Executive Officers made their subjective determinations by assessing our overall performance and the contributions that our Co-Presidents/Co-Chief Operating Officers, Chief Financial Officer and General Counsel made to our development and success, as a firm, during the year. Certain factors that were considered when determining the size of their bonus payments include (i) their respective contributions and accomplishments in 2018 in terms of driving commercial results for the firm, leading and managing people, and living the firm's values; (ii) their respective performance and contributions relative to other senior employees at the firm, (iii) their respective performance and contributions in 2018 as compared to the prior year and (iv) the overall financial performance of the firm in 2018 as compared to the prior year based on certain financial measures considered by management, including but not limited to after-tax distributable earnings. More specifically, in assessing Mr. Bae and Mr. Nuttall's contributions, our Co-Chief Executive Officers considered their services as Co-Presidents/Co-Chief Operating Officers and their day-to-day management of the firm's operations, as well as their joint leadership roles in executing and implementing KKR's strategy in its global private equity, real assets, credit, capital markets and capital raising businesses together with its corporate development and balance sheet initiatives. In assessing Mr. Janetschek's contributions, they considered his service as the Chief Financial Officer and his leadership and oversight of our finance, tax and accounting functions and related operations and his role with respect to strategic initiatives undertaken by the firm. In assessing Mr. Sorkin's contributions, they considered his leadership and oversight of our global legal, compliance, enterprise risk and internal audit functions and his role with respect to the strategic initiatives undertaken by the firm. The size of the cash bonus payments to the named executive officers (other than Messrs. Kravis and Roberts who received none) were higher compared to the prior year, reflecting the firm's financial performance in 2018, in particular with respect to an overall year-over-year increase in revenues across all business lines. No equity-based bonus compensation was granted to the named executive officers as part of their 2018 year-end bonus compensation, because it was decided that our senior principals would generally not receive any year-end equity-based bonus for 2018. In making these determinations, our Co-Chief Executive Officers consulted with certain of our senior employees and, with respect to the determinations for our Chief Financial Officer and General Counsel, considered the recommendations by our Co-Presidents/Co-Chief Operating Officers. We believe that the discretion permitted to our Co-Chief Executive Officers permits them to award bonus compensation in an amount they determine to be necessary to motivate and retain these named executive officers. In the 2018 summary compensation table that follows, the amount of stock awards shown for 2018 represents the equity portion of prior year’s bonus compensation that was approved and granted in the first quarter of 2018.

The cash bonus amounts paid to our Co-Presidents/Co-Chief Operating Officers, our Chief Financial Officer and our General Counsel for 2018 are reflected in the Bonus column of the 2018 Summary Compensation Table below. Although no deferred equity bonus or additional equity compensation awards were made to our named executive officers in connection with 2018 year-end bonus compensation, these equity awards may become a component of our annual year-end bonus determination for our named executive officers in the future.

Carried Interest

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

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

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

Participation in our carry pool for our employees, including our named executive officers, is subject only to service-based vesting with certain exceptions, including acceleration upon death or disability. In general, the vesting for carry pool allocations is annual over a four-year period (other than for our Co-Chief Executive Officers). Vesting serves as an employment retention mechanism and enhances the alignment of interests between a participant in our carry pool and the firm as well as the limited partners in our investment funds. Due to their status as co-founders of our firm, our Co-Chief Executive Officers are typically completely vested in their carry pool allocations upon grant.

Carry pool allocations after December 31, 2018, whether or not vested, are subject to forfeiture if the recipient violates his or her confidentiality and restrictive covenant agreement. See "—Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards—Terms of Confidentiality and Restrictive Covenant Agreements."

Other Compensation

Our Co-Chief Executive Officers are reimbursed by us for the use of a car and driver, and we pay for the compensation of certain personnel who administer personal matters for them. We believe that these benefits are appropriate in light of the time that they spend on our business, the limited compensation paid by us for their services and their unique status as co-founders of our firm. In addition, we also pay for certain tax preparation fees for our named executive officers and, starting in 2019, for financial planning services for certain of our named executive officers.

Minimum Retained Ownership

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

Compensation and Risk

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

Summary Compensation Table

The following table presents summary information concerning compensation that was paid for services rendered by our named executive officers during the fiscal years ended December 31, 2016, 2017 and 2018.

In 2016, 2017 and 2018, our named executive officers received distributions based on their vested KKR Holdings units or dividends on shares of Class A common stock they hold. Because these distributions and dividends are not considered to be compensation, they are not reflected as compensation in the table below. There are certain contractual arrangements we entered into with KKR Holdings at the time of the KPE Transaction in October 2009 and thereafter, including a tax receivable agreement, which relate to payments to our named executive officers that are not compensatory and are described in "Certain Relationships and Related Transactions, and Director Independence."

Carried interest distributions to our named executive officers in respect of the carry pool for the years ended December 31, 2016, 2017 and 2018 are reflected in the All Other Compensation column in the 2018 Summary Compensation Table below.

2018 Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($) [(2)]	All Other Compensation ($) [(3)]	Total ($)
Henry R. Kravis	2018	300,000	—	—	56,217,088 (4)	56,517,088
Co-Chief Executive Officer	2017	300,000	—	44,650,000	68,484,271	113,434,271
	2016	300,000	—	—	63,541,599	63,841,599
George R. Roberts	2018	300,000	—	—	56,233,435 (5)	56,533,435
Co-Chief Executive Officer	2017	300,000	—	44,650,000	68,761,704	113,711,704
	2016	300,000	—	—	63,637,400	63,937,400
Joseph Y. Bae [(8)]	2018	300,000	9,000,000	5,872,442	21,168,222 (6)	36,340,664
Co-President and Co-Chief Operating Officer	2017	300,000	7,385,000	121,302,000	14,919,102	143,906,102
Scott C. Nuttall [(8)]	2018	300,000	9,000,000	5,872,442	21,491,798 (6)(7)	36,664,240
Co-President and Co-Chief Operating Officer	2017	300,000	7,385,000	121,302,000	15,364,186	144,351,186
William J. Janetschek	2018	300,000	2,950,000	1,257,647	9,378,133 (6)	13,885,780
Chief Financial Officer	2017	300,000	2,747,500 (1)	967,419	6,655,362	10,670,281
	2016	300,000	2,455,000 (1)	7,813,846	5,196,063	15,764,909
David J. Sorkin	2018	300,000	2,950,000	1,257,647	4,607,770 (6)	9,115,417
General Counsel	2017	300,000	2,747,500 (1)	967,419	3,389,709	7,404,628
	2016	300,000	2,455,000 (1)	7,841,425	1,695,934	12,292,359

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

(2) Stock awards reflected in the table above for each year presented represent the value of the restricted stock units and KKR Holdings units granted in such reporting period. For the fiscal years ended December 31, 2016, 2017 and 2018, restricted stock units presented in such reporting periods relate to the equity portion of the prior year's year-end bonus compensation and in each case reflect the grant date fair value of restricted stock units. For the fiscal years ended December 31, 2016 and 2017, amounts relating to KKR Holdings units represent the original grant date fair value of KKR Holdings units, and for the fiscal year ended December 31, 2016, the incremental fair value of such KKR Holdings units, as of the modification in November 2016. Fair value of the restricted stock units and KKR Holdings units granted to our named executive officers and the incremental fair value relating to the modification of the KKR Holdings units are calculated in accordance with Accounting Standards Codification Topic 718, Compensation-Stock Compensation ("ASC Topic 718"). See Note 12 "Equity Based Compensation" to our consolidated financial statements included elsewhere in this report for additional information about the valuation assumptions with respect to all grants reflected in this column. These amounts reflect the aggregate grant date fair values (or incremental fair values) calculated under ASC Topic 718, and may not correspond to the actual value that will be recognized by our named executive officers. See "—Grants of Plan-Based Awards in 2018" for additional information regarding the restricted stock units.

(3) Carried interest is presented on the basis of cash received by our named executive officers in the respective fiscal year. We believe that presenting actual cash received by our named executive officers is a more representative disclosure of their compensation than presenting accrued carried interest, because carried interest is paid only if and when there are profitable realization events relating to the underlying investments. Carried interest also includes amounts retained and allocated for distribution to the respective named executive officer, but not yet distributed to the named executive officer, which could be used to fund potential future clawback obligations if any were to arise.

(4) Consists of $ 55,562,709 in cash payments of carried interest from the carry pool during 2018; $40,000 in fees for Mr. Kravis's service as a KKR-designated director on the board of directors of First Data Corporation, a KKR portfolio company, during 2018; $168,045 rela ted to Mr. Kravis's use of a car and driver during 20 18; $421,334 related to certain personnel who administer personal matters for Mr. Kravis during 2018; and $25,000 rela ted to tax preparation fees. SEC rules require that transportation and personnel expenses not directly and integrally related to our business be disclosed as compensation to Mr. Kravis. Because we do not separately track personnel expenses based on whether they are incurred for business or for personal reasons, 100% of the preceding costs have been reported for Mr. Kravis.

(5) Consists of $55,562,709 in cash payments of ca rried interest from the car ry pool during 2018; $215,990 re lated to Mr. Roberts's use of a car and driver during 201 8; $429,736 related to certain personnel who administer personal matters for Mr. Roberts during 2018; and $25,000 rela ted to tax preparation fees. SEC rules require that transportation and personnel expenses not directly and integrally related to our business be disclosed as compensation to Mr. Roberts. Because we do not separately track personnel expenses based on whether they are incurred for business or personal reasons, 100% of the preceding costs have been reported for Mr. Roberts.

(6) Consists of cash payments of carried interest from the carry pool during 2018 and $25,000 related to tax preparation fees.

(7) Includes $40,000 in fees for Mr. Nuttall's service as a KKR-designated director on the board of directors of First Data Corporation, a KKR portfolio company, during 2018.

(8) Messrs. Bae and Nuttall became our named executive officers in 2017, and therefore, only their compensation information for the fiscal years ended December 31, 2017 and 2018 is provided in the table.

Grants of Plan-Based Awards in 2018

The following table provides supplemental information relating to grants of equity awards in the year ended December 31, 2018 provided in our 2018 Summary Compensation Table.

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock and Option Awards ($) (2)
Henry R. Kravis	—	—	—
George R. Roberts	—	—	—
Joseph Y. Bae	02/21/18	286,042 (1)	$ 5,872,442
Scott C. Nuttall	02/21/18	286,042 (1)	$ 5,872,442
William J. Janetschek	02/21/18	61,259 (1)	$ 1,257,647
David J. Sorkin	02/21/18	61,259 (1)	$ 1,257,647

(1) The amounts represent restricted stock units granted under our Equity Incentive Plan in the fiscal year ended December 31, 2018 relating to the equity portion of the prior year's year-end bonus compensation. Each grant of restricted stock units is subject to a service-based vesting condition, which is described under the caption "Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards—Terms of Restricted Stock Units" below.

(2) The amounts represent the grant date fair value of the restricted stock units, as calculated in accordance with ASC Topic 718. See Note 12 "Equity Based Compensation" to our consolidated financial statements included elsewhere in this report for additional information about the valuation assumptions with respect to all grants reflected in this table. These amounts reflect the aggregate grant date fair values calculated under ASC Topic 718 and may not correspond to the actual value that will be recognized by our named executive officers.

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

Terms of KKR Holdings Units

In general, KKR Holdings units vest over a three- to five-year period from their grant date, subject to continued service through each vesting date. Following this service-based vesting, certain KKR Holdings units may also be subject to transfer restrictions and/or minimum retained ownership requirements. Unvested KKR Holdings units are not entitled to receive any distributions that are declared and received on the underlying KKR Group Partnership Units. As of February 12, 2019 , 274,334,591 outstanding KKR Holdings units have vested, constituting 92% of the KKR Holdings units outstanding. See "—KKR Holdings."

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

Because KKR Holdings is a partnership, all of the 299,081,239 KKR Holdings units have been legally allocated, but the allocation of 622,655 of these units has not been communicated to each respective principal as of December 31, 2018 . The units whose allocation has not been communicated are subject to performance-based vesting conditions, which include: (i) whether the principal is in good standing and has adhered to our policies and rules; (ii) performance of assigned tasks and duties in an effective, efficient and diligent manner; (iii) contribution and commitment to the growth, development and profitability of KKR and our business; (iv) contribution and commitment to our management and general administration; (v) contribution and commitment to the culture, business principles, reputation and morale of KKR as a whole and the team or teams to which the principal has been assigned; and (vi) contribution and commitment to our recruiting, business development, public image and marketing efforts and the professional development of our personnel. These criteria are not sufficiently specific to constitute performance conditions for accounting purposes, and the achievement, or lack thereof, will be determined based upon the exercise of judgment by the general partner of KKR Holdings. Each principal will ultimately receive between zero and 100% of the units initially allocated. The allocation of these units has not yet been communicated to the award recipients as this was management's decision on how to best incentivize its principals. It is anticipated that additional service-based vesting conditions will be imposed at the time the allocation is initially communicated to the respective principals. We applied the guidance of ASC Topic 718 and concluded that these KKR Holdings units do not yet meet the criteria for recognition of compensation cost because neither the grant date nor the service inception date has occurred. In reaching a conclusion that the service inception date has not occurred, we considered (1) the fact that the vesting conditions are not sufficiently specific to constitute performance conditions for accounting purposes, (2) the significant judgment that can be exercised by the general partner of KKR Holdings in determining whether the vesting conditions are ultimately achieved and (3) the absence of communication to the principals of any information related to the number of units they were initially allocated. The allocation of these units will be communicated to the award recipients when the performance-based vesting conditions have been met, and currently there is no plan as to when the communication will occur. The determination as to whether the award recipients have satisfied the performance-based vesting conditions is made by the general partner of KKR Holdings, and is based on multiple factors primarily related to the award recipients' individual performance.

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

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

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

Terms of Restricted Stock Units

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

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

The restricted stock units granted to Messrs. Bae, Nuttall, Janetschek and Sorkin in the fiscal year ended December 31, 2018 are subject to three year service-based vesting requirements.

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

While employed by our firm, our employees, including our named executive officers, may also be subject to a minimum retained ownership requirement under the restricted stock unit grant agreement, which would obligate them to continuously hold shares of Class A common stock equivalents of 15% of their cumulatively vested restricted stock units, unless waived. From time to time, the transfer restrictions and minimum retained ownership requirements applicable to restricted stock units of certain employees, including our named executive officers, may be transferred to such employees' KKR Holdings units, if any, so that the total units or shares of equity subject to transfer restrictions and minimum retained ownership requirements are expected to be the same, unless waived.

For additional information about equity awards granted under our Equity Incentive Plan, please also see "KKR & Co. Inc. Equity Incentive Plan" below.

Terms of Confidentiality and Restrictive Covenant Agreements

The confidentiality and restrictive covenant agreements with each of our named executive officers include prohibitions on them competing with us or soliciting our clients or employees while employed by us and during a restricted period following their departure from the firm. These agreements also require personnel to protect and use the firm's confidential information only in accordance with confidentiality restrictions set forth in the agreement.

The restricted periods for our Co-Chief Executive Officers expire two years from termination for both the prohibitions on competition with us and the prohibitions on the solicitations of our clients and employees. In cases where the Co-Chief Executive Officer is terminated involuntarily and for reasons not constituting cause, such periods are reduced to one year from termination. The restricted periods for our other named executive officers expire (1) in the case of the prohibitions on competition with us, 12 months from termination and (2) in the case of the prohibitions on the solicitation of our clients and employees, 18 months from termination. In cases where the named executive officer is terminated involuntarily and for reasons not constituting cause, such periods are reduced to 6 months and 9 months, respectively. In addition, under certain conditions the restricted periods applicable to the solicitation of our clients and employees are subject to reduction for any "garden leave" or "notice period" that an employee serves prior to termination of employment. These agreements also require that we, and our named executive officers, provide advance notice prior to termination of employment.

Our named executive officers other than our Co-Chief Executive Officers have entered into these confidentiality and restrictive covenant agreements with us through their restricted stock unit grant agreements and separately also with KKR Holdings, which is entitled to waive, modify or amend them at any time without our consent. However, because our Co-Chief Executive Officers have not received any restricted stock units, their confidentiality and restrictive covenant agreements are solely with KKR Holdings. Because KKR Holdings is the party to these agreements and not us, we may not be able to enforce them, and these agreements might be waived, modified or amended at any time without our consent.

Outstanding Equity Awards at 2018 Fiscal Year-End

The following table sets forth information concerning unvested restricted stock units and KKR Holdings units for each of the named executive officers as of December 31, 2018 .

	Stock Awards	
Name	Number of Shares or Units of Stock that Have Not Vested (#)	Market Value of Shares or Units of Stock that Have Not Vested ($) (1)
Henry R. Kravis	2,000,000 (2)	$ 39,260,000
George R. Roberts	2,000,000 (2)	$ 39,260,000
Joseph Y. Bae	9,467,704 (3)	$ 185,851,030
Scott C. Nuttall	9,615,781 (4)	$ 188,757,781
William J. Janetschek	455,478 (5)	$ 8,941,033
David J. Sorkin	456,168 (6)	$ 8,954,578

(1) These amounts are based on the closing market price of our Class A common stock on the last trading day of the year ended December 31, 2018 , of $19.63 per share.

(2) Includes 2,000,000 KKR Holdings units granted to each of Messrs. Kravis and Roberts on November 2, 2017, which will vest in four equal annual installments, beginning on October 1, 2019.

(3) Includes (i) 52,596 KKR Holdings units granted on January 25, 2016, which will vest on April 1, 2019; (ii) 67,033 KKR Holdings units granted on December 30, 2016, which will vest on April 1, 2019; (iii) 67,033 KKR Holdings units granted on December 30, 2016, which will vest on April 1, 2020; (iv) 780,000 KKR Holdings units granted on February 25, 2016, which will vest in equal installments on May 1, 2019, May 1, 2020 and May 1, 2021; (v) 4,365,000 KKR Holdings units granted on November 2, 2017, which will vest on October 1 of each year as follows: 17% in 2019, 22% in 2020, 28% in 2021 and 33% in 2022; (vi) 3,850,000 restricted stock units granted on November 2, 2017, of which (a) 1,350,000 units will vest on October 1 of each year as follows: 17% in 2019, 22% in 2020, 28% in 2021 and 33% in 2022 and (b) 2,500,000 units will vest upon the market price of our Class A common stock reaching and maintaining a market price of $40.00 per share for a period of ten consecutive trading days on or prior to December 31, 2022; and (vii) 286,042 restricted stock units granted on February 21, 2018, which will vest in equal installments on April 1, 2019, April 1, 2020 and April 1, 2021.

(4) Includes (i) 48,649 KKR Holdings units granted on January 25, 2016, which will vest on April 1, 2019; (ii) 53,045 KKR Holdings units granted on December 30, 2016, which will vest on April 1, 2019; (iii) 53,045 KKR Holdings units granted on December 30, 2016, which will vest on April 1, 2020; (iv) 960,000 KKR Holdings units granted on February 25, 2016, which will vest in equal installments on May 1, 2019, May 1, 2020 and May 1, 2021; (v) 4,365,000 KKR Holdings units granted on November 2, 2017, which will vest on October 1 of each year as follows: 17% in 2019, 22% in 2020, 28% in 2021 and 33% in 2022; (vi) 3,850,000 restricted stock units granted on November 2, 2017, of which (a) 1,350,000 units will vest on October 1 of each year as follows: 17% in 2019, 22% in 2020, 28% in 2021 and 33% in 2022 and (b) 2,500,000 units will vest upon the market price of our Class A common stock reaching and maintaining a market price of $40.00 per share for a period of ten consecutive trading days on or prior to December 31, 2022; and (vii) 286,042 restricted stock units granted on February 21, 2018, which will vest in equal installments on April 1, 2019, April 1, 2020 and April 1, 2021.

(5) Includes (i) 19,243 restricted stock units granted on February 23, 2016, which will vest on April 1, 2019; (ii) 330,000 KKR Holdings units granted on February 25, 2016, which will vest in equal installments on May 1, 2019, May 1, 2020 and May 1, 2021; (iii) 44,976 restricted stock units granted on February 21, 2017, which will vest in equal installments on April 1, 2019 and April 1, 2020; and (iv) 61,259 restricted stock units granted on February 21, 2018, which will vest in equal installments on April 1, 2019, April 1, 2020 and April 1, 2021.

(6) Includes (i) 19,933 restricted stock units granted on February 23, 2016, which will vest on April 1, 2019; (ii) 330,000 KKR Holdings units granted on February 25, 2016, which will vest in equal installments on May 1, 2019, May 1, 2020 and May 1, 2021; (iii) 44,976 restricted stock units granted on February 21, 2017, which will vest in equal installments on April 1, 2019 and April 1, 2020; and (iv) 61,259 restricted stock units granted on February 21, 2018, which will vest in equal installments on April 1, 2019, April 1, 2020 and April 1, 2021.

Option Exercises and Stock Vested in 2018

The following table sets forth information concerning the vesting of KKR Holdings units and restricted stock units held by each of our named executive officers during the year ended December 31, 2018 .

	Stock Awards	
Name	Number of Shares Acquired on Vesting (#) [(1)]	Value Realized on Vesting ($) [(2)]
Henry R. Kravis	500,000	$ 13,750,000
George R. Roberts	500,000	$ 13,750,000
Joseph Y. Bae	1,159,997	$ 28,405,939
Scott C. Nuttall	1,216,651	$ 29,622,015
William J. Janetschek	225,326	$ 4,695,118
David J. Sorkin	226,017	$ 4,709,145

(1) The amounts reflected in this column represent KKR Holdings units and shares of Class A common stock delivered upon vesting, a portion of which are subject to one- and two-year transfer restrictions upon vesting. See "—Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards—Terms of KKR Holdings Units" and "—Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards—Terms of Restricted Stock Units" for additional terms, including with respect to the transfer of certain restrictions from the restricted stock units to employees' KKR Holdings units.

(2) These amounts are based on the closing market price of our Class A common stock on each respective vesting date.

Pension Benefits for 2018

We provided no pension benefits during the fiscal year ended December 31, 2018 .

Nonqualified Deferred Compensation for 2018

We provided no defined contribution plan for the deferral of compensation on a basis that is not tax-qualified during the fiscal year ended December 31, 2018 .

Potential Payments Upon Termination or Change in Control

Upon termination of employment, vesting generally ceases for KKR Holdings units and restricted stock units that have not vested. In addition, transfer-restricted vested KKR Holdings units and, if applicable, transfer-restricted restricted stock units (which term includes the transfer-restricted shares of Class A common stock that may be delivered upon settlement of such restricted stock units) remain subject to transfer restrictions for one- and two-year periods, except as described below. See "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" for additional information regarding KKR Holdings units and transfer-restricted restricted stock units of our named executive officers.

An employee who retires after the first date on which his or her age plus years of service to KKR equals 80 ("qualified retirement") will continue to vest in his or her unvested KKR Holdings units and restricted stock units for an additional two years following retirement, subject to compliance, if applicable, with the requirement that the holder not violate the terms and conditions of his or her confidentiality and restrictive covenants during the period in which such KKR Holdings unit or restricted stock unit, if applicable, remains transfer restricted over one- and two-year periods. None of our named executive officers had a qualified retirement in the fiscal year ended December 31, 2018 .

Upon death or permanent disability, a holder of KKR Holdings units or restricted stock units becomes immediately vested in all unvested KKR Holdings units and restricted stock units, respectively, which become permitted to be exchanged after the scheduled vesting dates or will be settled on the scheduled vesting dates, respectively. In addition, upon a change in control of KKR, a holder of KKR Holdings units and restricted stock units becomes immediately vested in all unvested KKR Holdings units and restricted stock units, respectively, which become permitted to be exchanged after the scheduled vesting dates or will be settled on the scheduled vesting dates, respectively. The values of unvested KKR Holdings units and restricted stock units held by the named executive officers as of December 31, 2018 are set forth above in "Outstanding Equity Awards at 2018 Fiscal Year-End."

Upon termination of employment, vesting generally ceases for carried interest allocations. In addition, carried interest allocations become immediately vested upon death or permanent disability.

Pay Ratio Disclosure

For the fiscal year ended December 31, 2018 :

- the median of the annual total compensation of all employees of our company (other than Messrs. Kravis and Roberts, who are our Co-Chief Executive Officers) was $280,000;
- the annual total compensation of Messrs. Kravis and Roberts were $56,517,088 and $56,533,435 , respectively; and
- the ratio of the annual total compensation of our Co-Chief Executive Officers to the median of the annual total compensation of all other employees was 202 to 1.

To identify the median employee for the purpose of providing the information above, we examined the compensation of all our employees (other than our Co-Chief Executive Officers) as of December 31, 2018 using, based on our payroll records, a consistently applied compensation measure consisting of such employees' annual salary, annual cash bonus, actual overtime, carried interest payouts and equity granted. Employees on unpaid leave of absence, employees who gave notice of departure and were not part of the regular year-end compensation process, and any employee who joined us in connection with an acquisition consummated during the year (there was none in 2018) were excluded from the calculation. Compensation of employees who were employed for less than the full year of 2018 were annualized, if they were part of the regular year-end compensation process. We reviewed all compensation in U.S. dollars, using the relevant exchange rate for any compensation paid in other currencies. After identifying the median employee, we calculated annual total compensation for such employee using the same methodology we use for our principal executive officers as set forth in "—Summary Compensation Table— 2018 Summary Compensation Table." As noted in "—Compensation Elements—Year-end Bonus Compensation," Messrs. Kravis and Roberts did not receive any year-end bonus compensation in 2018 , and the distributions and dividends payable with respect to their vested KKR Holdings units and shares of Class A common stock they hold are not considered compensation and accordingly are not included in the pay ratio calculation above.

Director Compensation

We limit compensation for service on our board of directors to the independent directors. Each independent director receives (1) an annual cash retainer of $90,000, which reflects an increase of $15,000 effective September 2018, (2) an additional annual cash retainer of $15,000 if such independent director is a member of the nominating and corporate governance committee, (3) an additional annual cash retainer of $25,000 if such independent director is a member of the audit committee and (4) an additional annual cash retainer of $25,000 (in addition to the annual cash retainer as a member of the audit committee) if such independent director serves as the chairman of the audit committee. Cash retainers are pro-rated if, during the fiscal year, a director joins or resigns from the board of directors, a director joins or resigns from a committee or the amount of a retainer is increased or decreased. In addition, on October 26, 2018, 6,539 restricted stock units were granted to each independent director pursuant to our Equity Incentive Plan. Because Mr. Niel and Ms. Dillon, both independent directors, joined our board of directors on March 1, 2018 and September 6, 2018, respectively, an additional 4,022 and 481 restricted stock units, respectively, were granted to them.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) (1)	Total ($)
Mary N. Dillon	28,750	159,235	187,985
David C. Drummond	78,750	146,735	225,485
Joseph A. Grundfest	128,750	146,735	275,485
John B. Hess	78,750	146,735	225,485
Xavier B. Niel	66,250	234,235	300,485
Patricia F. Russo	78,750	146,735	225,485
Thomas M. Schoewe	103,750	146,735	250,485
Robert W. Scully	118,750	146,735	265,485

(1) Represents the aggregate grant date fair value of restricted stock units granted to each of the independent directors during the year ended December 31, 2018 as calculated in accordance with ASC Topic 718. See Note 12 "Equity Based Compensation" to our consolidated financial statements included elsewhere in this report for additional information about the valuation assumptions with respect to all grants reflected in this column. These amounts reflect the aggregate grant date fair values calculated under ASC Topic 718 and may not correspond to the actual value that will be recognized by the independent directors.

The following table details grants of restricted stock units to each independent director in the year ended December 31, 2018 . The table includes the grant date and grant date fair value of 2018 restricted stock units and the aggregate number of unvested restricted stock units as of December 31, 2018 owned by each independent director who served as a director during the year ended December 31, 2018 :

Name	Grant Date (1)	Stock Awards (#)	Grant Date Fair Value ($) (2)	Total Number of Unvested Restricted Equity Awards on December 31, 2018 (#)
Mary N. Dillon	9/6/2018	481	12,500	—
	10/26/2018	6,539	146,735	6,539
David C. Drummond	10/26/2018	6,539	146,735	6,539
Joseph A. Grundfest	10/26/2018	6,539	146,735	6,539
John B. Hess	10/26/2018	6,539	146,735	6,539
Xavier B. Niel	3/1/2018	4,022	87,500	—
	10/26/2018	6,539	146,735	6,539
Patricia F. Russo	10/26/2018	6,539	146,735	6,539
Thomas M. Schoewe	10/26/2018	6,539	146,735	6,539
Robert W. Scully	10/26/2018	6,539	146,735	6,539

(1) The restricted stock units were granted on October 26, 2018 and will vest on October 1, 2019, subject to the grantee's continued service through the vesting date. 4,022 restricted stock units and 481 restricted stock units granted to Mr. Niel and Ms. Dillon for joining the board of directors on March 1, 2018 and September 6, 2018, respectively, vested and were settled into an equal number of shares of Class A common stock on October 1, 2018.

(2) This column represents the grant date fair value of restricted stock units granted to each of the independent directors during the year ended December 31, 2018 as calculated in accordance with ASC Topic 718. These amounts reflect the aggregate grant date fair values calculated under ASC Topic 718 and may not correspond to the actual value that will be recognized by the independent directors.

KKR & Co. Inc. Equity Incentive Plan

In connection with the Conversion, we amended and restated the KKR & Co. L.P. 2010 Equity Incentive Plan by adopting the Amended and Restated KKR & Co. Inc. 2010 Equity Incentive Plan, which is referred to as our Equity Incentive Plan. In addition, on January 28, 2019, the common stockholders of KKR & Co. Inc. approved the KKR & Co. Inc. 2019 Equity Incentive Plan, which we refer to as our New Equity Incentive Plan, in a special stockholders meeting, which will become effective on March 29, 2019. Following the effectiveness of our New Equity Incentive Plan, we will not make any further grants under our Equity Incentive Plan, and our New Equity Incentive Plan will become our only plan for providing new equity-based awards. Our New Equity Incentive Plan will have a term of 10 years from the effective date. Outstanding awards under our Equity Incentive Plan will remain outstanding, unchanged and subject to the terms of our Equity Incentive Plan and their respective equity award agreements, until the vesting, expiration or lapse of such awards in accordance with their terms.

Administration

Our board of directors or a committee or subcommittee thereof administers or will administer, as applicable, our Equity Incentive Plan and our New Equity Incentive Plan (the "Administrator"). The Administrator has the authority to make all decisions, determinations and interpretations with respect to the administration of our Equity Incentive Plan and our New Equity Incentive Plan, including determining who will receive awards thereunder, the number of shares of Class A common stock underlying the awards and the terms and conditions of the awards, and is permitted, subject to applicable law, to delegate all or any part of its responsibilities and powers to any employee or employees selected by it in accordance with the terms of the plan. The board of directors authorized its executive committee (consisting of Messrs. Kravis and Roberts) to act as the Administrator under each plan, provided that (i) the Executive Committee is not authorized to make grants with respect to the executive officers without approval of the board of directors and (ii) the board of directors reserved the power and authority to act as the Administrator and to modify the power and authority of the Executive Committee under each plan.

Class A Common Stock Subject to the Plan

The total number of shares of Class A common stock that may be issued under our Equity Incentive Plan as of the effective date of the plan was equivalent to 15% of the number of fully diluted and exchanged shares of Class A common stock outstanding as of such date; provided that beginning with the first fiscal year after our Equity Incentive Plan became effective and continuing with each subsequent fiscal year occurring thereafter, the aggregate number of shares of Class A common stock covered by the plan will be increased, on the first day of each fiscal year of KKR & Co. Inc. occurring during the term of the plan, by a number of shares of Class A common stock equal to the positive difference, if any, of (x) 15% of the aggregate number of shares of Class A common stock outstanding (on a fully-diluted and exchanged basis) on the last day of the immediately preceding fiscal year minus (y) the aggregate number of shares of Class A common stock available for issuance under the plan as of the last day of such year, unless the Administrator should decide to increase the number of shares of Class A common stock covered by the plan by a lesser amount on any such date. Following March 29, 2019, the effective date of our New Equity Incentive Plan, no additional grants will be made under our Equity Incentive Plan.

As of March 29, 2019, the effective date of our New Equity Incentive Plan, 125,090,771 shares of Class A common stock, representing 15% of the aggregate number of the shares of Class A common stock and KKR Group Partnership Units (excluding KKR Group Partnership Units held by KKR & Co. Inc. or its wholly-owned subsidiaries) (together, "Diluted Class A Shares") outstanding at the close of business on December 31, 2018, will be available for issuance in respect of outstanding awards and the grant of future awards, in each case, under our New Equity Incentive Plan. Thereafter, beginning in 2020 and continuing with each of our subsequent fiscal years occurring thereafter, the aggregate number of shares of Class A common stock available under our New Equity Incentive Plan will be increased, on the first day of each such fiscal year, by a number of shares of Class A common stock equal to the positive difference, if any, between (x) 15% of the number of Diluted Class A Shares outstanding at the close of business on the last day of the immediately preceding fiscal year minus (y) the number of shares of Class A common stock available for issuance in respect of outstanding awards and the grant of future awards, in each case, under our New Equity Incentive Plan as of the last day of such year, unless the Administrator in its sole discretion should decide to increase the number of shares of Class A common stock available under the plan by a lesser amount on any such date. As a result, on the first day of each fiscal year beginning in 2020, the number of shares of Class A common stock available for issuance of future awards under our New Equity Incentive Plan will be adjusted upwards to 15% of the number of Diluted Class A Shares outstanding at the close of business on the last day of the immediately preceding fiscal year, minus the number of shares underlying any outstanding equity awards granted under our New Equity Incentive Plan that have not yet been delivered upon vesting. Therefore, we expect that the number of shares of Class A common stock available for issuance of future awards under our New Equity Incentive Plan will increase at the beginning of each fiscal year compared to the end of the immediately preceding fiscal year if, during the immediately preceding year, there has been (i) any increase in the aggregate number of shares of Class A common stock and KKR Group Partnership Units outstanding or (ii) any delivery of underlying shares upon vesting of outstanding equity awards under our New Equity Incentive Plan.

Restricted Stock Units and Other Equity-Based Awards

The Administrator may grant or sell awards of restricted stock units, Class A common stock, restricted Class A common stock, deferred restricted Class A common stock, phantom restricted Class common stock, or any other awards that are valued in whole or in part by reference to, or are otherwise based on the fair market value of, the Class A common stock. Any of these or other equity-based awards may be in such form, and dependent on such conditions, as the Administrator determines, including the right to receive, or vest with respect to, one or more shares of Class A common stock (or the equivalent cash value of such shares) upon the completion of a specified period of service, the occurrence of an event and/or the attainment of performance objectives. The Administrator may determine whether any such equity-based awards will be payable in cash, shares of Class A common stock or other assets or a combination of cash, Class A common stock and other assets.

Options and Stock Appreciation Rights

The Administrator may award non-qualified stock options and stock appreciation rights. Options and stock appreciation rights granted under our Equity Incentive Plan or our New Equity Incentive Plan will become vested and exercisable at such times and upon such terms and conditions as may be determined by the Administrator at the time of grant, but no option or stock appreciation right will be exercisable for a period of more than ten years after it is granted. The exercise price per share will be determined by the Administrator, provided that options and stock appreciation rights granted to participants who are U.S. taxpayers will not be granted with an exercise price less than 100% of the fair market value per share of the Class A common stock on the date of grant. To the extent permitted by the Administrator, the exercise price of an option may be paid in cash or its equivalent, in shares of Class A common stock having a fair market value equal to the aggregate exercise price and satisfying such other requirements as may be imposed by the Administrator, partly in cash and partly in shares of Class A common stock or net settlement in shares of Class A common stock. As determined by the Administrator, stock appreciation rights may be settled in shares of Class A common stock, cash or any combination thereof.

Compensation Committee Interlocks and Insider Participation

Because we are a "controlled company" within the meaning of the corporate governance standards of the NYSE, our board of directors is not required by NYSE rules to establish a compensation committee. Our founders, Messrs. Kravis and Roberts, serve as Co-Chairmen of the board of directors and participated in discussions regarding executive compensation. For a description of certain transactions between us and our founders, see "Certain Relationships and Related Transactions, and Director Independence."

Compensation Committee Report

Our board of directors does not have a compensation committee. The entire board of directors has reviewed and discussed with management the foregoing Compensation Discussion and Analysis and, based on such review and discussion, has determined that the Compensation Discussion and Analysis should be included in this Annual Report.

Henry R. Kravis
George R. Roberts
Joseph Y. Bae
Scott C. Nuttall
Mary N. Dillon
David C. Drummond
Joseph A. Grundfest
John B. Hess
Xavier B. Niel
Patricia F. Russo
Thomas M. Schoewe
Robert W. Scully

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Our Class A common stock and our Class C common stock are generally non-voting and are not entitled to any votes on any matter that is submitted to a vote of our stockholders, except as expressly provided in our certificate of incorporation, bylaws or required by Delaware law or the rules of the NYSE. The Class B common stock is voting and is entitled to one vote per share on any matter that is submitted to a vote of our stockholders generally. There is only one share of Class B common stock outstanding, which is held by KKR Management LLC, as the Class B Stockholder. Our founders, Henry R. Kravis and George R. Roberts, who also serve as our Co-Chairmen and Co-Chief Executive Officers, are the designated members of the Class B Stockholder and are deemed to represent a majority of the Class B Stockholder's voting power when acting together.

The following table sets forth the beneficial ownership of our Class A common stock and KKR Group Partnership Units that are, together with shares of our Class C common stock, exchangeable for shares of our Class A common stock by:

- each person known to us to beneficially own more than 5% of any class of our outstanding voting securities based on our review of filings with the SEC;
- each of our directors, persons chosen to become a director and named executive officers; and
- our directors and executive officers as a group.

The numbers of shares of Class A common stock and KKR Group Partnership Units and shares of Class C common stock outstanding and the percentage of beneficial ownership are based on 533,486,948 shares of Class A common stock issued and outstanding and 299,081,239 KKR Group Partnership Units that, together with shares of our Class C common stock, are exchangeable for shares of our Class A common stock as of February 12, 2019 . Beneficial ownership is in each case determined in accordance with the rules of the SEC, and includes equity securities of which that person has the right to acquire beneficial ownership within 60 days of February 12, 2019 . Under these rules, more than one person may be deemed a beneficial owner of the same securities and a person may be deemed a beneficial owner of securities as to which he has no economic interest.

	Class A Common Stock Beneficially Owned [1]		**KKR Group Partnership Units and Class C Common Stock Beneficially Owned [1][2]**		**Percentage of Combined Class A and Class C Beneficial**
Name [3]	**Number**	**Percent**	**Number**	**Percent**	**Ownership [4]**
KKR Holdings [5]	2,677	*	299,081,239	100.0%	35.9%
ValueAct Capital MFB Holdings, L.P. [6]	49,700,000	9.3%	—	—	6.0
The Vanguard Group Inc. [7]	42,390,659	8.0	—	—	5.1
Vulcan Value Partners, LLC [8]	29,365,707	5.5	—	—	3.5
Jackson Square Partners, LLC [9]	27,962,795	5.2	—	—	3.4
Henry R. Kravis [5][10][11]	16,965,126	3.2	299,081,239	100.0	38.0
George R. Roberts [5][10][11]	12,858,598	2.4	299,081,239	100.0	37.5
Joseph Y. Bae [12]	1,806,996	*	7,785,364	2.6	1.2
Scott C. Nuttall [12]	1,735,283	*	10,953,249	3.7	1.5
Mary N. Dillon	481	*	—	—	*
David C. Drummond	32,339	*	—	—	*
Joseph A. Grundfest	66,955	*	—	—	*
John B. Hess	140,555	*	—	—	*
Xavier B. Niel	4,022	*	—	—	*
Patricia F. Russo	59,955	*	—	—	*
Thomas M. Schoewe	67,555	*	—	—	*
Robert W. Scully	121,955	*	—	—	*
William J. Janetschek [12]	328,274	*	3,020,000	1.0	*
David J. Sorkin [12]	384,247	*	3,093,593	1.0	*
Directors and executive officers as a group (14 persons)	29,902,498	5.6%	299,081,239	100.0%	39.5%

* Less than 1.0%.

(1) KKR Group Partnership Units held by KKR Holdings are exchangeable (together with the corresponding Class C common stock) for our Class A common stock on a one-for-one basis, subject to customary conversion rate adjustments for stock splits, stock dividends and reclassifications and in compliance with lock-up, vesting and transfer restrictions as described under "Certain Relationships and Related Transactions, and Director Independence—Exchange Agreement." Beneficial ownership of KKR Group Partnership Units and Class C common stock reflected in this table has not also been reflected as beneficial ownership of our Class A common stock for which such KKR Group Partnership Units and Class C common stock may be exchanged.

(2) On any matters that may be submitted to a vote of the holders of Class A common stock, our Class C common stock provides its holders with a number of votes that is equal to the aggregate number of KKR Group Partnership Units that such holders hold and entitle such holders to participate in the vote on the same basis as the holders of Class A common stock.

(3) The address of each director and executive officer is 9 West 57th Street, Suite 4200, New York, New York 10019.

(4) This column assumes the exchange of KKR Group Partnership Units and Class C common stock into shares of Class A common stock and a number of outstanding shares of Class A common stock calculated in accordance with Rule 13d-3(d)(1) of the Exchange Act.

(5) KKR Holdings owns, beneficially or of record, an aggregate of 2,677 shares of Class A common stock and 299,081,239 exchangeable KKR Group Partnership Units and shares of Class C common stock. Our principals hold interests in KKR Holdings that will entitle them to participate in the value of the KKR Group Partnership Units held by KKR Holdings. KKR Holdings is a limited partnership that is controlled by KKR Holdings GP Limited, its sole general partner, which has investment control over all KKR Group Partnership Units, shares of Class C common stock and shares of Class A common stock held by KKR Holdings and voting control over all shares of Class C common stock held by KKR Holdings. Messrs. Kravis and Roberts, by virtue of their rights under the organizational documents of KKR Holdings GP Limited (the general partner of KKR Holdings), may be deemed to share dispositive and/or voting power with respect to the KKR Group Partnership Units, shares of Class C common stock and shares of Class A common stock held by KKR Holdings. Each of Messrs. Kravis and Roberts disclaims beneficial ownership of the securities that may be deemed to be beneficially owned by him, except to the extent of his own pecuniary interest therein. Mr. Kravis disclaims beneficial ownership of the securities that may be deemed to be beneficially owned by him, except with respect to 72,814,740 KKR Group Partnership Units in which he and certain related entities he controls have a pecuniary interest. Mr. Roberts disclaims beneficial ownership of the securities that may be deemed to be beneficially owned by him, except with respect to 80,277,805 KKR Group Partnership Units in which he and certain related entities he controls have a pecuniary interest. The address of KKR Holdings is 9 West 57th Street, Suite 4200, New York, New York 10019.

(6) Based on a Form 4 filed with the SEC on February 13, 2018 and a Schedule 13D/A filed with the SEC on November 29, 2017, shares of Class A common stock reported as beneficially owned by ValueAct Capital MFB Holdings, L.P. are also reported as indirectly beneficially owned by (i) ValueAct Capital Master Fund, L.P. as sole limited partner of ValueAct Capital MFB Holdings, L.P., (ii) VA Partners I, LLC as general partner of ValueAct Capital MFB Holdings, L.P. and ValueAct Capital Master Fund, L.P., (iii) ValueAct Capital Management, L.P. as the manager of ValueAct Capital Master Fund, L.P., (iv) ValueAct Capital Management, LLC as general partner of ValueAct Capital Management, L.P., (v) ValueAct Holdings, L.P. as the sole owner of the limited partnership interests of ValueAct Capital Management, L.P. and the membership interests of ValueAct Capital Management, LLC and as the majority owner of the membership interests of VA Partners I, LLC and (vi) ValueAct Holdings GP, LLC as general partner of ValueAct Holdings, L.P. ValueAct Capital MFB Holdings, L.P. is reported as having shared power to vote or to direct the vote, and shared power to dispose or direct the disposition of, such shares of Class A common stock, with VA Partners I, LLC, ValueAct Capital Master Fund, L.P., ValueAct Capital Management, L.P., ValueAct Capital Management, LLC, ValueAct Holdings, L.P. and ValueAct Holdings GP, LLC. The address of these beneficial owners is One Letterman Drive, Building D, Fourth Floor, San Francisco, California 94129.

(7) Based on a Schedule 13G filed with the SEC on February 11, 2019, as of December 31, 2018, The Vanguard Group reports it is the beneficial owner of 42,390,659 shares of Class A common stock, with sole voting power over 104,228 shares of Class A common stock, sole dispositive power over 42,286,431 shares of Class A common stock, and shared voting power over 104,228 shares of Class A common stock. The address of The Vanguard Group is 100 Vanguard Blvd., Malvern, Pennsylvania 19355.

(8) Based on a Schedule 13G filed with the SEC on February 15, 2019, as of December 31, 2018, Vulcan Value Partners, LLC and C.T. Fitzpatrick may be deemed to beneficially own and have the sole voting power over 26,442,405 shares of Class A common stock and sole dispositive power over 29,365,707 shares of Class A common stock. The address of these beneficial owners is Three Protective Center, 2801 Highway 280 South, Suite 300, Birmingham, Alabama 35223. Mr. Fitzpatrick and/or members of his immediate family own 363,513 shares of Class A common stock for his or their own accounts, in a managed account over which Vulcan Value Partners, LLC serves as the investment adviser. Vulcan Value Partners, LLC exercises voting and dispositive power over such account.

(9) Based on a Schedule 13G filed with the SEC on February 12, 2019, as of December 31, 2018, Jackson Square Partners, LLC reports it is the beneficial owner of 27,962,795 shares of Class A common stock, with sole voting power over 8,727,768 shares of Class A common stock, sole dispositive power over 27,962,795 shares of Class A common stock, and shared voting power over 6,490,543 shares of Class A common stock. The address of Jackson Square Partners, LLC is 101 California Street, Suite 3750, San Francisco, California 94111.

(10) KKR MIF Fund Holdings L.P. owns, beneficially or of record, an aggregate of 1,028,156 shares of Class A common stock. The sole general partner of KKR MIF Fund Holdings L.P. is KKR MIF Carry Holdings L.P. The sole general partner of KKR MIF Carry Holdings L.P. is KKR MIF Carry Limited. Each of KKR MIF Carry Holdings L.P. (as the sole general partner of KKR MIF Fund Holdings L.P.); KKR MIF Carry Limited (as the sole general partner of KKR MIF Carry Holdings L.P.); KKR Index Fund Investments L.P. (as the sole shareholder of KKR MIF Carry Limited); KKR IFI GP L.P. (as the sole general partner of KKR Index Fund Investments L.P.); KKR IFI Limited (as the sole general partner of KKR IFI GP L.P.); KKR Fund Holdings L.P. (as the sole shareholder of KKR IFI Limited); KKR Fund Holdings GP Limited (as a general partner of KKR Fund Holdings L.P.); KKR Group Holdings Corp. (as a general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings GP Limited); KKR & Co. Inc. (as the sole shareholder of KKR Group Holdings Corp.); and KKR Management LLC (as the Class B common stockholder of KKR & Co. Inc.) may be deemed to be the beneficial owner of the securities. Messrs. Kravis and Roberts are the designated members of KKR Management LLC and may be deemed to share dispositive power with respect to the shares of Class A common stock held by KKR MIF Fund Holdings L.P. Each of Messrs. Kravis and Roberts disclaims beneficial ownership of the securities.

(11) KKR Reference Fund Investments L.P. owns, beneficially or of record, an aggregate of 3,639,010 shares of Class A common stock. The sole general partner of KKR Reference Fund Investments L.P. is KKR IFI GP L.P. Each of KKR IFI GP L.P. (as the sole general partner of KKR Reference Fund Investments L.P.); KKR IFI Limited (as the sole general partner of KKR IFI GP L.P.); KKR Fund Holdings L.P. (as the sole shareholder of KKR IFI Limited); KKR Fund Holdings GP Limited (as a general partner of KKR Fund Holdings L.P.); KKR Group Holdings Corp. (as a general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings GP Limited); KKR & Co. Inc. (as the sole shareholder of KKR Group Holdings Corp.); and KKR Management LLC (as the Class B common stockholder of KKR & Co. Inc.) may be deemed to be the beneficial owner of

the securities. Messrs. Kravis and Roberts are the designated members of KKR Management LLC and may be deemed to share dispositive power with respect to the shares of Class A common stock held by KKR MIF Fund Holdings L.P. Each of Messrs. Kravis and Roberts disclaims beneficial ownership of the securities

(12) The shares of Class A common stock above for Messrs. Bae, Nuttall, Janetschek and Sorkin include 95,347, 95,347, 62,150 and 62,840 restricted stock units, respectively, that will vest within 60 days of February 12, 2019 .

Securities Authorized for Issuance under Equity Compensation Plans

The table set forth below provides information concerning the awards that may be issued under our Equity Incentive Plan as of December 31, 2018 .

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (1)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in the first column) (2) (3)
Equity Compensation Plans Approved by Security Holders	38,408,491	—	32,597,857
Equity Compensation Plans Not Approved by Security Holders	—	—	—
Total	38,408,491	—	32,597,857

(1) Reflects the aggregate number of restricted stock units granted under our Equity Incentive Plan and outstanding as of December 31, 2018 .

(2) The aggregate number of shares of our Class A common stock covered by our Equity Incentive Plan is increased on the first day of each fiscal year during its term by a number of shares equal to the positive difference, if any, of (a) 15% of the aggregate number of shares of Class A common stock outstanding (on a fully diluted basis and exchanged) on the last day of the immediately preceding fiscal year minus (b) the aggregate number of shares of Class A common stock initially available for issuance under our Equity Incentive Plan (unless the Administrator should decide to increase the number of shares of Class A common stock covered by the plan by a lesser amount). We have filed a registration statement on Form S-8 under the Securities Act to register shares of Class A common stock covered by our Equity Incentive Plan (including pursuant to automatic annual increases). Any such Form S-8 registration statement will automatically become effective upon filing. Accordingly, upon issuance pursuant to our Equity Incentive Plan, these shares of Class A common stock will be available for sale in the open market.

(3) On January 28, 2019, the common stockholders of KKR & Co. Inc. approved our New Equity Incentive Plan in a special stockholders meeting, which will become effective on March 29, 2019. Following the effectiveness of our New Equity Incentive Plan, we will not make any further grants under our Equity Incentive Plan, and our New Equity Incentive Plan will become our only plan for providing new equity-based awards. Outstanding awards under our Equity Incentive Plan will remain outstanding, unchanged and subject to the terms of our Equity Incentive Plan and their respective equity award agreements, until the vesting, expiration or lapse of such awards in accordance with their terms. See Item 11. "Executive Compensation—KKR & Co. Inc. Equity Incentive Plan."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The following description is a summary of the material terms of the agreements described below, and does not contain all of the information that you may find useful. For additional information, you should read the copies of our exchange agreement, our registration rights agreement, our tax receivable agreement and the limited partnership agreements of the KKR Group Partnerships, all of which have been incorporated by reference as exhibits to this report.

Exchange Agreement

We have entered into an exchange agreement with KKR Holdings, the entity through which certain of our employees, including Messrs. Kravis, Roberts, Bae, Nuttall, Janetschek and Sorkin, hold their KKR Group Partnership Units. Pursuant to the exchange agreement, KKR Holdings or certain transferees of its KKR Group Partnership Units may, on a quarterly basis (subject to the terms of the exchange agreement), exchange KKR Group Partnership Units held by them (together with corresponding shares of Class C common stock) for shares of our Class A common stock on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. At the election of certain of our intermediate holding companies that are partners of the KKR Group Partnerships, the intermediate holding companies may settle exchanges of KKR Group Partnership Units with cash in an amount equal to the fair market value of the shares of Class A common stock that would otherwise be deliverable in such exchanges. To the extent that KKR Group Partnership Units held by KKR Holdings or its transferees are exchanged for shares of our Class A common stock, our interests in the KKR Group Partnerships will be correspondingly increased. Any shares of Class A common stock received upon such exchange will be subject to any restrictions that were applicable to the exchanged KKR Group Partnership Units, including any applicable transfer restrictions. During the year ended December 31, 2018 , 36,890,095 KKR Group Partnership Units were exchanged for shares of our Class A common stock pursuant to this agreement.

Certain interests in KKR Holdings that are held by our employees are subject to transfer restrictions and vesting requirements that, unless waived, modified or amended, limit the ability of our employees to cause KKR Group Partnership Units to be exchanged under the exchange agreement so long as applicable vesting and transfer restrictions apply. The general partner of KKR Holdings, which is controlled by our founders, will have sole authority for waiving any applicable vesting or transfer restrictions.

As contemplated by the exchange agreement, a coordinated selling program has been established relating to sales of shares of Class A common stock received pursuant to the exchanges by certain holders of KKR Holdings units. Pursuant to the program, sales generally take place quarterly, and management is permitted to establish an overall limit on such sales based upon the trading volume of our Class A common stock or any other factor that may be considered relevant.

Registration Rights Agreement

In connection with our NYSE listing, we entered into a registration rights agreement with KKR Holdings pursuant to which we granted KKR Holdings, its affiliates and transferees of its KKR Group Partnership Units the right, under certain circumstances and subject to certain restrictions, to require us to register under the Securities Act our Class A common stock (and other securities convertible into or exchangeable or exercisable for shares of our Class A common stock) held or acquired by them. Under the registration rights agreement, holders of registration rights will have the right to request us to register shares of our Class A common stock received upon the exchange of their KKR Holdings units and the sale of such shares and also have the right to require us to make available shelf registration statements permitting sales of shares of Class A common stock into the market from time to time over an extended period. In addition, holders of registration rights will have the ability to exercise certain piggyback registration rights in connection with registered offerings requested by other holders of registration rights or initiated by us. On October 1, 2010, the registration statement we filed pursuant to this agreement was declared effective, and related post-effective amendments were declared effective on April 14, 2011, September 21, 2011 and July 10, 2018. As of December 31, 2018 , 299,081,239 shares of Class A common stock remain unissued under that registration statement.

Tax Receivable Agreement

We are required to acquire KKR Group Partnership Units from time to time pursuant to our exchange agreement with KKR Holdings. The KKR Group Partnerships have each made an election under Section 754 of the Code that will remain in effect for each taxable year in which an exchange of KKR Group Partnership Units for shares of Class A common stock occurs, which may result in an increase in our tax basis of the assets of the KKR Group Partnerships at the time of an exchange of KKR Group Partnership Units. Certain of these exchanges are expected to result in an increase in our share of the tax basis of the tangible and intangible assets of the KKR Group Partnerships, primarily attributable to a portion of the goodwill inherent in our business that would not otherwise have been available. This increase in tax basis may increase depreciation and amortization deductions for tax purposes and therefore reduce the amount of income tax we otherwise would be required to pay in the future. This increase in tax basis may also decrease gain (or increase loss) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

We have entered into a tax receivable agreement with KKR Holdings, which requires us to pay to KKR Holdings, or to current and former principals who have exchanged KKR Holdings units for shares of Class A common stock as transferees of KKR Group Partnership Units, 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that we realize as a result of the increase in tax basis described above, as well as 85% of the amount of any such savings we actually realize as a result of increases in tax basis that arise due to future payments under the agreement. We expect to benefit from the remaining 15% of cash savings, if any, in income tax that we realize. A termination of the agreement or a change of control could give rise to similar payments based on tax savings that we would be deemed to realize in connection with such events.

These payment obligations are obligations of KKR & Co. Inc. and certain of its intermediate holding companies and not of any KKR Group Partnership. Payments made under the tax receivable agreement are required to be made within 90 days of the filing of our tax returns, which may result in a timing difference between the tax savings received by KKR and the cash payments made to the exchanging holders of KKR Group Partnership Units.

For purposes of the tax receivable agreement, cash savings in income tax will be computed by comparing our actual income tax liability to the amount of such taxes that we would have been required to pay had there been no increase to the tax basis of the tangible and intangible assets of the KKR Group Partnerships as a result of the exchanges of KKR Group Partnership Units and had we not entered into the tax receivable agreement. The term of the tax receivable agreement continues until all such tax benefits have been utilized or expired, unless we exercise our right to terminate the tax receivable agreement for an amount based on the agreed payments remaining to be made under the agreement.

Effective July 1, 2018, we amended the tax receivable agreement to reflect the Conversion. The amendment also provides that, in the event the maximum U.S. federal corporate income tax rate is increased to a rate higher than 21.0% within the five-year period following the Conversion, for exchanges pursuant to the exchange agreement that take place within that five-year period (other than exchanges following the death of an individual), payments of cash tax savings realized as a result of such exchanges shall be calculated by applying a U.S. federal corporate income tax rate not to exceed 21.0%. The amendment also clarifies that the tax benefit payments with respect to exchanges completed at any time prior to the Conversion will be calculated without taking into account the step-up in tax basis in our underlying assets that we expect to generate in 2018 as a result of the Conversion.

Estimating the amount of payments that may be made under the tax receivable agreement is by its nature imprecise, insofar as the calculation of amounts payable depends on a variety of factors. The actual increase in tax basis, as well as the amount and timing of any payments under the tax receivable agreement, will vary depending upon a number of factors, including:

- the timing of exchanges—for instance, the increase in any tax deductions will vary depending on the fair market value, which may fluctuate over time, of the KKR Group Partnership Units, which will depend on the fair market value of the depreciable or amortizable assets of the KKR Group Partnerships at the time of the transaction;

- the price of our Class A common stock at the time of the exchange—the increase in any tax deductions, as well as the tax basis increase in other assets, of the KKR Group Partnerships is directly proportional to the price of our Class A common stock at the time of the exchange; and

- the amount of tax, if any, we are required to pay aside from any tax benefit from the exchanges, and the timing of any such payment—if we do not have taxable income aside from any tax benefit from the exchanges, we will not be required to make payments under the tax receivable agreement for that taxable year because no tax savings will have been actually realized.

We expect that as a result of the amount of the increases in the tax basis of the tangible and intangible assets of the KKR Group Partnerships, assuming no material changes in the relevant tax law and that we earn sufficient taxable income to realize the full tax benefit of the increased amortization of our assets, future payments under the tax receivable agreement will be substantial. The payments under the tax receivable agreement are not conditioned upon our principals' continued ownership of us and are required to be made within 90 days of the filing of our tax return s . For the year ended December 31, 2018 , no payments were made to our principals, including our executive officers, or KKR Holdings. The independent directors of our board of directors are not eligible to receive payments under the tax receivable agreement.

We may terminate the tax receivable agreement at any time by making an early termination payment to KKR Holdings or its transferees, based upon the net present value (based upon certain assumptions in the tax receivable agreement) of all tax benefits that would be required to be paid by us to KKR Holdings or its transferees. In addition, the tax receivable agreement provides that upon certain mergers, asset sales, other forms of combination transactions or other changes of control, our or our successor's minimum obligations with respect to exchanged or acquired KKR Group Partnership Units (whether exchanged or acquired before or after such transaction) would be based on certain assumptions, including that we would have sufficient taxable income to fully utilize the increased tax deductions and increased tax basis and other benefits related to entering into the tax receivable agreement. In these situations, our obligations under the tax receivable agreement could have a substantial negative impact on our liquidity.

Decisions made by our senior principals in the course of running our business, such as with respect to mergers, asset sales, other forms of business combinations or other changes of control, may influence the timing and amount of payments that are received by an exchanging or selling holder of partner interests in the KKR Group Partnerships under the tax receivable agreement. For example, the earlier disposition of assets following an exchange or acquisition transaction will generally accelerate payments under the tax receivable agreement and increase the present value of such payments, and the disposition of assets before an exchange or acquisition transaction will increase a principals' tax liability without giving rise to any rights of a principal to receive payments under the tax receivable agreement.

Payments under the tax receivable agreement will be based upon the tax reporting positions that we will determine. We are not aware of any issue that would cause the IRS to challenge a tax basis increase. However, neither KKR Holdings nor its transferees will reimburse us for any payments previously made under the tax receivable agreement if such tax basis increase, or the tax benefits we claim arising from such increase, is successfully challenged by the IRS. As a result, in certain circumstances payments to KKR Holdings or its transferees under the tax receivable agreement could be in excess of our cash tax savings. Our ability to achieve benefits from any tax basis increase, and the payments to be made under this agreement, will depend upon a number of factors, as discussed above, including the timing and amount of our future income. See Item 1A. "Risk Factors—Risks Related to Our Organizational Structure—We will be required to pay our principals for most of the benefits relating to our use of tax attributes we receive from prior and future exchanges of our Class A common stock for KKR Group Partnership Units and related transactions."

KKR Group Partnership Agreements

We indirectly control the general partners of the KKR Group Partnerships and, through the KKR Group Partnerships and their subsidiaries, the KKR business. Our board of directors and our officers are ultimately responsible for all material decisions of the KKR Group Partnerships and the KKR Group Partnerships' businesses.

Pursuant to the limited partnership agreements of the KKR Group Partnerships, we, as the controlling general partner of KKR Fund Holdings L.P., KKR Management Holdings L.P. and KKR International Holdings L.P., have the indirect right to determine when distributions will be made to the holders of KKR Group Partnership Units and the amount of any such distributions.

On March 17, 2016, in connection with the issuance of the 6.75% Series A preferred units of KKR & Co. L.P. and on June 20, 2016, in connection with the issuance of the 6.50% Series B preferred units of KKR & Co. L.P., the limited partnership agreements of the KKR Group Partnerships were amended to provide for preferred units with economic terms designed to mirror those of the Series A preferred units and Series B preferred units. Following the Conversion, the Series A preferred units and Series B preferred units of KKR & Co. L.P. became Series A Preferred Stock and Series B Preferred Stock of KKR & Co. Inc., respectively.

The limited partnership agreements of the KKR Group Partnerships provide for tax distributions to the holders of KKR Group Partnership Units if the general partners of the KKR Group Partnerships determine that distributions from the KKR Group Partnerships would otherwise be insufficient to cover the tax liabilities of a holder of a KKR Group Partnership Unit. Generally, these tax distributions will be computed based on our estimate of the net taxable income of the relevant partnership allocable to a holder of a KKR Group Partnership Unit multiplied by an assumed tax rate equal to the highest effective marginal combined U.S. federal, state and local income tax rate prescribed for an individual or corporate resident in New York, New York (taking into account the nondeductibility of certain expenses and the character of our income).

The limited partnership agreements of the KKR Group Partnerships authorize the general partners of the KKR Group Partnerships to issue an unlimited number of additional securities of the KKR Group Partnerships with such designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to the KKR Group Partnerships Units, and which may be exchangeable for KKR Group Partnership Units.

Firm Use of Private Aircraft

Certain of our senior employees, including Messrs. Kravis and Roberts, own aircraft that we use for business purposes in the ordinary course of our operations. These senior employees paid for the purchase of these aircraft with their personal funds and bear all operating, personnel and maintenance costs associated with their operation. The hourly rates that we pay for the use of these aircraft are based on current market rates for chartering private aircraft of the same type. We incurred $3.6 million for the use of these aircraft during the year ended December 31, 2018 , of which substantially all was paid to entities collectively controlled by Messrs. Kravis and Roberts.

Side-By-Side and Other Investments

Because fund investors typically are unwilling to invest their capital in a fund unless the fund's manager also invests its own capital in the fund's investments, our investment fund documents generally require the general partners of our investment funds to make minimum capital commitments to the funds. The amount of these commitments, which are negotiated by fund investors, generally range from 2% to 8% of a fund's total capital commitments at final closing, but may be greater for certain funds pursuing new strategies. When investments are made, the general partner contributes capital to the fund based on its fund commitment percentage and if applicable, acquires a capital interest in the investment that is not subject to a carried interest. Historically, these capital contributions have been funded with cash from operations that otherwise would be distributed to our employees.

In connection with the KPE Transaction, we did not acquire capital interests in investments that were funded by our employees or others involved in our business prior to October 1, 2009. Rather, those capital interests were allocated to our employees or others involved in our business and are reflected in our financial statements as noncontrolling interests in consolidated entities to the extent that we hold the general partner interest in the fund. Any capital contributions that our private equity fund general partners are required to make to a fund will be funded by us and we will be entitled to receive our allocable share of the returns thereon.

In addition, certain of our current and former employees and certain other qualifying personnel are permitted to invest, and have invested, their own capital in our funds, in side-by-side investments with our funds and the firm, as well as in funds managed by our hedge fund partnerships. Side-by-side investments are investments generally made on the same terms and conditions as those available to the applicable fund or the firm and, they, together with their investments in our funds or the funds managed by our hedge fund partnerships, are not generally subject to management fees or a carried interest. The cash invested by our current and former employees and certain other qualifying personnel and their investment vehicles aggregated to $415.0 million for the year ended December 31, 2018 , of which $35.5 million, $61.1 million, $15.5 million, $7.3 million, $2.0 million and $0.9 million was invested by Messrs. Kravis, Roberts, Bae, Nuttall, Janetschek and Sorkin and their investment vehicles, respectively. These investments are not included in the accompanying consolidated financial statements. In addition, our funds invested $2.0 million in 2018 from the commitments of certain investment vehicles associated with Mr. Hess. Such investments associated with Mr. Hess were made on the same terms and conditions as for other fund investors including management fees and/or a carried interest applicable to the relevant fund.

Indemnification of Directors, Officers and Others

Under our certificate of incorporation, in most circumstances we will indemnify the following persons, to the fullest extent permitted by law, from and against all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts: (a) the Class B Stockholder; (b) KKR Management LLC in its capacity as the former general partner of KKR & Co. L.P. (the “Former Managing Partner”); (c) any person who is or was an affiliate of the Class B Stockholder or the Former Managing Partner; (d) any person who is or was a member, partner, Tax Matters Partner (as defined in the Code, as in effect prior to 2018), Partnership Representative (as defined in the Code), officer, director, employee, agent, fiduciary or trustee of us or our subsidiaries, any KKR Group Partnership, the Class B Stockholder or any Former Managing Partner or any affiliate of us or our subsidiaries, the Class B Stockholder or the

Former Managing Partner; (e) any person who is or was serving at our request or any Former Managing Partner or any affiliate of us or any Former Managing Partner as an officer, director, employee, member, partner, Tax Matters Partner, Partnership Representative, agent, fiduciary or trustee of another person (provided that a person shall not be an indemnitee by reason of providing, on a fee-for-services basis or similar arms-length compensatory basis, agency, advisory, consulting, trustee, fiduciary or custodial services); or (f) any person designated by us as an indemnitee as permitted by applicable law.

We have agreed to provide this indemnification unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that these persons acted in bad faith or engaged in fraud or willful misconduct. We have also agreed to provide this indemnification for criminal proceedings. Any indemnification under these provisions will only be out of our assets. Unless it otherwise agrees, the Class B Stockholder will not be liable for, or have any obligation to contribute or loan any monies or property to us to enable us to effectuate, indemnification. The indemnification of the persons described above shall be secondary to any indemnification such person is entitled from another person or the relevant KKR fund to the extent applicable. We may purchase insurance against liabilities asserted against and expenses incurred by persons in connection with its activities, regardless of whether we would have the power to indemnify the person against liabilities under our certificate of incorporation. We currently maintain liability insurance for our directors and officers. Such insurance would be available to our directors and officers in accordance with its terms.

In addition, we have entered into indemnification agreements with KKR Management LLC and each of our directors. Each indemnification agreement provides that the indemnitee, subject to the limitations set forth in each indemnification agreement, will be indemnified and held harmless by us on an after-tax basis from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all threatened, pending or completed claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, and whether formal or informal and including appeals, in which the indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as an indemnitee or by reason of any action alleged to have been taken or omitted in such capacity, whether arising from alleged acts or omissions to act occurring on, before or after the date of such indemnification agreement. Each indemnification agreement provides that the indemnitee shall not be indemnified and held harmless if there has been a final and non-appealable judgment entered by an arbitral tribunal or court of competent jurisdiction determining that, in respect of the matter for which the indemnitee is seeking indemnification pursuant to the indemnification agreement, the indemnitee acted in bad faith or engaged in fraud or willful misconduct.

Guarantee of Contingent Obligations to Fund Partners; Indemnification

The partnership documents governing KKR's carry-paying investment funds generally include a "clawback" provision that, if triggered, may give rise to a contingent obligation requiring the general partner to return amounts to the fund for distribution to the fund investors at the end of the life of the fund. Under a clawback obligation, upon the liquidation of a fund, the general partner is required to return, typically on an after-tax basis, previously distributed carry to the extent that, due to the diminished performance of later investments, the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, including the effects of any performance thresholds. As of December 31, 2018 , no carried interest was subject to this clawback obligation, assuming that all applicable carry-paying funds were liquidated at their December 31, 2018 fair values. Had the investments in such funds been liquidated at zero value, the clawback obligation would have been approximately $2.0 billion . Carried interest is recognized in the consolidated statements of operations based on the contractual conditions set forth in the agreements governing the fund as if the fund were terminated and liquidated at the reporting date and the fund's investments were realized at the then estimated fair values. Amounts earned pursuant to carried interest are earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment amounts earned decrease or turn negative in subsequent periods, recognized carried interest will be reversed and to the extent that the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, a clawback obligation would be recorded. For funds that are consolidated, this clawback obligation, if any, is reflected as an increase in noncontrolling interests in the consolidated statements of financial condition. For funds that are not consolidated, this clawback obligation, if any, is reflected as a reduction of KKR's investment balance as this is where carried interest is initially recorded.

Facilities

Certain trusts, whose beneficiaries include children of Mr. Kravis and Mr. Roberts, and certain other senior employees who are not executive officers of the Company, are partners in a real-estate based partnership that maintains an ownership interest in our Menlo Park location. Payments made from us to this partnership aggregated $7.9 million for the year ended December 31, 2018.

Confidentiality and Restrictive Covenant Agreements

Our employees have entered into confidentiality and restrictive covenant agreements that include prohibitions on our employees competing with us or soliciting clients or employees of our firm during a restricted period following their departure from the firm. For further information on these agreements, see "Executive Compensation—Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards in 2018 —Terms of Confidentiality and Restrictive Covenant Agreements."

Other Transactions with Related Persons

We have and may in the future continue to enter into ordinary course transactions with unaffiliated entities known to us to beneficially own more than 5% of any class of our outstanding voting securities. These transactions may include investments by them in our funds generally on the same terms and conditions offered to other unaffiliated fund investors and participation in our capital markets transactions, including underwritings and syndications, generally on the same terms and conditions offered to other unaffiliated capital markets participants. See "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

Certain affiliates of FMR LLC ("Fidelity"), which reported beneficial ownership of more than 5% of our Class A common stock during a portion of 2018, provide services to us in connection with the investment management, record keeping and administration of our Equity Incentive Plan and our retirement savings plans for which they received customary fees and expenses not in excess of $1.2 million, although certain of these fees are paid by participants in the respective plans. Affiliates of Fidelity have invested or committed to invest approximately $95.0 million as of December 31, 2018, in our investment vehicles. Fidelity and its affiliates have in the past and may in the future participate in offerings, syndications or similar transactions with our capital markets business, including in certain cases where equity of KKR portfolio companies are offered to Fidelity's retail and institutional brokerage customers, on the same terms and conditions provided to other participants in such transactions. For the year ended December 31, 2018, in connection with such transactions affiliates of Fidelity received selling concessions of approximately $850,000 in the aggregate, which were borne by the underwriters in such transactions. Affiliates of Fidelity may also sell shares of Class A common stock owned by our employees, including our executive officers and directors, in ordinary brokerage transactions from time to time.

Statement of Policy Regarding Transactions with Related Persons

Our board of directors adopted a written statement of policy for our partnership regarding transactions with related persons (our "related person policy"). Our related person policy requires that a "related person" (as defined as in Item 404(a) of Regulation S-K) must promptly disclose to our General Counsel or other designated person any "related person transaction" (defined as any transaction, arrangement or relationship, or series of similar transactions, arrangements or relationships, including, without limitation, any loan, guarantee of indebtedness, transfer or lease of real estate, or use of company property that is reportable by us under Item 404(a) of Regulation S-K in which we were or are to be a participant and the amount involved exceeds $120,000 and in which any related person had or will have a direct or indirect material interest) and all material facts with respect thereto. Those individuals will then communicate that information to the board of directors. No related person transaction will be consummated without the approval or ratification of a committee of the board consisting exclusively of disinterested directors; provided, however, the conflicts committee of our board of directors has pre-approved: certain ordinary course transactions with persons known to us to beneficially own more than 5% of our outstanding Class A common stock on terms generally not less favorable as obtained from other third parties, including investments in our funds as limited partners and participation in capital markets transactions like underwritings and syndications; the renewal of pre-existing strategic relationships with an owner of more than 5% of our outstanding Class A common stock; the use of aircraft owned by our senior employees for business purposes; certain investments by eligible employees in our funds, in side-by-side investments with our funds and the firm, as well as in funds managed by our hedge fund partnerships; and certain pro rata cash contributions to the KKR Group Partnerships for cash management purposes. It is our policy that directors interested in a related person transaction will recuse themselves from any vote on a related person transaction in which they have an interest.

Director Independence

See Item 10. "Directors, Executive Officers and Corporate Governance—Independence and Composition of the Board of Directors" for information on director independence.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table summarizes the aggregate fees for professional services provided by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu Limited or their respective affiliates (collectively, the "Deloitte Entities") for the years ended December 31, 2018 and 2017 .

	For the Year Ended December 31, 2018	
	KKR	Completed Transactions
	($ in thousands)	
Audit Fees	$ 27,283 (1)	$ —
Audit-Related Fees	$ 12,943 (2)	$ 22,774 (4)
Tax Fees	$ 43,688 (3)	$ 9,401 (4)
All Other Fees	$ —	$ —

	For the Year Ended December 31, 2017	
	KKR	Completed Transactions
	($ in thousands)	
Audit Fees	$ 21,197 (1)	$ —
Audit-Related Fees	$ 11,432 (2)	$ 13,603 (4)
Tax Fees	$ 33,946 (3)	$ 8,034 (4)
All Other Fees	$ 24 (5)	$ —

(1) Audit Fees consisted of estimated fees for each audit year for (a) the audits of our consolidated financial statements in our Annual Report on Form 10-K and services related to, or required by, statute or regulation; (b) reviews of the interim condensed consolidated financial statements included in our quarterly reports on Form 10-Q; (c) comfort letters, consents and other services related to SEC and other regulatory filings; and (d) audit services provided to certain KKR funds which are not consolidated and other corporate entities.

(2) Audit-Related Fees primarily included merger, acquisition, and investment due diligence services for strategic acquisitions or investments in target companies for in-process transactions and transactions not completed.

(3) Tax Fees consisted of fees for services rendered for tax compliance, planning and advisory services as well as tax fees for merger, acquisition, and investment due diligence services for strategic acquisitions or investments in target companies for in-process transactions and transactions not completed.

(4) Audit-Related Fees and Tax Fees included merger, acquisition, and investment due diligence services for strategic acquisitions or investments in portfolio companies that have been completed. In addition, the Deloitte Entities provided audit, audit-related, tax and other services to the portfolio companies, which are approved directly by the portfolio company's management and are not included in the amounts presented here.

(5) All Other Fees in 2017 included real estate advisory services.

Our audit committee charter, which is available on our website at *www.kkr.com* under "Investor Center—KKR & Co. Inc.—Corporate Governance—Audit Committee Charter", requires the audit committee to approve in advance all audit and non-audit related services to be provided by our independent registered public accounting firm in accordance with the audit and non-audit related services pre-approval policy. All services reported in the Audit, Audit-Related, Tax, and All Other categories above were approved by the audit committee.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Annual Report.

1. Financial Statements

See Item 8 above.

2. Financial Statement Schedules:

See Schedule II - Valuation and Qualifying Accounts - Years Ended December 31, 2018, 2017 and 2016 of this Annual Report on Form 10-K. The other schedules are omitted as they are not applicable or the amounts involved are not material.

3. Exhibits:

2.1	Merger Agreement, dated as of December 16, 2013, among KKR & Co. L.P., KKR Fund Holdings L.P., Copal Merger Sub LLC, a Delaware limited liability company and KKR Financial Holdings LLC (incorporated by reference to Exhibit 2.1 to the KKR & Co. Inc. Current Report on Form 8-K filed on December 17, 2013).
2.2	Plan of Conversion (incorporated by reference to Exhibit 2.1 of KKR & Co. Inc. Quarterly Report on Form 10-Q filed on May 8, 2018).
3.1	Certificate of Conversion of KKR & Co. L.P. (incorporated herein by reference to Exhibit 3.1 of KKR & Co. Inc. Quarterly Report on Form 10-Q filed on May 8, 2018).
3.2	Certificate of Incorporation of KKR & Co. Inc. (incorporated herein by reference to Exhibit 3.2 KKR & Co. Inc. Quarterly Report on Form 10-Q filed on May 8, 2018).
3.3	Bylaws of KKR & Co. Inc. (incorporated herein by reference to Exhibit 3.3 of KKR & Co. Inc. Quarterly Report on Form 10-Q filed on May 8, 2018).
4.1	Indenture dated as of September 29, 2010 among KKR Group Finance Co. LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.1 to the KKR & Co. Inc. Current Report on Form 8-K filed on September 30, 2010).
4.2	First Supplemental Indenture dated as of September 29, 2010 among KKR Group Finance Co. LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on September 30, 2010).
4.3	Second Supplemental Indenture dated as of August 5, 2014 among KKR Group Finance Co. LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR International Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on August 7, 2014).
4.4	Form of 6.375% Senior Note due 2020 (included in Exhibit 4.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on September 30, 2010).
4.5	Indenture dated as of February 1, 2013 among KKR Group Finance Co. II LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the KKR & Co. Inc. Current Report on Form 8-K filed on February 1, 2013).

4.6	First Supplemental Indenture dated as of February 1, 2013 among KKR Group Finance Co. II LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on February 1, 2013).
4.7	Second Supplemental Indenture dated as of August 5, 2014 among KKR Group Finance Co. II LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR International Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on August 7, 2014).
4.8	Form of 5.500% Senior Note due 2043 (included in Exhibit 4.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on February 1, 2013).
4.9	Registration Rights Agreement of KKR & Co. L.P., dated as of February 19, 2014, by and among KKR & Co. L.P. and the sellers of Avoca listed on the signature pages thereto (included in Exhibit 4.8 to the KKR & Co. Inc. Annual Report on Form 10-K filed on February 24, 2014).
4.10	Indenture dated as of May 29, 2014 among KKR Group Finance Co. III LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.1 to the KKR & Co. Inc. Current Report on Form 8-K filed on May 29, 2014).
4.11	First Supplemental Indenture dated as of May 29, 2014 among KKR Group Finance Co. III LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on May 29, 2014).
4.12	Second Supplemental Indenture dated as of August 5, 2014 among KKR Group Finance Co. III LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR International Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.3 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on August 7, 2014).
4.13	Form of 5.125% Senior Note due 2044 (included in Exhibit 4.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on May 29, 2014).
4.14	Indenture dated as of March 23, 2018 among KKR Group Finance Co. IV LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR International Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the KKR & Co. Inc. Current Report on Form 8-K filed on March 23, 2018).
4.15	First Supplemental Indenture dated as of March 23, 2018 among KKR Group Finance Co. IV LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR International Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on March 23, 2018).
4.16	Form of 0.509% Senior Note due 2023 (included in Exhibit 4.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on March 23, 2018).
4.17	Form of 0.764% Senior Note due 2025 (included in Exhibit 4.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on March 23, 2018).
4.18	Form of 1.595% Senior Notes due 2038 (included in Exhibit 4.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on March 23, 2018).
4.19	Form of 6.75% Series A Preferred Stock Certificate (included in Exhibit 2.1 to the KKR & Co. Inc. Quarter Report on Form 10-Q filed on May 8, 2018).

4.20	Form of 6.50% Series B Preferred Stock Certificate (included in Exhibit 2.1 to the KKR & Co. Inc. Quarter Report on Form 10-Q filed on May 8, 2018).
4.21	Indenture, dated as of November 15, 2011, between the KKR Financial Holdings LLC and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on November 15, 2011).
4.22	Indenture, dated as of March 30, 2017, between KKR Financial Holdings LLC and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on March 30, 2017).
4.23	First Supplemental Indenture, dated as of March 30, 2017, between KKR Financial Holdings LLC and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on March 30, 2017).
4.24	Second Supplemental Indenture dated as of November 17, 2017 among KKR Financial Holdings LLC and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.3 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on November 11, 2017).
4.25	Form of 5.50% Senior Note due 2032 of KKR Financial Holdings LLC (incorporated by reference to Exhibit 4.2 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on March 30, 2017).
4.26	Registration Rights Agreement, dated as of November 2, 2015, by and among KKR & Co. L.P., MW Group (GP) LTD and the other persons listed on the signature pages thereto (incorporated by reference to Exhibit 4.1 of the KKR & Co. Inc. Registration Statement on Form S-3 (No. 333-208019) filed on November 13, 2015).
4.27	Registration Rights Agreement Amendment, dated as of November 30, 2017, between KKR & Co. L.P. and the Covered Persons Representative (incorporated by reference to Exhibit 4.22 to the KKR & Co. Inc. Annual Report on Form 10-K filed on February 23, 2018).
4.28	Registration Rights Agreement Amendment, dated as of November 30, 2018, between KKR & Co. Inc. and the Covered Persons Representative (as defined therein).
10.1	Second Amended and Restated Limited Partnership Agreement of KKR Management Holdings L.P. dated October 1, 2009 (incorporated by reference to Exhibit 10.1 of the KKR & Co. Inc. Registration Statement on Form S-1 (File No. 333-165414) filed on March 12, 2010).
10.1.1	Amendment No. 1 to the Second Amended and Restated Limited Partnership Agreement of KKR Management Holdings L.P., dated March 17, 2016 (incorporated by reference to Exhibit 10.1 to the KKR & Co. Inc. Current Report on Form 8-K filed on March 17, 2016).
10.1.2	Amendment No. 2 to the Second Amended and Restated Limited Partnership Agreement of KKR Management Holdings L.P., dated June 20, 2016 (incorporated by reference to Exhibit 10.1 to the KKR & Co. Inc. Current Report on Form 8-K filed on June 20, 2016).
10.1.3	Amendment No. 3 to the Second Amended and Restated Limited Partnership Agreement of KKR Management Holdings L.P., dated May 3, 2018 (incorporated by reference to Exhibit 10.3 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on May 8, 2018).
10.2	Second Amended and Restated Limited Partnership Agreement of KKR Fund Holdings L.P. dated October 1, 2009 (incorporated by reference to Exhibit 10.2 of the KKR & Co. Inc. Registration Statement on Form S-1 (File No. 333-165414) filed on March 12, 2010).
10.2.1	Amendment to Second Amended and Restated Limited Partnership Agreement of KKR Fund Holdings L.P. dated August 5, 2014 (incorporated by reference to Exhibit 10.3 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on August 7, 2014).

10.2.2	Amendment to Second Amended and Restated Limited Partnership Agreement of KKR Fund Holdings L.P., dated March 17, 2016 (incorporated by reference to Exhibit 10.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on March 17, 2016).
10.2.3	Amendment to Second Amended and Restated Limited Partnership Agreement of KKR Fund Holdings L.P., dated June 20, 2016 (incorporated by reference to Exhibit 10.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on June 20, 2016).
10.2.4	Amendment to Second Amended and Restated Limited Partnership Agreement of KKR Fund Holdings L.P. dated May 3, 2018 (incorporated by reference to Exhibit 10.4 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on May 8, 2018).
10.3	Amended and Restated Limited Partnership Agreement of KKR International Holdings L.P., dated August 5, 2014 (incorporated by reference to Exhibit 10.1 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on August 7, 2014).
10.3.1	Amendment to Amended and Restated Limited Partnership Agreement of KKR International Holdings L.P., dated March 17, 2016 (incorporated by reference to Exhibit 10.3 to the KKR & Co. Inc. Current Report on Form 8-K filed on March 17, 2016).
10.3.2	Amendment to Amended and Restated Limited Partnership Agreement of KKR International Holdings L.P., dated June 20, 2016 (incorporated by reference to Exhibit 10.3 to the KKR & Co. Inc. Current Report on Form 8-K filed on June 20, 2016).
10.3.3	Amendment to Amended and Restated Limited Partnership Agreement of KKR International Holdings L.P., dated May 3, 2018 (incorporated by reference to Exhibit 10.5 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on May 8, 2018).
10.4	Registration Rights Agreement dated July 14, 2010, by and among KKR & Co. L.P., KKR Holdings L.P. and the persons from time to time party thereto (incorporated by reference to Exhibit 10.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on July 20, 2010).
10.5 *	Amended and Restated KKR & Co. Inc. 2010 Equity Incentive Plan (incorporated by reference to Exhibit 4.4 to the KKR & Co. Inc. Post-Effective Amendment No. 1 to Form S-8 filed on July 2, 2018).
10.6 *	KKR & Co. Inc. 2019 Equity Incentive Plan (incorporated herein by reference to Appendix A to the KKR & Co. Inc. definitive proxy statement filed on December 14, 2018).
10.7	Tax Receivable Agreement, dated as of July 14, 2010, among KKR Holdings L.P., KKR Management Holdings Corp., KKR & Co. L.P., KKR Management Holdings, L.P., and other persons who executed a joinder thereto (incorporated by reference to Exhibit 10.3 to the KKR & Co. Inc. Current Report on Form 8-K filed on July 20, 2010).
10.8	Amendment to Tax Receivable Agreement, dated as of May 3, 2018, among KKR Holdings L.P., KKR Management Holdings Corp., KKR & Co. L.P., KKR Management Holdings L.P. and KKR Group Holdings Corp. (incorporated by reference to Exhibit 10.1 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on May 8, 2018).
10.9	Second Amended and Restated Exchange Agreement, dated as of May 3, 2018, among KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR International Holdings L.P., KKR Holdings L.P., KKR & Co. L.P., KKR Group Holdings L.P., KKR Subsidiary Partnership L.P., KKR Group Limited and KKR Group Holdings Corp. (incorporated by reference to Exhibit 10.2 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on May 8, 2018).

10.10	Amended and Restated Credit Agreement, dated as of December 7, 2018, among Kohlberg Kravis Roberts & Co. L.P., KKR Fund Holdings L.P., KKR Management Holdings L.P. and KKR International Holdings L.P., the other borrowers from time to time party thereto, the guarantors from time to time party thereto, the lending institutions from time to time party thereto and HSBC Bank USA, National Association, as Administrative Agent (incorporated by reference to Exhibit 10.1 to the KKR & Co. Inc. Current Report on Form 8-K filed on December 7, 2018).
10.11 †	364-Day Revolving Credit Agreement, dated as of June 28, 2018, among KKR Capital Markets Holdings L.P., certain subsidiaries of KKR Capital Markets Holdings L.P., each of the Lenders (as defined therein), and Mizuho Bank, Ltd., as administrative agent (incorporated by reference to Exhibit 10.2 to the KKR & Co. Inc. Quarterly Report on For 10-Q filed on August 3, 2018).
10.12	First Amendment, dated as of November 14, 2018, to the 364-Day Revolving Credit Agreement, dated as of June 28, 2018, among KKR Capital Markets Holdings L.P., certain subsidiaries of KKR Capital Markets Holdings L.P., the Majority Lenders (as defined therein) and Mizuho Bank, Ltd., as administrative agent.
10.13	First Amendment, dated as of June 29, 2017, to Second Amended and Restated 5-Year Revolving Credit Agreement, dated as of March 30, 2016, among KKR Capital Markets Holdings L.P., certain subsidiaries of KKR Capital Markets Holdings L.P., the Majority Lenders (as defined therein), and Mizuho Bank, Ltd., as administrative agent (incorporated by reference to Exhibit 10.2 to the KKR & Co. Inc. Quarterly Report on For 10-Q filed August 4, 2017).
10.14	Second Amendment, dated as of November 14, 2018, to the Second Amended and Restated 5-Year Revolving Credit Agreement, dated as of March 30, 2016, among KKR Capital Markets Holdings L.P., certain subsidiaries of KKR Capital Markets Holdings L.P., the Majority Lenders (as defined therein), and Mizuho Bank, Ltd., as administrative agent.
10.15 *	Form of Indemnification Agreement for Directors of KKR & Co. Inc. (incorporated by reference to Exhibit 10.7 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on May 8, 2018).
10.16	Indemnification Agreement, dated as of May 3, 2018, between KKR & Co. L.P. and KKR Management LLC (incorporated by reference to Exhibit 10.6 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on May 8, 2018).
10.17 *	Independent Director Compensation Program (incorporated by reference to Exhibit 10.2 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on November 2, 2018).
10.18 *	Form of Public Company Holdings Unit Award Agreement of KKR & Co. L.P. (Executive Officers) (incorporated by reference to Exhibit 10.17 of the KKR & Co. Inc. Annual Report on Form 10-K filed on February 27, 2015).
10.19 *	Form of Public Company Holdings Unit Award Agreement of KKR & Co. L.P. (Executive Officers) (incorporated by reference to Exhibit 10.19 of the KKR & Co. Inc. Annual Report on Form 10-K filed on February 26, 2016).
10.20 *	Form of Public Company Holdings Unit Award Agreement of KKR & Co. L.P. (Executive Officers) (incorporated by reference to Exhibit 10.18 of the KKR & Co. Inc. Annual Report on Form 10-K filed on February 24, 2017).
10.21 *	Form of Grant Certificate (Executive Officers) (incorporated by reference to Exhibit 10.19 of the KKR & Co. Inc. Annual Report on Form 10-K filed on February 24, 2017).
10.22 *	Form of Grant Certificate (Executive Officers) (incorporated by reference to Exhibit 10.23 of the KKR & Co. Inc. Annual Report on Form 10-K filed on February 23, 2018).
10.23 *	Form of Public Company Holdings Unit Award Agreement of KKR & Co. L.P. (Executive Officers) (Market Price Vesting) (incorporated by reference to Exhibit 10.24 of the KKR & Co. Inc. Annual Report on Form 10-K filed on February 23, 2018).

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10.24 *	Form of Public Company Holdings Unit Award Agreement of KKR & Co. L.P. (Executive Officers) (Service Vesting) (incorporated by reference to Exhibit 10.25 of the KKR & Co. Inc. Annual Report on Form 10-K filed on February 23, 2018).
10.25 *	Form of Public Company Equity Unit Award Agreement of KKR & Co. Inc. (Directors) (incorporated by reference to Exhibit 10.3 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on November 2, 2018).
10.26 *	Form of Public Company Holdings Unit Award Agreement of KKR & Co. Inc. (Executive Officers) (incorporated by reference to Exhibit 10.4 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on November 2, 2018).
10.27	Development Agreement, dated as of October 28, 2015, by and between ERY Developer LLC and KKR HY LLC (incorporated by reference to Exhibit 10.23 of the KKR & Co. Inc. Annual Report on Form 10-K filed on February 26, 2016).
21.1	Subsidiaries of the Registrant.
23.1	Consent of Independent Registered Public Accounting Firm Relating to the Financial Statements of KKR & Co. Inc.
31.1	Certification of Co-Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Co-Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.3	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.3	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Statements of Financial Condition as of December 31, 2018 and December 31, 2017, (ii) the Consolidated Statements of Operations for the years ended December 31, 2018, 2017 and 2016, (iii) the Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2018, 2017 and 2016, (iv) the Consolidated Statements of Changes in Equity for the years ended December 31, 2018, 2017 and 2016 (v) the Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016, and (vi) the Notes to the Consolidated Financial Statements.

* Management contract or compensatory plan in which directors and/or executive officers are eligible to participate.

† Certain portions have been omitted in accordance with a request for confidential treatment that the registrant has submitted to the SEC. Omitted information has been filed separately with the SEC.

The registrant hereby agrees to furnish to the SEC at its request copies of long-term debt instruments defining the rights of holders of outstanding long-term debt that are not required to be filed herewith.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

SCHEDULE

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

Valuation Allowance for Deferred Tax Assets

(in thousands)

Year Ended:	Balance at Beginning of Period	Tax Valuation Allowance Charged to Income Tax Provision	Tax Valuation Allowance Credited to Income Tax Provision	Balance at End of Period
December 31, 2016	$ 19,781	$ —	$ 10,013 (1)	$ 9,768
December 31, 2017	$ 9,768	$ 2,104	$ —	$ 11,872
December 31, 2018	$ 11,872	$ —	$ 11,872 (1)	$ —

(1) The valuation allowance related to a deferred tax asset for foreign tax credit carryovers is no longer applicable, as KKR elected to deduct its foreign tax credit carryovers in lieu of taking a tax credit.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 15, 2019

KKR & CO. INC.

/s/ WILLIAM J. JANETSCHEK

Name: William J. Janetschek

Title: Chief Financial Officer

Pursuant to the requirements of the Exchange Act of 1934 this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated below on the dates indicated below.

Signature	Title	Date
/s/ HENRY R. KRAVIS Henry R. Kravis	Co-Chairman and Co-Chief Executive Officer (principal executive officer)	February 15, 2019
/s/ GEORGE R. ROBERTS George R. Roberts	Co-Chairman and Co-Chief Executive Officer (principal executive officer)	February 15, 2019
/s/ JOSEPH Y. BAE Joseph Y. Bae	Director, Co-President and Co-Chief Operating Officer	February 15, 2019
/s/ SCOTT C. NUTTALL Scott C. Nuttall	Director, Co-President and Co-Chief Operating Officer	February 15, 2019
/s/ MARY N. DILLON Mary N. Dillon	Director	February 15, 2019
/s/ DAVID C. DRUMMOND David C. Drummond	Director	February 15, 2019
/s/ JOSEPH A. GRUNDFEST Joseph A. Grundfest	Director	February 15, 2019
/s/ JOHN. B. HESS John. B. Hess	Director	February 15, 2019
/s/ XAVIER B. NIEL Xavier B. Niel	Director	February 15, 2019
/s/ PATRICK F. RUSSO Patricia F. Russo	Director	February 15, 2019
/s/ THOMAS M. SCHOEWE Thomas M. Schoewe	Director	February 15, 2019
/s/ ROBERT W. SCULLY Robert W. Scully	Director	February 15, 2019
/s/ WILLIAM J. JANETSCHEK William J. Janetschek	Chief Financial Officer (principal financial and accounting officer)	February 15, 2019

Exhibit 4.28

Registration Rights Agreement Amendment

Reference is made to the Registration Rights Agreement dated November 2, 2015, as amended on November, 30 2017, among KKR & Co. L.P., as predecessor to KKR & Co. Inc., and the persons listed on the signature page thereto (the " **Registration Rights Agreement** ").

In connection with the exercise by MW Group (GP) Ltd (the " **General Partner** ") on October 9, 2018 of the Second Put Option (as defined in and contemplated by that certain put and call option agreement, dated September 9, 2015, as supplemented and/or amended on September 9, 2015 and November 30, 2017, among Kappa Holdings Limited (the " **Buyer** "), KKR Fund Holdings L.P., the General Partner and the persons listed on Schedule 1 thereto (the " **Put/Call Option Agreement** ")), the parties hereto agree that section 2.1 of the Registration Rights Agreement shall not apply with respect to the Put/Call Registrable Securities (as defined in the Registration Rights Agreement) to be issued in connection with the General Partner's exercise of the Second Put Option.

This amendment is limited to the matters expressly set forth herein, and except as expressly set forth herein, the provisions of the Registration Rights Agreement remain in full force and effect. The provisions of sections 3.2 through 3.9 and 3.12 through 3.13 (inclusive) of the Registration Rights Agreement are incorporated herein *mutatis mutandis* .

[*Signature page follows*]

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be executed as of 30 November 2018.

KKR & CO. INC.

By: /s/ William J. Janetschek
Name: William J. Janetschek
Title: Chief Financial Officer

IAN WACE (solely in his role as Covered Persons Representative under the Registration Rights Agreement)

/s/ Ian Wace

[*Signature page to Registration Rights Amendment Letter*]

Exhibit 10.12

FIRST AMENDMENT

THIS FIRST AMENDMENT (this " Amendment ") is made as of November 14, 2018 by and among KKR Capital Markets Holdings L.P., a Delaware limited partnership (" KCMH "), KKR Corporate Lending LLC, a Delaware limited liability company (" KCL U.S. "), KKR Corporate Lending (CA) LLC, a Delaware limited liability company (" KCL C.A. "), KKR Corporate Lending (TN) LLC, a Delaware limited liability company (" KCL T.N. "), and KKR Corporate Lending (UK) LLC, a Delaware limited liability company (" KCL U.K. "; and together with KCMH, KCL U.S., KCL C.A. and KCL U.K., collectively, the " Borrowers " and individually each a " Borrower "), the Majority Lenders party to the Existing Credit Agreement (as defined below), and Mizuho Bank, Ltd., as administrative agent (in such capacity, the " Administrative Agent "). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Credit Agreement as modified by this Amendment.

W I T N E S S E T H:

WHEREAS, the Borrowers, the Majority Lenders and the Administrative Agent are parties to that certain 364-Day Revolving Credit Agreement dated June 28, 2018 (the " Existing Credit Agreement ", and as amended pursuant to this Amendment hereinafter referred to as the " Credit Agreement ");

WHEREAS, the Borrowers have requested that the Lenders party hereto agree to amend the Existing Credit Agreement in certain respects as hereinafter set forth;

WHEREAS, Section 9.01(a) of the Existing Credit Agreement provides that the Existing Credit Agreement may be amended by the Borrowers and the Majority Lenders;

WHEREAS, the Lenders party hereto and listed on the signature pages hereof have agreed to such amendments on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

I. Amendment to the Existing Credit Agreement . Effective as of the Amendment Effective Date (as defined below), the definition of "Eurocurrency Rate" appearing in Section 1.01 of the Agreement shall be amended by inserting the following proviso at the end thereof: " provided , further , that if the Eurocurrency Rate determined as provided above with respect to any Eurocurrency Loan for any Interest Period would be less than 0% per annum, then the Eurocurrency Rate with respect to such Eurocurrency Loan for such Interest Period shall be deemed to be 0% per annum".

II. Conditions of Effectiveness . This Amendment shall become effective on the date that each of the following conditions is met or waived (the " Amendment Effective Date "):

(a) The Administrative Agent shall have received counterparts of this Amendment executed by each Borrower and the Majority Lenders.

(b) As of the Amendment Effective Date, immediately before and after giving effect to this Amendment, the representations and warranties of each Borrower set forth in the Loan Documents shall be true and correct in all material respects on and as of the Amendment Effective Date with the same effect as though made on and as of the Amendment Effective Date; provided that, to the extent that such representations and warranties specifically refer to an earlier date, they shall be true and correct in all material respects as of such earlier date; provided further that any representation and warranty that is qualified as to "materiality," "Material Adverse Effect" or similar language shall be true and correct in all respects on and as of the Amendment Effective Date or on such earlier date, as the case may be.

(c) As of the Amendment Effective Date, immediately before and after giving effect to this Amendment, no Default or Event of Default shall have occurred and be continuing.

III. Representations and Warranties

(a) To induce the other parties hereto to enter into this Amendment, the Borrowers represent and warrant to each of the Lenders and the Administrative Agent, as of the Amendment Effective Date and after giving effect to the transactions and amendments to occur on the Amendment Effective Date, this Amendment has been duly authorized, executed and delivered by each of the Borrowers and constitutes, and the Existing Credit Agreement, as amended hereby on the Amendment Effective Date, will constitute, its legal, valid and binding obligation, enforceable against the Borrowers and in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(b) Immediately before and after giving effect to this Amendment, the representations and warranties of each Borrower set forth in the Loan Documents shall be true and correct in all material respects on and as of the Amendment Effective Date with the same effect as though made on and as of such date, except to the extent (i) such representations and warranties expressly relate to an earlier date (in which case such representations and warranties were true and correct in all material respects as of such earlier date) or (ii) such representations and warranties are qualified as to "materiality," "Material Adverse Effect" or similar language (in which case such representation and warranties are true and correct in all respects as of the Amendment Effective Date or as of such earlier date, as the case may be).

(c) Immediately before and after giving effect to this Amendment, no Default or Event of Default has occurred and is continuing on the Amendment Effective Date.

IV. Effect of Amendment .

(a) Except as expressly set forth herein, this Amendment shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of, the Lenders or the Administrative Agent under the Existing Credit Agreement or any other Loan Document, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Existing Credit Agreement or any other Loan Document, all of which are ratified and affirmed in all respects and shall continue in full force and effect. Nothing herein shall be deemed to establish a precedent for purposes of interpreting the provisions of the Credit Agreement or entitle any Loan Party to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Loan Document in similar or different circumstances. This Amendment shall apply to and be effective only with respect to the provisions of the Existing Credit Agreement specifically referred to herein.

(b) On and after the Amendment Effective Date, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import, and each reference to the Credit Agreement, "thereunder", "thereof", "therein" or words of like import in any other Loan Document, shall be deemed a reference to the Existing Credit Agreement as amended hereby. This Amendment shall constitute a "Loan Document" for all purposes of the Credit Agreement and the other Loan Documents.

V. Governing Law. This Amendment and the rights and obligations of the parties hereto shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York. The provisions of Sections 9.07 and 9.11 of the Existing Credit Agreement shall apply to this Amendment to the same extent as if fully set forth herein.

VI. Counterparts. This Amendment may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of any executed counterpart of a signature page of this Amendment by facsimile transmission or other electronic means shall be effective as delivery of a manually executed counterpart hereof.

VII. Headings. The headings of this Amendment are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.

VIII. Successors and Assigns. The consent of any Lender to this Amendment shall be binding upon such Lender's successors, assigns and participants permitted by the Existing Credit Agreement. Further, the provisions of this Amendment shall be binding and inure to the benefit of, such Lender's successors, assigns and participants permitted by the Existing Credit Agreement.

[Signature pages follow]

IN WITNESS WHEREOF, the parties thereto have caused this Amendment to be d u ly executed and delivered by their offic e r s as of the date first above written.

KKR CAPITAL MARKETS HOLDINGS L.P.,
as a Borrower

By: KKR CAPITAL MARKETS HOLDINGS
GP LLC, its general partner

By: /s/ Adam Smith
Name: Adam Smith
Title: Authorized Signatory

KKR CORPORATE LENDING LLC, as a Borrower

By: /s/ Adam Smith
Name: Adam Smith
Title: Authorized Signatory

KKR CORPORATE LENDING (CA) LLC, as a Borrower

By: /s/ Adam Smith
Name: Adam Smith
Title: Authorized Signatory

KKR CORPORATE LENDING (TN) LLC, as a Borrower

By: /s/ Adam Smith
Name: Adam Smith
Title: Authorized Signatory

KKR CORPORATE LENDING (UK) LLC, as a Borrower

By: /s/ Adam Smith
Name: Adam Smith
Title: Authorized Signatory

MIZUHO BANK, LTD.,
as Administrative Agent and as a Lender

By: /s/ Raymond Ventura
Name: Raymond Ventura
Title: Managing Director

[Si g natur e Page to First Amendm e nt]

Exhibit 10.14

SECOND AMENDMENT

THIS SECOND AMENDMENT (this " Amendment ") is made as of November 14, 2018 by and among KKR Capital Markets Holdings L.P., a Delaware limited partnership (" KCMH "), KKR Corporate Lending LLC, a Delaware limited liability company (" KCL U.S. "), KKR Corporate Lending (CA) LLC, a Delaware limited liability company (" KCL C.A. "), KKR Corporate Lending (TN) LLC, a Delaware limited liability company (" KCL T.N. "), and KKR Corporate Lending (UK) LLC, a Delaware limited liability company (" KCL U.K. "; and together with KCMH, KCL U.S., KCL C.A. and KCL U.K., collectively, the " Borrowers " and individually each a " Borrower "), the Majority Lenders party to the Existing Credit Agreement (as defined below), and Mizuho Bank, Ltd., as administrative agent (in such capacity, the " Administrative Agent "). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Credit Agreement as modified by this Amendment.

W I T N E S S E T H:

WHEREAS, the Borrowers, the Majority Lenders and the Administrative Agent are parties to that certain Second Amended and Restated 5-Year Revolving Credit Agreement dated March 30, 2016 (as amended by the First Amendment, dated as of June 29, 2017, the " Existing Credit Agreement ", and as amended pursuant to this Amendment hereinafter referred to as the " Credit Agreement ");

WHEREAS, the Borrowers have requested that the Lenders party hereto agree to amend the Existing Credit Agreement in certain respects as hereinafter set forth;

WHEREAS, Section 9.01(a) of the Existing Credit Agreement provides that the Existing Credit Agreement may be amended by the Borrowers and the Majority Lenders;

WHEREAS, the Lenders party hereto and listed on the signature pages hereof have agreed to such amendments on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

I. Amendment to the Existing Credit Agreement . Effective as of the Amendment Effective Date (as defined below), the definition of "Eurocurrency Rate" appearing in Section 1.01 of the Agreement shall be amended by inserting the following proviso at the end thereof: " provided , further , that if the Eurocurrency Rate determined as provided above with respect to any Eurocurrency Loan for any Interest Period would be less than 0% per annum, then the Eurocurrency Rate with respect to such Eurocurrency Loan for such Interest Period shall be deemed to be 0% per annum".

II. Conditions of Effectiveness . This Amendment shall become effective on the date that each of the following conditions is met or waived (the " Amendment Effective Date "):

(a) The Administrative Agent shall have received counterparts of this Amendment executed by each Borrower and the Majority Lenders.

(b) As of the Amendment Effective Date, immediately before and after giving effect to this Amendment, the representations and warranties of each Borrower set forth in the Loan Documents shall be true and correct in all material respects on and as of the Amendment Effective Date with the same effect as though made on and as of the Amendment Effective Date; provided that, to the extent that such representations and warranties specifically refer to an earlier date, they shall be true and correct in all material respects as of such earlier date; provided further that any representation and warranty that is qualified as to "materiality," "Material Adverse Effect" or similar language shall be true and correct in all respects on and as of the Amendment Effective Date or on such earlier date, as the case may be.

(c) As of the Amendment Effective Date, immediately before and after giving effect to this Amendment, no Default or Event of Default shall have occurred and be continuing.

III. Representations and Warranties

(a) To induce the other parties hereto to enter into this Amendment, the Borrowers represent and warrant to each of the Lenders and the Administrative Agent, as of the Amendment Effective Date and after giving effect to the transactions and amendments to occur on the Amendment Effective Date, this Amendment has been duly authorized, executed and delivered by each of the Borrowers and constitutes, and the Existing Credit Agreement, as amended hereby on the Amendment Effective Date, will constitute, its legal, valid and binding obligation, enforceable against the Borrowers and in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(b) Immediately before and after giving effect to this Amendment, the representations and warranties of each Borrower set forth in the Loan Documents shall be true and correct in all material respects on and as of the Amendment Effective Date with the same effect as though made on and as of such date, except to the extent (i) such representations and warranties expressly relate to an earlier date (in which case such representations and warranties were true and correct in all material respects as of such earlier date) or (ii) such representations and warranties are qualified as to "materiality," "Material Adverse Effect" or similar language (in which case such representation and warranties are true and correct in all respects as of the Amendment Effective Date or as of such earlier date, as the case may be).

(c) Immediately before and after giving effect to this Amendment, no Default or Event of Default has occurred and is continuing on the Amendment Effective Date.

IV. Effect of Amendment .

(a) Except as expressly set forth herein, this Amendment shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of, the Lenders or the Administrative Agent under the Existing Credit Agreement or any other Loan Document, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Existing Credit Agreement or any other Loan Document, all of which are ratified and affirmed in all respects and shall continue in full force and effect. Nothing herein shall be deemed to establish a precedent for purposes of interpreting the provisions of the Credit Agreement or entitle any Loan Party to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Loan Document in similar or different circumstances. This Amendment shall apply to and be effective only with respect to the provisions of the Existing Credit Agreement specifically referred to herein.

(b) On and after the Amendment Effective Date, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import, and each reference to the Credit Agreement, "thereunder", "thereof", "therein" or words of like import in any other Loan Document, shall be deemed a reference to the Existing Credit Agreement as amended hereby. This Amendment shall constitute a "Loan Document" for all purposes of the Credit Agreement and the other Loan Documents.

V. Governing Law . This Amendment and the rights and obligations of the parties hereto shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York. The provisions of Sections 9.07 and 9.11 of the Existing Credit Agreement shall apply to this Amendment to the same extent as if fully set forth herein.

VI. Counterparts . This Amendment may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of any executed counterpart of a signature page of this Amendment by facsimile transmission or other electronic means shall be effective as delivery of a manually executed counterpart hereof.

VII. Headings . The headings of this Amendment are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.

VIII. Successors and Assigns . The consent of any Lender to this Amendment shall be binding upon such Lender's successors, assigns and participants permitted by the Existing Credit Agreement. Further, the provisions of this Amendment shall be binding and inure to the benefit of, such Lender's successors, assigns and participants permitted by the Existing Credit Agreement.

[Signature pages follow]

IN WITNESS WHEREOF, the parties thereto have caused this Amendment to be d u ly executed and delivered by their offic e r s as of the date first above written.

KKR CAPITAL MARKETS HOLDINGS L.P.,
as a Borrower

By: KKR CAPITAL MARKETS HOLDINGS GP LLC, its general partner

By: /s/ Adam Smith
Name: Adam Smith
Title: Authorized Signatory

KKR CORPORATE LENDING LLC, as a Borrower

By: /s/ Adam Smith
Name: Adam Smith
Title: Authorized Signatory

KKR CORPORATE LENDING (CA) LLC, as a Borrower

By: /s/ Adam Smith
Name: Adam Smith
Title: Authorized Signatory

KKR CORPORATE LENDING (TN) LLC, as a Borrower

By: /s/ Adam Smith
Name: Adam Smith
Title: Authorized Signatory

KKR CORPORATE LENDING (UK) LLC, as a Borrower

By: /s/ Adam Smith
Name: Adam Smith
Title: Authorized Signatory

MIZUHO BANK, LTD.,
as Administrative Agent and as a Lender

By: /s/ Raymond Ventura
Name: Raymond Ventura
Title: Managing Director

[Si g natur e Page to Second Amendm e nt]

Exhibit 21.1

The following is a list of the subsidiaries of KKR & Co. Inc. as of December 31, 2018.

Subsidiaries of the Registrant

Name	Jurisdiction
9W Halo Parent LLC	Delaware
Aerosmith Holdings LLC	Delaware
Alamo GP LLC	Delaware
Allstar Co-Invest GP LLC	Delaware
ASF Walter Co-Invest GP Limited	Cayman Islands
Aurora Holding GP L.P.	Delaware
Aurora Holding GP LLC	Delaware
Avoca Capital Jersey Unlimited	Jersey
Avoca Capital Property Unlimited Company	Ireland
Avoca Capital Unlimited Company	Ireland
Avoca Securities Investments Unlimited Company	Ireland
Boltzmann Limited	Cayman Islands
CH Co-Investors GP Limited	Cayman Islands
Citrus Restaurant Investor LLC	Delaware
Colt Admiral A Holding GP LLC	Delaware
Colt Admiral A Holding L.P.	Delaware
Colt Drilling Aggregator LLC	Delaware
Colt Real Asset Holdings GP LLC	Delaware
Colt Real Asset Holdings L.P.	Delaware
CPS (US) LLC	Delaware
CPS Associates (US) L.P.	Delaware
CPS Associates L.P.	Cayman Islands
CPS GP Limited	Cayman Islands
Dorms Asia Real Estate (GP) Pte. Ltd.	Singapore
Dorms Asia Real Estate LP	Singapore
Dorms Pte. Ltd.	Singapore
Echo Holdings GP Limited	Cayman Islands
EIGF TE GP Newark Acquisition GP I LLC	Delaware
EIGF TE GP Newark Acquisition I L.P.	Delaware
EIGF TE GP Newark Investors L.P.	Delaware
EIGF TE GP Resource Holdings GP I LLC	Delaware
EIGF TE GP Resource Holdings I L.P.	Delaware
EIGF TE GP Resource Investors GP LLC	Delaware
EIGF TE GP Resource Investors L.P.	Delaware
Energy Real Assets GP LLC	Delaware
Energy Real Assets L.P.	Delaware
Fan Co-Invest GP Limited	Cayman Islands
Fan Investors GP Limited	Cayman Islands
Fan Investors L.P.	Cayman Islands
Fan Investors Limited	Cayman Islands

Name	Jurisdiction
Fortune Creek Co-Invest GP Limited	Cayman Islands
GDG Co-Invest GP LLC	Delaware
GEG Holdings S.à r.l.	Luxembourg
Helios Co-Invest GP Limited	Cayman Islands
KAM Advisors LLC	Delaware
KAM Credit Advisors LLC	Delaware
KAM Fund Advisors LLC	Delaware
Kappa Holdings Ltd.	Cayman Islands
KFH III Holdings Ltd.	Cayman Islands
KFH Real Asset Holdings L.P.	Delaware
KFH Royalties GP LLC	Delaware
KFH Royalties II GP LLC	Delaware
KFH Royalties II LLC	Delaware
KFH Royalties L.P.	Delaware
KFH Royalties LLC	Delaware
KFN Bellemeade Feeder LLC	Delaware
KFN Birch 2 Feeder LLC	Delaware
KFN Broadway Feeder LLC	Delaware
KFN BTS Feeder LLC	Delaware
KFN CC Portfolio Feeder LLC	Delaware
KFN Colonie Feeder LLC	Delaware
KFN HG Hotel Feeder LLC	Delaware
KFN HHV Feeder LLC	Delaware
KFN Midland Feeder LLC	Delaware
KFN Osprey Feeder LLC	Delaware
KFN PEI IX, LLC	Delaware
KFN PEI XI, LLC	Delaware
KFN Pelican 1 Feeder LLC	Delaware
KFN Rad Philly Feeder LLC	Delaware
KFN Sullivan Feeder LLC	Delaware
KFN WTC Oahu Feeder LLC	Delaware
KFN YTC Feeder LLC	Delaware
KKR (Cayman) Limited	Cayman Islands
KKR 2006 AIV GP LLC	Delaware
KKR 2006 AIV Limited	Cayman Islands
KKR 2006 GP (Energy II) LLC	Delaware
KKR 2006 GP LLC	Delaware
KKR 2006 Limited	Cayman Islands
KKR 8 NA Limited	Cayman Islands
KKR Account Adviser (Mauritius), Ltd.	Mauritius
KKR AHI GP LLC	Delaware
KKR AHI Investors L.P.	Delaware
KKR Alternative Assets L.P.	Delaware
KKR Alternative Assets Limited	Cayman Islands
KKR Alternative Assets LLC	Delaware

Name	Jurisdiction
KKR Alternative Investment Management Unlimited Company	Ireland
KKR Americas XII AIV GP LLC	Delaware
KKR Americas XII EEA Limited	Cayman Islands
KKR Americas XII EEA LLC	Delaware
KKR Americas XII Limited	Cayman Islands
KKR AMG Co-Invest GP LLC	Delaware
KKR ARC India Private Limited	India
KKR Ark Holdings Pte. Ltd.	Singapore
KKR Ascent Co-Invest GP LLC	Delaware
KKR ASF Walter PE Limited	Cayman Islands
KKR Asia II Japan AIV Limited	Cayman Islands
KKR Asia II Limited	Cayman Islands
KKR Asia III Delaware AIV LLC	Delaware
KKR Asia III Holdings Limited	Cayman Islands
KKR Asia III Japan AIV Limited	Hong Kong
KKR Asia III S.à r.l.	Luxembourg
KKR Asia Limited	Hong Kong
KKR Asia Limited	Cayman Islands
KKR Asia LLC	Delaware
KKR Asian Fund (Ireland) GP Limited	Ireland
KKR Asset Management (International) Partners LLP	Delaware
KKR Asset Management Ltd	England & Wales
KKR Associates 2006 (Overseas) AIV L.P.	Cayman Islands
KKR Associates 2006 (Overseas), Limited Partnership	Cayman Islands
KKR Associates 2006 AIV L.P.	Delaware
KKR Associates 2006 L.P.	Delaware
KKR Associates 8 NA L.P.	Cayman Islands
KKR Associates Americas XII AIV L.P.	Delaware
KKR Associates Americas XII L.P.	Cayman Islands
KKR Associates ASF Walter PE L.P.	Cayman Islands
KKR Associates Asia (Japan) L.P.	Cayman Islands
KKR Associates Asia II Japan AIV L.P.	Cayman Islands
KKR Associates Asia II L.P.	Cayman Islands
KKR Associates Asia III Delaware AIV L.P.	Delaware
KKR Associates Asia III Japan AIV L.P.	Cayman Islands
KKR Associates Asia III SCSp	Luxembourg
KKR Associates Asia L.P.	Cayman Islands
KKR Associates CDP PE L.P.	Cayman Islands
KKR Associates China Growth L.P.	Cayman Islands
KKR Associates CIS Global L.P.	Cayman Islands
KKR Associates Credit Select L.P.	Cayman Islands
KKR Associates CS I L.P.	Cayman Islands
KKR Associates CS II L.P.	Cayman Islands
KKR Associates CS III L.P.	Cayman Islands
KKR Associates CS IX L.P.	Cayman Islands

Name	Jurisdiction
KKR Associates CS V L.P.	Delaware
KKR Associates CS VIII L.P.	Cayman Islands
KKR Associates CS X L.P.	Cayman Islands
KKR Associates Custom Equity Opportunities (AIV) L.P.	Cayman Islands
KKR Associates Custom Equity Opportunities L.P.	Cayman Islands
KKR Associates E2 L.P.	Cayman Islands
KKR Associates EIGF II LLC	Delaware
KKR Associates EIGF L.P.	Delaware
KKR Associates EIGF TE L.P.	Delaware
KKR Associates Europe II, Limited Partnership	Alberta
KKR Associates Europe III, Limited Partnership	Cayman Islands
KKR Associates Europe IV L.P.	Cayman Islands
KKR Associates Europe V SCSp	Luxembourg
KKR Associates GFIP L.P.	Cayman Islands
KKR Associates Global Credit Opportunities GP L.P.	Cayman Islands
KKR Associates Global Impact SCSp	Luxembourg
KKR Associates HCSG AIV L.P.	Delaware
KKR Associates HCSG L.P.	Delaware
KKR Associates Infrastructure (AIV) L.P.	Delaware
KKR Associates Infrastructure II AIV L.P.	Delaware
KKR Associates Infrastructure II L.P.	Cayman Islands
KKR Associates Infrastructure III AIV SCSp	Luxembourg
KKR Associates Infrastructure III SCSp	Luxembourg
KKR Associates Infrastructure L.P.	Cayman Islands
KKR Associates IUH L.P.	Delaware
KKR Associates Lending Europe II SCSp	Luxembourg
KKR Associates Lending Europe L.P.	Cayman Islands
KKR Associates Lending II L.P.	Delaware
KKR Associates Lending III L.P.	Delaware
KKR Associates Lending L.P.	Delaware
KKR Associates LR Energy L.P.	Cayman Islands
KKR Associates Mezzanine I L.P.	Delaware
KKR Associates Millennium (Overseas), Limited Partnership	Alberta
KKR Associates Millennium L.P.	Delaware
KKR Associates Milton Strategic L.P.	Cayman Islands
KKR Associates NGT AIV L.P.	Delaware
KKR Associates NGT II SCSp	Luxembourg
KKR Associates NGT L.P.	Cayman Islands
KKR Associates North America XI AIV L.P.	Delaware
KKR Associates North America XI L.P.	Cayman Islands
KKR Associates NR I L.P.	Delaware
KKR Associates NR II L.P.	Delaware
KKR Associates NZSF L.P.	Cayman Islands
KKR Associates PCOP II (Offshore) L.P.	Cayman Islands
KKR Associates PCOP II L.P.	Delaware

Name	Jurisdiction
KKR Associates PIP L.P.	Delaware
KKR Associates Principal Opportunities (Domestic) L.P.	Cayman Islands
KKR Associates Principal Opportunities (Offshore) L.P.	Cayman Islands
KKR Associates Principal Opportunities AIV (Domestic) L.P.	Cayman Islands
KKR Associates Principal Opportunities AIV (Offshore) L.P.	Cayman Islands
KKR Associates RCP Europe SCSp	Luxembourg
KKR Associates RE Asia SCSp	Luxembourg
KKR Associates RECOI L.P.	Cayman Islands
KKR Associates RECOP (AIV) Ltd.	Cayman Islands
KKR Associates RECOP II SCSp	Luxembourg
KKR Associates RECOP Ltd.	Cayman Islands
KKR Associates REPA AIV-3 L.P.	Delaware
KKR Associates REPA AIV-4 L.P.	Delaware
KKR Associates REPA AIV-5 L.P.	Cayman Islands
KKR Associates REPA II L.P.	Delaware
KKR Associates REPA L.P.	Delaware
KKR Associates REPE L.P.	Cayman Islands
KKR Associates Revolving Credit Partners L.P.	Cayman Islands
KKR Associates SA Co-Invest L.P.	Cayman Islands
KKR Associates SA Master L.P.	Cayman Islands
KKR Associates Shanda L.P.	Cayman Islands
KKR Associates SMRS L.P.	Delaware
KKR Associates Special Situations (Domestic) II L.P.	Cayman Islands
KKR Associates Special Situations (Domestic) L.P.	Cayman Islands
KKR Associates Special Situations (EEA) II Limited	Cayman Islands
KKR Associates Special Situations (Offshore) II L.P.	Cayman Islands
KKR Associates Special Situations (Offshore) L.P.	Cayman Islands
KKR Associates SPN L.P.	Cayman Islands
KKR Associates TFO L.P.	Cayman Islands
KKR Associates TV SPN L.P.	Cayman Islands
KKR Athena Holdings GP LLC	Delaware
KKR Atlanta Co-Invest GP Limited	Cayman Islands
KKR Australia Investment Management Pty Limited	Australia
KKR Australia Pty Limited	Australia
KKR Azure Co-Invest GP LLC	Delaware
KKR Banff Co-Invest GP LLC	Delaware
KKR Biosimilar GP LLC	Delaware
KKR Blue Co-Invest GP Limited	Cayman Islands
KKR Brazil Aggregator GP LLC	Delaware
KKR Brazil LLC	Delaware
KKR Brickman Co-Invest GP LLC	Delaware
KKR Byzantium Infrastructure Co-Invest GP Limited	Cayman Islands
KKR Canada LLC	Delaware
KKR Canada ULC	Nova Scotia
KKR Capital Management LLC	Delaware

Name	Jurisdiction
KKR Capital Markets (Ireland) Limited	Ireland
KKR Capital Markets Asia Limited	Hong Kong
KKR Capital Markets Holdco Limited	Jersey
KKR Capital Markets Holdings GP LLC	Delaware
KKR Capital Markets Holdings L.P.	Delaware
KKR Capital Markets India Private Limited	India
KKR Capital Markets Japan Holdings LLC	Delaware
KKR Capital Markets Japan Limited	Japan
KKR Capital Markets Limited	England & Wales
KKR Capital Markets LLC	Delaware
KKR Caribou Co-Invest GP Limited	Cayman Islands
KKR CC Co-Invest GP LLC	Delaware
KKR CDP PE Limited	Cayman Islands
KKR Cementos GP S.à r.l.	Luxembourg
KKR Central Park Leasing Aggregator GP LLC	Delaware
KKR China Growth Limited	Cayman Islands
KKR Chrome Investors GP, LLC	Delaware
KKR CIS Global Limited	Cayman Islands
KKR CK Co-Invest GP Limited	Cayman Islands
KKR Co G.P S.à r.l.	Luxembourg
KKR Co L.P S.à r.l.	Luxembourg
KKR Colorado Co-Invest GP Limited	Cayman Islands
KKR Core Investors GP Limited	Cayman Islands
KKR Core Investors L.P.	Delaware
KKR Corporate Lending (CA) LLC	Delaware
KKR Corporate Lending (Cayman) Limited	Cayman Islands
KKR Corporate Lending (TN) LLC	Delaware
KKR Corporate Lending (UK) LLC	Delaware
KKR Corporate Lending LLC	Delaware
KKR CP Partners GP Limited	Cayman Islands
KKR Credit Advisors (EMEA) LLP	England & Wales
KKR Credit Advisors (Hong Kong) Limited	Hong Kong
KKR Credit Advisors (Ireland) Unlimited Company	Ireland
KKR Credit Advisors (UK) LLP	England & Wales
KKR Credit Advisors (US) LLC	Delaware
KKR Credit Fund Advisors LLC	Delaware
KKR Credit Relative Value GP L.P.	Cayman Islands
KKR Credit Select Limited	Cayman Islands
KKR CRV GP Limited	Cayman Islands
KKR CS Advisors I LLC	Delaware
KKR CS I Limited	Cayman Islands
KKR CS II Limited	Cayman Islands
KKR CS III Limited	Cayman Islands
KKR CS IX Limited	Cayman Islands
KKR CS V LLC	Delaware

Name	Jurisdiction
KKR CS VIII Investor LLC	Delaware
KKR CS VIII Limited	Cayman Islands
KKR CS X Limited	Cayman Islands
KKR Custom Equity Opportunities (AIV) Limited	Cayman Islands
KKR Custom Equity Opportunities Limited	Cayman Islands
KKR Cyprus Holdings LLC	Delaware
KKR DBFH LLC	Delaware
KKR DBMH LLC	Delaware
KKR de Mexico, S.C.	Mexico
KKR Diversified Private Markets GP Holdings Limited	Cayman Islands
KKR E2 Limited	Cayman Islands
KKR Eagle Aggregator GP Limited	Cayman Islands
KKR Eagle Co-Invest GP Limited	Cayman Islands
KKR EIGF Feeder GP Limited	Cayman Islands
KKR EIGF II LLC	Delaware
KKR EIGF LLC	Delaware
KKR Element Co-Invest GP LLC	Delaware
KKR EnerGas Aggregator GP Limited	Cayman Islands
KKR Energy HF Stake II Limited	Cayman Islands
KKR Energy HF Stake III Limited	Cayman Islands
KKR Energy HF Stake Limited	Cayman Islands
KKR Energy Investors Blocker GP Limited	Cayman Islands
KKR Engage Investors GP LLC	Delaware
KKR Engage Investors L.P.	Delaware
KKR Enterprise Co-Invest GP LLC	Delaware
KKR Europe II Limited	Cayman Islands
KKR Europe III Limited	Cayman Islands
KKR Europe IV EEA Limited	Cayman Islands
KKR Europe IV EEA LLC	Delaware
KKR Europe IV Investments GP Limited	Cayman Islands
KKR Europe IV Limited	Cayman Islands
KKR Europe V Holdings Limited	Cayman Islands
KKR Europe V Holdings LLC	Delaware
KKR Europe V S.à r.l.	Luxembourg
KKR European Fund IV Investments L.P.	Cayman Islands
KKR European Infrastructure Limited	Cayman Islands
KKR European Infrastructure LLC	Delaware
KKR Evergreen Co-Invest GP Limited	Cayman Islands
KKR FH Investment Limited	Cayman Islands
KKR FI Advisors Cayman Ltd.	Cayman Islands
KKR FI Advisors LLC	Delaware
KKR Finance LLC	Delaware
KKR Financial Advisors II, LLC	Delaware
KKR Financial Advisors IV LLC	Delaware
KKR Financial Advisors LLC	Delaware

Name	Jurisdiction
KKR Financial Holdings II, Ltd.	Cayman Islands
KKR Financial Holdings III, LLC	Delaware
KKR Financial Holdings III, Ltd.	Cayman Islands
KKR Financial Holdings LLC	Delaware
KKR Financial Holdings, Inc.	Delaware
KKR Financial Holdings, Ltd.	Cayman Islands
KKR Financial Management LLC	Delaware
KKR Fund Holdings GP Limited	Cayman Islands
KKR Fund Holdings L.P.	Cayman Islands
KKR Gaudi Investors LLC	Delaware
KKR Genetic Disorder GP LLC	Delaware
KKR GFIP Limited	Cayman Islands
KKR Global Impact Fund Holdings Limited	Cayman Islands
KKR Global Impact S.à r.l.	Luxembourg
KKR Glory (KPE) Limited	Cayman Islands
KKR GMO GP Limited	Cayman Islands
KKR GMO II Holdings L.P.	Cayman Islands
KKR GMO II Holdings Limited	Cayman Islands
KKR GMO II US Holdings LLC	Delaware
KKR Goldfinch GP LLC	Delaware
KKR Greek Aggregator GP Limited	Cayman Islands
KKR Group Finance Co. II LLC	Delaware
KKR Group Finance Co. III LLC	Delaware
KKR Group Finance Co. IV LLC	Delaware
KKR Group Finance Co. LLC	Delaware
KKR Group Holdings Corp.	Delaware
KKR Gym GP Limited	Cayman Islands
KKR HALO I Limited	Cayman Islands
KKR Harbourview Holdings Pty Ltd	Australia
KKR HCSG GP AIV LLC	Delaware
KKR HCSG GP LLC	Delaware
KKR Heford AIV GP LLC	Delaware
KKR HF LP Limited	Cayman Islands
KKR Holdings Mauritius, Ltd.	Mauritius
KKR HY LLC	Delaware
KKR IFI GP L.P.	Cayman Islands
KKR IFI Limited	Cayman Islands
KKR ILP LLC	Delaware
KKR India Advisors Private Limited	India
KKR India Finance Holdings LLC	Delaware
KKR India Financial Investments Pte. Ltd.	Singapore
KKR India Financial Services Private Limited	India
KKR India LLC	Delaware
KKR India Reconstruction Pte. Ltd.	Singapore
KKR Indigo Co-Invest GP LLC	Delaware

Name	Jurisdiction
KKR Infrastructure (AIV) GP LLC	Delaware
KKR Infrastructure II AIV GP LLC	Delaware
KKR Infrastructure II EEA Limited	Cayman Islands
KKR Infrastructure II EEA LLC	Delaware
KKR Infrastructure II Limited	Cayman Islands
KKR Infrastructure III AIV S.à r.l.	Luxembourg
KKR Infrastructure III Holdings AIV Limited	Cayman Islands
KKR Infrastructure III Holdings Limited	Cayman Islands
KKR Infrastructure III S.à r.l.	Luxembourg
KKR Infrastructure Limited	Cayman Islands
KKR International Holdings L.P.	Cayman Islands
KKR Investment Advisory (Shanghai) LLC	China
KKR Investment Advisory (Zhuhai Hengqin) Company Limited	China
KKR Investment Consultancy (Beijing) Company Limited	China
KKR Investment Holdings I (Mauritius), Ltd.	Mauritius
KKR Investment Management LLC	Delaware
KKR Investments LLC	Delaware
KKR Irish Holdings SPC Limited	Cayman Islands
KKR Irish Parent S.à r.l.	Luxembourg
KKR IUH LLC	Delaware
KKR Japan Limited	Japan
KKR Korea Limited Liability Corporation	Korea, Republic of
KKR KPE LLC	Delaware
KKR Landmark Partners GP AIV LLC	Delaware
KKR Landmark Partners GP Limited	Cayman Islands
KKR Latin America LLC	Delaware
KKR Lending Europe GP Limited	Cayman Islands
KKR Lending Europe GP LLP	Guernsey
KKR Lending Europe II Holdings Limited	Cayman Islands
KKR Lending Europe II S.à r.l.	Luxembourg
KKR Lending Europe Limited	Cayman Islands
KKR Lending GP LLC	Delaware
KKR Lending II GP LLC	Delaware
KKR Lending III GP LLC	Delaware
KKR Loan Administration Services LLC	Delaware
KKR LR Energy Limited	Cayman Islands
KKR Luxembourg S.à r.l.	Luxembourg
KKR Mackellar Partners GP Limited	Cayman Islands
KKR Magnitude GP LLC	Delaware
KKR Management Co Holdings LLC	Delaware
KKR Management Holdings Corp.	Delaware
KKR Management Holdings L.P.	Delaware
KKR Matterhorn Co-Invest GP Limited	Cayman Islands
KKR Mauritius PE Investments I, Ltd.	Mauritius
KKR Maven GP Limited	Cayman Islands

Name	Jurisdiction
KKR Maven I SLP Limited	Cayman Islands
KKR Maven II SLP Limited	Cayman Islands
KKR MENA Holdings LLC	Delaware
KKR MENA Limited	Dubai International Financial Centre
KKR Mexico LLC	Delaware
KKR Mezzanine GP LLC	Delaware
KKR Mezzanine I Advisors LLC	Delaware
KKR Mezzanine Offshore Feeder I GP Limited	Cayman Islands
KKR Millennium GP LLC	Delaware
KKR Millennium Limited	Cayman Islands
KKR Milton Strategic Limited	Cayman Islands
KKR Nautilus Aggregator Limited	Cayman Islands
KKR Nevada Ventures LLC	Cayman Islands
KKR Next Gen Tech Fund II Holdings Limited	Cayman Islands
KKR Next Gen Tech Growth AIV LLC	Delaware
KKR Next Gen Tech Growth Limited	Cayman Islands
KKR NGT EEA Limited	Cayman Islands
KKR NGT EEA LLC	Delaware
KKR NGT II S.à r.l.	Luxembourg
KKR Noah GP Associates Limited	Cayman Islands
KKR North America Fund XI Brazil GP LLC	Delaware
KKR North America XI AIV GP LLC	Delaware
KKR North America XI Limited	Cayman Islands
KKR NR I LLC	Delaware
KKR NR II LLC	Delaware
KKR NR Investors I-A GP LLC	Delaware
KKR NZSF Limited	Cayman Islands
KKR Olive Co-Invest GP LLC	Delaware
KKR Omega Co-Invest GP LLC	Delaware
KKR Oracle Co-Invest GP LLC	Delaware
KKR Pacer Holdings GP Limited	Cayman Islands
KKR Pacer Holdings L.P.	Cayman Islands
KKR Par Holdings Ltd.	Cayman Islands
KKR Partners IV GP LLC	Delaware
KKR PCOP II (EEA) Limited	Cayman Islands
KKR PCOP II (EEA) LLC	Delaware
KKR PCOP II (Offshore) Limited	Cayman Islands
KKR PCOP II GP LLC	Delaware
KKR Peanut Aggregator GP LLC	Delaware
KKR Peanut Co-Invest GP LLC	Delaware
KKR PEI Associates L.P.	Cayman Islands
KKR PEI GP Limited	Cayman Islands
KKR PEI Investments, L.P.	Cayman Islands
KKR PEI Opportunities GP, Ltd.	Cayman Islands
KKR PEI Opportunities, L.P.	Cayman Islands

Name	Jurisdiction
KKR PEI Securities Holdings, Ltd.	Cayman Islands
KKR Phoenix Co-Invest GP Limited	Cayman Islands
KKR Phorm Investors GP LLC	Delaware
KKR PIP GP LLC	Delaware
KKR Platinum Co-Invest Blocker Parent GP LLC	Delaware
KKR Platinum Co-Invest GP LLC	Delaware
KKR Point Investments LLC	Delaware
KKR Principal Opportunities (Domestic) Limited	Cayman Islands
KKR Principal Opportunities (Offshore) Limited	Cayman Islands
KKR Principal Opportunities AIV (Domestic) Limited	Cayman Islands
KKR Principal Opportunities AIV (Offshore) Limited	Cayman Islands
KKR Radar LLC	Cayman Islands
KKR Ramky Co-Invest GP Limited	Cayman Islands
KKR Ranger Co-Invest GP Limited	Cayman Islands
KKR RCP Europe Limited	Cayman Islands
KKR RCP Europe S.à r.l.	Luxembourg
KKR RE Asia Limited	Cayman Islands
KKR RE Asia S.à r.l.	Luxembourg
KKR Real Estate Finance Manager LLC	Delaware
KKR Real Estate Fund GP LLC	Delaware
KKR Real Estate Fund Holdings L.P.	Delaware
KKR Real Estate Management GP LLC	Delaware
KKR Real Estate Management Holdings L.P.	Delaware
KKR RECOI (Cayman) Limited	Cayman Islands
KKR RECOI (Singapore) Pte. Ltd.	Singapore
KKR RECOP Aggregator (AIV) GP LLC	Delaware
KKR RECOP Aggregator GP LLC	Delaware
KKR RECOP II GP Limited	Cayman Islands
KKR RECOP II S.à r.l.	Luxembourg
KKR REFT Asset Holdings LLC	Delaware
KKR REFT Holdings GP LLC	Delaware
KKR REFT Holdings L.P.	Delaware
KKR Renaissance Co-Invest GP LLC	Delaware
KKR REPA AIV-3 GP LLC	Delaware
KKR REPA AIV-4 GP Ltd.	Cayman Islands
KKR REPA AIV-5 GP Ltd.	Cayman Islands
KKR REPA GP LLC	Delaware
KKR REPA II GP LLC	Delaware
KKR REPA II GP2 LLC	Delaware
KKR REPE EEA Limited	Cayman Islands
KKR REPE EEA LLC	Delaware
KKR REPE GP Limited	Cayman Islands
KKR RESTAC GP Limited	Cayman Islands
KKR Revolving Credit Associates II L.P.	Cayman Islands
KKR Revolving Credit Partners II Limited	Cayman Islands

Name	Jurisdiction
KKR Revolving Credit Partners Limited	Cayman Islands
KKR Ride Co-Invest GP LLC	Delaware
KKR RTV Manager LLC	Delaware
KKR SA Co-Invest GP Limited	Cayman Islands
KKR SA Master GP Limited	Cayman Islands
KKR Saudi Limited	Saudi Arabia
KKR Selena Co-Invest GP Limited	Cayman Islands
KKR Sentinel Co-Invest GP LLC	Delaware
KKR Shanda Limited	Cayman Islands
KKR Sigma Co-Invest GP Limited	Cayman Islands
KKR Singapore Pte. Ltd.	Singapore
KKR SMRS LLC	Delaware
KKR Sonar LLC	Delaware
KKR Spark Power Holdings I (Mauritius), Ltd.	Mauritius
KKR Spark Power Holdings IV (Mauritius), Ltd.	Mauritius
KKR Special Situations (Domestic) II Limited	Cayman Islands
KKR Special Situations (Domestic) Limited	Cayman Islands
KKR Special Situations (Offshore) II Limited	Cayman Islands
KKR Special Situations (Offshore) Limited	Cayman Islands
KKR SPN GP Limited	Cayman Islands
KKR Square GP Limited	Cayman Islands
KKR Starlight Co-Invest GP Limited	Cayman Islands
KKR STG Co-Invest GP LLC	Delaware
KKR Strategic Capital Institutional Fund, Ltd.	Cayman Islands
KKR Strategic Capital Management, L.L.C.	Delaware
KKR Streaming Aggregator GP Limited	Cayman Islands
KKR Talk Co-Invest GP Limited	Cayman Islands
KKR Taurus Co-Invest GP Limited	Cayman Islands
KKR TC Investors GP Limited	Cayman Islands
KKR TE Seeder LLC	Delaware
KKR TFO GP Limited	Cayman Islands
KKR Topaz LLC	Delaware
KKR TRS Holdings, Ltd.	Cayman Islands
KKR Turbine Investors LLC	Delaware
KKR TV SPN GP Limited	Cayman Islands
KKR Uno LLC	Delaware
KKR Upstream Associates LLC	Delaware
KKR Upstream LLC	Delaware
KKR US CLO Equity Associates Ltd.	Cayman Islands
KKR Victoria GP Limited	Cayman Islands
KKR Vision Investors GP LLC	Delaware
KKR Wand GP LLC	Delaware
KKR Wolverine I Sponsor LLC	Delaware
KKR YC AIV-1 Associates L.P.	Delaware
KKR YC Associates GP L.P.	Cayman Islands

Name	Jurisdiction
KKR YC Associates GP Limited	Cayman Islands
KKR YC Associates L.P.	Cayman Islands
KKR-Barmenia EDL Associates SCSp	Luxembourg
KKR-Barmenia EDL Holdings Limited	Cayman Islands
KKR-Barmenia EDL S.à r.l.	Luxembourg
KKR-DUS EDL Associates SCSp	Luxembourg
KKR-DUS EDL Holdings Limited	Cayman Islands
KKR-DUS EDL S.à r.l.	Luxembourg
KKR-Jesselton HIF Credit Partners GP Limited	Cayman Islands
KKR-Keats Associates Pipeline (AIV) L.P.	Delaware
KKR-Keats Associates Pipeline L.P.	Delaware
KKR-Keats Pipeline (AIV) LLC	Delaware
KKR-Keats Pipeline LLC	Delaware
KKR-MM Vector GP LLC	Delaware
KKR-NWM GP Limited	Cayman Islands
KKR-NYC Credit A GP LLC	Delaware
KKR-NYC Credit B GP LLC	Delaware
KKR-NYC SP GP FH LLC	Delaware
KKR-NYC SP GP MH LLC	Delaware
KKR-UWF Direct Lending GP LLC	Delaware
Kohlberg Kravis Roberts & Co. (International) Partners LLP	Delaware
Kohlberg Kravis Roberts & Co. L.P.	Delaware
Kohlberg Kravis Roberts & Co. Ltd	England & Wales
Kohlberg Kravis Roberts & Co. Partners LLP	England & Wales
Kohlberg Kravis Roberts & Co. SAS	France
Kohlberg Kravis Roberts (España) Asesores SL	Spain
Kohlberg Kravis Roberts GmbH	Germany
LP III Warehouse LLC	Delaware
LRG Investor LLC	Delaware
Machine Investors GP Limited	Cayman Islands
Magic Investors GP LLC	Delaware
Magic Investors L.P.	Delaware
MBF Co-Invest GP Limited	Cayman Islands
MCS Capital Markets LLC	Delaware
MCS Corporate Lending LLC	Delaware
Merchant Capital Solutions LLC	Delaware
New Omaha Co-Invest GP, LLC	Delaware
NIM Aggregator LLC	Delaware
Orange Assets LLC	Delaware
Pacova Limited	Jersey
Palo Verde Holdings GP LLC	Delaware
Rainier Co-Investments GP Limited	Cayman Islands
Ranger (NZ) Pte. Ltd.	Singapore
Renee Holding GP LLC	Delaware
Royalty (GP) Pte. Ltd.	Singapore

Name	Jurisdiction
Samson Co-Invest GP LLC	Delaware
Silverview Investments Pte. Ltd.	Singapore
Silverview SG Holdings Pte. Ltd.	Singapore
Spiral Holding GP S.à r.l.	Luxembourg
Sprint Co-Invest 2 GP Limited	Cayman Islands
Sugary Asset Holdings LLC	Delaware
TE Newark Agent Corp.	Delaware
TE Renee Agent Corp.	Delaware
TEA GP Limited	Cayman Islands
Uno Co-Invest GP LLC	Delaware
Valhalla Co-Invest GP Limited	Cayman Islands
Venado EF Holdings GP LLC	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in (i) Registration Statement No. 333-228333 on Form S-3ASR, (ii) Registration Statement No. 333-210061 on Form S-3ASR, as amended by Post-Effective Amendment No.1 on Form S-3 dated July 2, 2018, (iii) Registration Statement No. 333-223202 on Form S-8, as amended by Post-Effective Amendment No. 1 on Form S-8 dated July 2, 2018, (iv) Registration Statement No. 333-194249 on Form S-3, as amended by Post-Effective Amendment No. 1 on Form S-3 dated July 2, 2018, and (v) Registration Statement No. 333-169433 on Form S-1, as amended by Post-Effective Amendment No. 3 on Form S-3 dated July 2, 2018, of our report dated February 15, 2019, relating to the consolidated financial statements and financial statement schedule of KKR & Co. Inc. and it's subsidiaries (the "Company") and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2018.

/s/ Deloitte & Touche LLP

New York, New York

February 15, 2019

Exhibit 31.1

CO-CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Henry R. Kravis, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 31, 2018 of KKR & Co. Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 15, 2019

/s/ Henry R. Kravis

Henry R. Kravis

Co-Chief Executive Officer

Exhibit 31.2

CO-CHIEF EXECUTIVE OFFICER CERTIFICATION

I, George R. Roberts, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 31, 2018 of KKR & Co. Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 15, 2019

/s/ George R. Roberts

George R. Roberts
Co-Chief Executive Officer

Exhibit 31.3

CHIEF FINANCIAL OFFICER CERTIFICATION

I, William J. Janetschek, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 31, 2018 of KKR & Co. Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 15, 2019

/s/ William J. Janetschek

William J. Janetschek
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CO-CHIEF EXECUTIVE OFFICER

Pursuant to 18 U.S.C. §1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of KKR & Co. Inc. (the "Corporation") on Form 10-K for the period ended December 31, 2018 as filed with the Securities and Exchange Commission (the "Report"), I, Henry R. Kravis, Co-Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: February 15, 2019

/s/ Henry R. Kravis

Henry R. Kravis
Co-Chief Executive Officer

* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.2

CERTIFICATION OF CO-CHIEF EXECUTIVE OFFICER

Pursuant to 18 U.S.C. §1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of KKR & Co. Inc. (the "Corporation") on Form 10-K for the period ended December 31, 2018 as filed with the Securities and Exchange Commission (the "Report"), I, George R. Roberts, Co-Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: February 15, 2019

/s/ George R. Roberts
George R. Roberts
Co-Chief Executive Officer

* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.3

CERTIFICATION OF CHIEF FINANCIAL OFFICER

Pursuant to 18 U.S.C. §1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of KKR & Co. Inc. (the "Corporation") on Form 10-K for the period ended December 31, 2018 as filed with the Securities and Exchange Commission (the "Report"), I, William J. Janetschek, Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: February 15, 2019

/s/ William J. Janetschek

William J. Janetschek
Chief Financial Officer

* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

EXHIBIT C-3

KKR & CO. INC.

FORM 10-K
(Annual Report)

Filed 02/23/18 for the Period Ending 12/31/17

Address	9 WEST 57TH STREET, SUITE 4200
	NEW YORK, NY, 10019
Telephone	212-750-8300
CIK	0001404912
Symbol	KKR
SIC Code	6282 - Investment Advice
Industry	Investment Management & Fund Operators
Sector	Financials
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**
For the fiscal year ended December 31, 2017

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**
For the Transition period from to .
Commission File Number 001-34820

KKR & CO. L.P.
(Exact name of Registrant as specified in its charter)

Delaware	**26-0426107**
(State or other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

9 West 57 th Street, Suite 4200
New York, New York 10019
Telephone: (212) 750-8300
(Address, zip code, and telephone number, including area code, of registrant's principal executive office.)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common units representing limited partner interests	New York Stock Exchange
6.75% Series A Preferred Units	New York Stock Exchange
6.50% Series B Preferred Units	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 and 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company ☐	Emerging growth company ☐
		(Do not check if a smaller reporting company)		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the common units of the registrant held by non-affiliates as of June 30, 2017, was approximately $8.6 billion . As of February 21, 2018 , there were 486,800,395 Common Units of the registrant outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

KKR & CO. L.P.

FORM 10-K

For the Year Ended December 31, 2017

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which reflect our current views with respect to, among other things, our operations and financial performance. You can identify these forward-looking statements by the use of words such as "outlook," "believe," "expect," "potential," "continue," "may," "should," "seek," "approximately," "predict," "intend," "will," "plan," "estimate," "anticipate," the negative version of these words, other comparable words or other statements that do not relate strictly to historical or factual matters. Without limiting the foregoing, statements regarding the declaration and payment of distributions on common or preferred units of KKR, the timing, manner and volume of repurchases of common units pursuant to a repurchase program, and the expected synergies from acquisitions, reorganizations, or strategic partnerships, may constitute forward-looking statements. Forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements or cause the benefits and anticipated synergies from transactions to not be realized. We believe these factors include those described under the section entitled "Risk Factors" in this report. These factors should be read in conjunction with the other cautionary statements that are included in this report and in our other filings with the U.S. Securities and Exchange Commission (the "SEC"). We do not undertake any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

In this report, references to "KKR," "we," "us," "our" and "our partnership" refer to KKR & Co. L.P. and its consolidated subsidiaries, except where the context requires otherwise. Prior to KKR & Co. L.P. becoming listed on the New York Stock Exchange ("NYSE") on July 15, 2010, KKR Group Holdings L.P. ("Group Holdings") consolidated the financial results of KKR Management Holdings L.P. and KKR Fund Holdings L.P. (together, the "KKR Group Partnerships") and their consolidated subsidiaries. On August 5, 2014, KKR International Holdings L.P. became a KKR Group Partnership. Each KKR Group Partnership has an identical number of partner interests and, when held together, one Class A partner interest in each of the KKR Group Partnerships together represents one "KKR Group Partnership Unit." In connection with KKR's issuance of 6.75% Series A Preferred Units ("Series A Preferred Units") and 6.50% Series B Preferred Units ("Series B Preferred Units"), the KKR Group Partnerships issued preferred units with economic terms designed to mirror those of the Series A Preferred Units and Series B Preferred Units, respectively.

References to our "Managing Partner" are to KKR Management LLC, which acts as our general partner and unless otherwise indicated, references to equity interests in KKR's business, or to percentage interests in KKR's business, reflect the aggregate equity interests in the KKR Group Partnerships and are net of amounts that have been allocated to our principals and other employees and non-employee operating consultants in respect of the carried interest from KKR's business as part of our "carry pool" and certain minority interests. References to "principals" are to our senior employees and non-employee operating consultants who hold interests in KKR's business through KKR Holdings L.P. ("KKR Holdings") and references to our "senior principals" are to our senior employees who hold interests in our Managing Partner entitling them to vote for the election of its directors.

References to "non-employee operating consultants" include employees of KKR Capstone, who are not employees of KKR. KKR Capstone refers to a group of entities that are owned and controlled by their senior management. KKR Capstone is not a subsidiary or affiliate of KKR. KKR Capstone operates under several consulting agreements with KKR and uses the "KKR" name under license from KKR.

Prior to October 1, 2009, KKR's business was conducted through multiple entities for which there was no single holding entity, but were under common control of senior KKR principals, and in which senior principals and KKR's other principals and individuals held ownership interests (collectively, the "Predecessor Owners"). On October 1, 2009, we completed the acquisition of all of the assets and liabilities of KKR & Co. (Guernsey) L.P. (f/k/a KKR Private Equity Investors, L.P) ("KPE") and, in connection with such acquisition, completed a series of transactions pursuant to which the business of KKR was reorganized into a holding company structure. The reorganization involved a contribution of certain equity interests in KKR's business that were held by the Predecessor Owners to the KKR Group Partnerships in exchange for equity interests in the KKR Group Partnerships held through KKR Holdings. We refer to the acquisition of the assets and liabilities of KPE and to our subsequent reorganization into a holding company structure as the "KPE Transaction."

In this report, the term "GAAP" refers to accounting principles generally accepted in the United States of America.

We disclose certain financial measures in this report that are calculated and presented using methodologies other than in accordance with GAAP. We believe that providing these performance measures on a supplemental basis to our GAAP results is helpful to unitholders in assessing the overall performance of KKR's businesses. These financial measures should not be considered as a substitute for similar financial measures calculated in accordance with GAAP, if available. We caution readers that these non-GAAP financial measures may differ from the calculations of other investment managers, and as a result, may not be comparable to similar measures presented by other investment managers. Reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP, where applicable, are included within Note 14 "Segment Reporting" to our consolidated financial statements and under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Segment Operating and Performance Measures" and "—Segment Balance Sheet."

This report uses the terms assets under management ("AUM"), fee paying assets under management ("FPAUM"), economic net income ("ENI"), fee related earnings ("FRE"), distributable earnings, capital invested, syndicated capital and book value. You should note that our calculations of these financial measures and other financial measures may differ from the calculations of other investment managers and, as a result, our financial measures may not be comparable to similar measures presented by other investment managers. These and other financial measures are defined in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations—Segment Operating and Performance Measures" and "—Segment Balance Sheet."

References to our "funds" or our "vehicles" refer to investment funds, vehicles and accounts advised, sponsored or managed by one or more subsidiaries of KKR, including collateralized loan obligations ("CLOs") and commercial real estate mortgage-backed securities ("CMBS") vehicles, unless the context requires otherwise. They do not include investment funds, vehicles or accounts of any hedge fund manager with which we have formed a strategic partnership where we have acquired a non-controlling interest.

Unless otherwise indicated, references in this report to our fully exchanged and diluted common units outstanding, or to our common units outstanding on a fully exchanged and diluted basis, reflect (i) actual common units outstanding, (ii) common units into which KKR Group Partnership Units not held by us are exchangeable pursuant to the terms of the exchange agreement described in this report, (iii) common units issuable in respect of exchangeable equity securities issued in connection with the acquisition of Avoca Capital ("Avoca"), and (iv) common units issuable pursuant to any equity awards actually granted from the KKR & Co. L.P. 2010 Equity Incentive Plan (our "Equity Incentive Plan"). Our fully exchanged and diluted common units outstanding do not include (i) common units available for issuance pursuant to our Equity Incentive Plan for which equity awards have not yet been granted and (ii) common units that we have the option to issue in connection with our acquisition of additional interests in Marshall Wace LLP (together with its affiliates, "Marshall Wace").

PART I

ITEM 1. BUSINESS

Overview

We are a leading global investment firm that manages multiple alternative asset classes including private equity, energy, infrastructure, real estate and credit, with strategic manager partnerships that manage hedge funds. We aim to generate attractive investment returns for our fund investors by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation with our portfolio companies. We invest our own capital alongside the capital we manage for fund investors and provide financing solutions and investment opportunities through our capital markets business.

Our business offers a broad range of investment management services to our fund investors and provides capital markets services to our firm, our portfolio companies and third parties. Throughout our history, we have consistently been a leader in the private equity industry, having completed more than 320 private equity investments in portfolio companies with a total transaction value in excess of $560 billion as of December 31, 2017 . We have grown our firm by expanding our geographical presence and building businesses in areas such as leveraged credit, alternative credit, hedge funds, capital markets, infrastructure, energy, real estate, growth equity and core investments. Our balance sheet has provided a significant source of capital in the growth and expansion of our business, and has allowed us to further align our interests with those of our fund investors. These efforts build on our core principles and industry expertise, allowing us to leverage the intellectual capital and synergies in our businesses, and to capitalize on a broader range of the opportunities we source. Additionally, we have increased our focus on meeting the needs of our existing fund investors and in developing relationships with new investors in our funds.

We conduct our business with offices throughout the world, providing us with a pre-eminent global platform for sourcing transactions, raising capital and carrying out capital markets activities. Our growth has been driven by value that we have created through our operationally focused investment approach, the expansion of our existing businesses, our entry into new lines of business, innovation in the products that we offer investors in our funds, an increased focus on providing tailored solutions to our clients and the integration of capital markets distribution activities.

As a global investment firm, we earn management, monitoring, transaction and incentive fees and carried interest for providing investment management, monitoring and other services to our funds, vehicles, CLOs, managed accounts and portfolio companies, and we generate transaction-specific income from capital markets transactions. We earn additional investment income from investing our own capital alongside that of our fund investors, from other assets on our balance sheet and from the carried interest we receive from our funds and certain of our other investment vehicles. A carried interest entitles the sponsor of a fund to a specified percentage of investment gains that are generated on third-party capital that is invested.

Our investment teams have deep industry knowledge and are supported by a substantial and diversified capital base, an integrated global investment platform, the expertise of operating consultants, senior advisors and other advisors and a worldwide network of business relationships that provide a significant source of investment opportunities, specialized knowledge during due diligence and substantial resources for creating and realizing value for stakeholders. These teams invest capital, a substantial portion of which is of a long duration and not subject to redemption. As of December 31, 2017 , approximately 77% of our fee paying assets under management are not subject to redemption for at least 8 years from inception, providing us with significant flexibility to grow investments and select exit opportunities. We believe that these aspects of our business will help us continue to expand and grow our business and deliver strong investment performance in a variety of economic and financial conditions.

Our Firm

With offices around the world, we have established ourselves as a leading global investment firm. We have multilingual and multicultural investment teams with local market knowledge and significant business, investment, and operational experience in the countries in which we invest. We believe that our global capabilities have helped us to raise capital, capture a greater number of investment opportunities, and assist our portfolio companies in their increasing reliance on global markets and sourcing, while enabling us to diversify our operations.

Though our operations span multiple continents and asset classes, our investment professionals are supported by an integrated infrastructure and operate under a common set of principles and business practices that are monitored by a variety of committees. The firm operates with a single culture that rewards investment discipline, creativity, determination and patience and emphasizes the sharing of information, resources, expertise and best practices across offices and asset classes. When appropriate, we staff transactions across multiple offices and businesses in order to take advantage of the industry-specific expertise of our investment professionals, and we hold regular meetings in which investment professionals throughout our offices share their knowledge and experiences. We believe that the ability to draw on the local cultural fluency of our investment professionals while maintaining a centralized and integrated global infrastructure distinguishes us from other investment firms and has been a substantial contributing factor to our ability to raise funds, invest internationally and expand our businesses.

Since our inception, one of our fundamental philosophies has been to align the interests of the firm and our principals with the interests of our fund investors, portfolio companies and other stakeholders. We achieve this by putting our own capital behind our ideas. As of December 31, 2017, we and our employees and other personnel have approximately $16.9 billion invested in or committed to our own funds and portfolio companies, including $8.4 billion funded from our balance sheet, $5.7 billion of additional commitments from our balance sheet to investment funds, $1.8 billion funded from personal investments and $1.0 billion of additional commitments from personal investments.

Our Business

Our Segments

We operate our business in four segments: (1) Private Markets, (2) Public Markets, (3) Capital Markets and (4) Principal Activities. Information about our segments below should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements included elsewhere in this report.

Private Markets

Through our Private Markets segment, we manage and sponsor a group of private equity funds that invest capital for long-term appreciation, either through controlling ownership of a company or strategic minority positions. In addition to our traditional private equity funds, we sponsor investment funds that invest in growth equity and core equity investments. We also manage and sponsor investment funds that invest capital in real assets, such as infrastructure, energy and real estate. Our Private Markets segment includes separately managed accounts that invest in multiple strategies, which may include our credit strategies as well as our private equity and real assets strategies. These funds and accounts are managed by Kohlberg Kravis Roberts & Co. L.P., an SEC-registered investment adviser. As of December 31, 2017 , the segment had $97.5 billion of AUM and FPAUM of $61.7 billion, consisting of $46.0 billion in private equity (including growth equity) and $15.7 billion in real assets (including infrastructure, energy and real estate), core investments and other related strategies.

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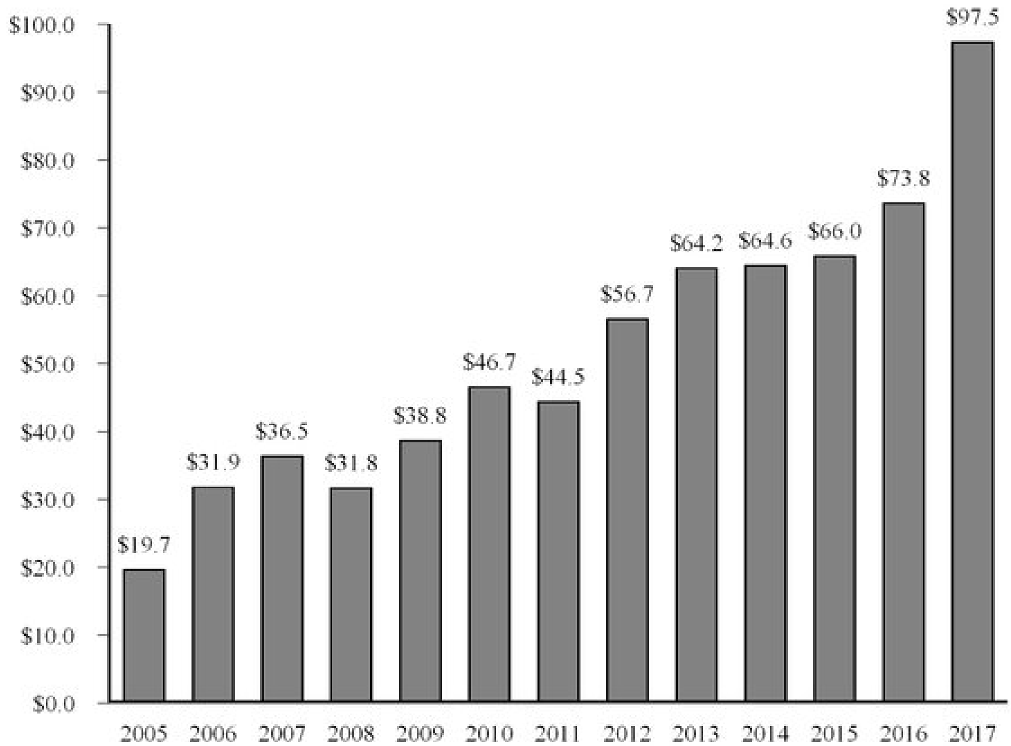
Private Markets
Assets Under Management (1)
($ in billions)



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(1) For the years 2006 through 2008, AUM are presented pro forma for the KPE Transaction, and therefore, exclude the net asset value of KPE and its former commitments to our investment funds. In 2015, our definition of AUM was amended to include capital commitments for which we are eligible to receive fees or carried interest upon deployment of capital and our pro rata portion of the AUM managed by strategic partnerships in which we hold a minority ownership interest. AUM for all prior periods has been adjusted to include such changes.

The table below presents information as of December 31, 2017 relating to our current private equity, growth equity and real asset funds and other investment vehicles for which we have the ability to earn carried interest. This data does not reflect acquisitions or disposals of investments, changes in investment values or distributions occurring after December 31, 2017 .

	Investment Period (1)		Amount ($ in millions)						
	Start Date	**End Date**	**Commitment (2)**	**Uncalled Commitments**	**Percentage Committed by General Partner**	**Invested**	**Realized**	**Remaining Cost (3)**	**Remaining Fair Value**
Private Markets									
Private Equity and Growth Equity									
Asian Fund III (4)	4/2017	4/2023	$ 9,000.0	$ 9,000.0	5.6%	$ —	$ —	$ —	$ —
Americas Fund XII (4)	1/2017	1/2023	13,500.0	13,295.3	6.0%	204.7	—	204.7	224.8
Health Care Strategic Growth Fund (4)	12/2016	12/2021	1,331.0	1,331.0	11.3%	—	—	—	—
Next Generation Technology Growth Fund (4)	3/2016	3/2021	658.9	414.4	22.5%	244.5	—	244.5	350.9
European Fund IV (4)	12/2014	12/2020	3,539.2	1,330.7	5.6%	2,276.2	63.1	2,221.5	3,148.8
Asian Fund II (4)	4/2013	4/2017	5,825.0	889.5	1.3%	5,936.7	1,891.3	4,666.2	7,015.0
North America Fund XI (4)	9/2012	1/2017	8,718.4	874.2	2.9%	9,274.4	5,144.9	6,487.1	12,586.6
China Growth Fund	11/2010	11/2016	1,010.0	—	1.0%	1,010.0	588.1	642.1	798.6
European Fund III	3/2008	3/2014	6,167.6	840.2	4.6%	5,327.3	8,117.8	1,411.9	2,368.9
Asian Fund	7/2007	4/2013	3,983.3	—	2.5%	3,945.9	7,868.1	630.6	782.0
2006 Fund	9/2006	9/2012	17,642.2	337.7	2.1%	17,304.5	27,121.9	4,676.5	6,331.5
European Fund II	11/2005	10/2008	5,750.8	—	2.1%	5,750.8	8,467.3	—	60.2
Millennium Fund	12/2002	12/2008	6,000.0	—	2.5%	6,000.0	13,305.4	444.9	765.9
Private Equity and Growth Equity			83,126.4	28,313.0		57,275.0	72,567.9	21,630.0	34,433.2
Co-Investment Vehicles and Other (4)	Various	Various	6,072.8	1,624.3	Various	4,599.3	2,829.6	3,215.1	4,596.9
Total Private Equity and Growth Equity			89,199.2	29,937.3		61,874.3	75,397.5	24,845.1	39,030.1
Real Assets									
Energy Income and Growth Fund (4)	9/2013	9/2018	1,974.2	584.2	12.9%	1,422.4	300.9	1,144.4	1,222.6
Natural Resources Fund	Various	Various	887.4	2.8	Various	884.6	113.4	794.9	150.5
Global Energy Opportunities (4)	Various	Various	979.2	586.3	Various	434.1	60.9	317.1	333.4
Global Infrastructure Investors (4)	9/2011	10/2014	1,040.2	42.4	4.8%	1,029.3	858.3	621.7	830.0
Global Infrastructure Investors II (4)	10/2014	10/2020	3,044.3	736.6	4.1%	2,513.1	211.4	2,301.2	2,694.1
Real Estate Partners Americas (4)	5/2013	5/2017	1,229.1	357.7	16.3%	999.2	835.0	543.0	587.1
Real Estate Partners Americas II (4)	5/2017	12/2020	1,921.2	1,921.2	7.8%	—	—	—	—
Real Estate Partners Europe (4)	9/2015	6/2020	720.1	528.2	9.2%	202.2	15.1	190.4	237.5
Real Estate Credit Opportunity Partners (4)	2/2017	2/2019	1,130.0	734.5	4.4%	395.5	5.4	395.5	400.2
Co-Investment Vehicles and Other	Various	Various	1,404.9	11.8	Various	1,393.1	528.5	1,389.8	1,781.6
Real Assets			$ 14,330.6	$ 5,505.7		$ 9,273.5	$ 2,928.9	$ 7,698.0	$ 8,237.0
Other									
Core Investment Vehicles	Various	Various	9,500.0	8,500.0	36.8%	1,000.0	—	1,000.0	1,000.0
Unallocated Commitments (5)			3,462.1	3,462.1	Various	—	—	—	—
Private Markets Total			$ 116,491.9	$ 47,405.1		$ 72,147.8	$ 78,326.4	$ 33,543.1	$ 48,267.1

(1) The start date represents the date on which the general partner of the applicable fund commenced investment of the fund's capital or the date of the first closing. The end date represents the earlier of (i) the date on which the general partner of the applicable fund was or will be required by the fund's governing agreement to cease making investments on behalf of the fund, unless extended by a vote of the fund investors and (ii) the date on which the last investment was made.

(2) The commitment represents the aggregate capital commitments to the fund, including capital commitments by third-party fund investors and the general partner. Foreign currency commitments have been converted into U.S. dollars based on (i) the foreign exchange rate at the date of purchase for each investment and (ii) the exchange rate that prevailed on December 31, 2017 , in the case of uncalled commitments.

(3) The remaining cost represents the initial investment of the general partner and limited partners, with the limited partners' investment reduced for any return of capital and realized gains from which the general partner did not receive a carried interest.

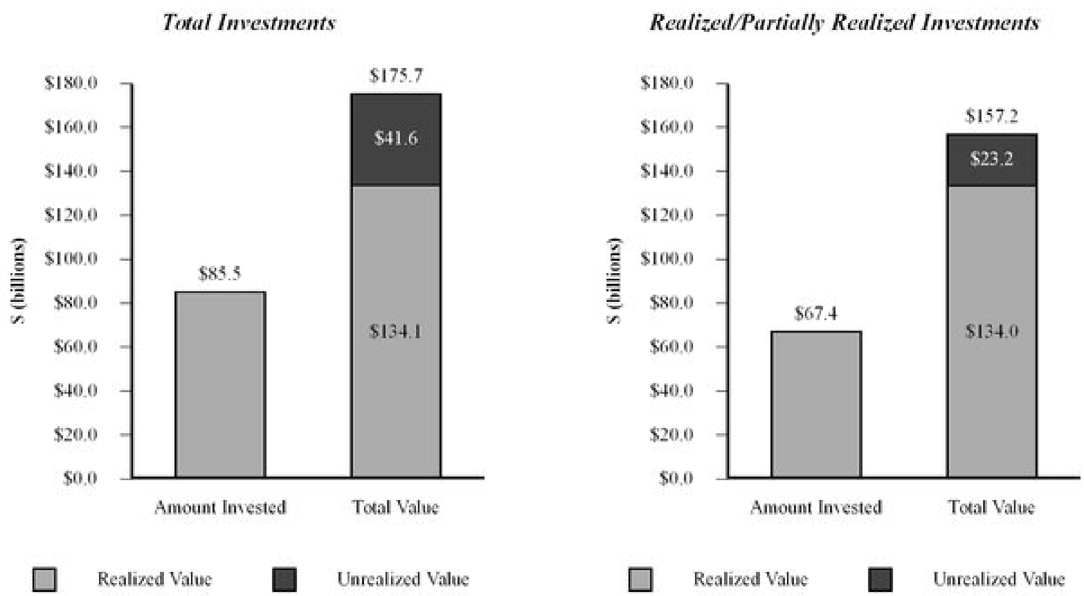
(4) The "Invested" and "Realized" columns include the amounts of any realized investments that restored the unused capital commitments of the fund investors, if any.

(5) "Unallocated Commitments" represent unallocated commitments from our strategic investor partnerships.

Performance

We take a long-term approach to Private Markets investing and measure the success of our investments over a period of years rather than months. Given the duration of these investments, the firm focuses on realized multiples of invested capital and internal rates of return ("IRRs") when deploying capital in these transactions. We have more than doubled the value of capital that we have invested in our Private Markets investment funds, turning $85.5 billion of capital into $175.7 billion of value from our inception in 1976 to December 31, 2017 . Over this same period, the value of capital that we have invested in our Private Markets investment funds and that has been realized and partially realized has grown from $67.4 billion to $157.2 billion .

Amount Invested and Total Value for
Private Markets Investment Funds
As of December 31, 2017



From our inception in 1976 through December 31, 2017 , our investment funds with at least 24 months of investment activity generated a cumulative gross IRR of 25.6% , compared to the 11.9% and 9.1% gross IRR achieved by the S&P 500 Index and MSCI World Index, respectively, over the same period, despite the cyclical and sometimes challenging environments in which we have operated. The S&P 500 Index and MSCI World Index are unmanaged indices and such returns assume reinvestment of distributions and do not reflect any fees or expenses. Our past performance, however, may not be representative of performance in any period other than the period discussed above and is not a guarantee of future results. For example, as of March 31, 2009, the date of the lowest aggregate valuation of our private equity funds during the 2008 and 2009 market downturn, the investments in certain of our private equity funds at the time were marked down to 67% of original cost. For additional information regarding impact of market conditions on the value and performance of our investments, see "Risk Factors—Risks Related to Our Business—Difficult market and economic conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial prospects and condition" and "Risk Factors—Risks Related to the Assets We Manage—The historical returns attributable to our funds, including those presented in this report, should not be considered as indicative of the future results of our funds or our balance sheet investments, of our future results or the performance of our common units."

The tables below present information as of December 31, 2017 relating to the historical performance of certain of our Private Markets investment vehicles since inception, which we believe illustrates the benefits of our investment approach. The information presented under Total Investments includes all of the investments made by the specified investment vehicle, while the information presented under Realized/Partially Realized Investments includes only those investments that have been disposed of or have otherwise generated disposition proceeds or current income including dividends that have been distributed by the relevant fund. This data does not reflect additional capital raised since December 31, 2017 or acquisitions or disposals of investments, changes in investment values or distributions occurring after that date. Past performance is no guarantee of future results.

	Amount		Fair Value of Investments					
Private Markets Investment Funds	**Commitment**	**Invested**	**Realized [4]**	**Unrealized**	**Total Value**	**Gross IRR [5]**	**Net IRR [5]**	**Gross Multiple of Invested Capital [5]**
		($ in millions)						
Total Investments								
Legacy Funds [1]								
1976 Fund	$ 31.4	$ 31.4	$ 537.2	$ —	$ 537.2	39.5 %	35.5 %	17.1
1980 Fund	356.8	356.8	1,827.8	—	1,827.8	29.0 %	25.8 %	5.1
1982 Fund	327.6	327.6	1,290.7	—	1,290.7	48.1 %	39.2 %	3.9
1984 Fund	1,000.0	1,000.0	5,963.5	—	5,963.5	34.5 %	28.9 %	6.0
1986 Fund	671.8	671.8	9,080.7	—	9,080.7	34.4 %	28.9 %	13.5
1987 Fund	6,129.6	6,129.6	14,949.2	—	14,949.2	12.1 %	8.9 %	2.4
1993 Fund	1,945.7	1,945.7	4,143.3	—	4,143.3	23.6 %	16.8 %	2.1
1996 Fund	6,011.6	6,011.6	12,476.9	—	12,476.9	18.0 %	13.3 %	2.1
Subtotal - Legacy Funds	16,474.5	16,474.5	50,269.3	—	50,269.3	26.1 %	19.9 %	3.1
Included Funds								
European Fund (1999) [2]	3,085.4	3,085.4	8,757.7	—	8,757.7	26.9 %	20.2 %	2.8
Millennium Fund (2002)	6,000.0	6,000.0	13,305.4	765.9	14,071.3	22.0 %	16.1 %	2.3
European Fund II (2005) [2]	5,750.8	5,750.8	8,467.3	60.2	8,527.5	6.1 %	4.4 %	1.5
2006 Fund (2006)	17,642.2	17,304.5	27,121.9	6,331.5	33,453.4	11.4 %	8.8 %	1.9
Asian Fund (2007)	3,983.3	3,945.9	7,868.1	782.0	8,650.1	19.0 %	13.8 %	2.2
European Fund III (2008) [2]	6,167.6	5,327.3	8,117.8	2,368.9	10,486.7	16.8 %	11.6 %	2.0
E2 Investors (Annex Fund) (2009) [2]	195.8	195.8	195.7	1.6	197.3	0.2 %	(0.5)%	1.0
China Growth Fund (2010)	1,010.0	1,010.0	588.1	798.6	1,386.7	11.5 %	6.0 %	1.4
Natural Resources Fund (2010)	887.4	884.6	113.4	150.5	263.9	(29.8)%	(32.3)%	0.3
Global Infrastructure Investors (2011) [2]	1,040.2	1,029.3	858.3	830.0	1,688.3	14.9 %	12.9 %	1.6
North America Fund XI (2012)	8,718.4	9,274.4	5,144.9	12,586.6	17,731.5	29.4 %	23.5 %	1.9
Asian Fund II (2013)	5,825.0	5,936.7	1,891.3	7,015.0	8,906.3	24.5 %	17.8 %	1.5
Real Estate Partners Americas (2013)	1,229.1	999.2	835.0	587.1	1,422.1	20.3 %	15.0 %	1.4
Energy Income and Growth Fund (2013)	1,974.2	1,422.4	300.9	1,222.6	1,523.5	3.4 %	0.9 %	1.1
Global Infrastructure Investors II (2014) [2]	3,044.3	2,513.1	211.4	2,694.1	2,905.5	17.5 %	14.1 %	1.2
European Fund IV (2015) [2]	3,539.2	2,276.2	63.1	3,148.8	3,211.9	32.0 %	24.0 %	1.4
Real Estate Partners Europe (2015) [2] [3]	720.1	202.2	15.1	237.5	252.6	—	—	—
Next Generation Technology Growth Fund (2016) [3]	658.9	244.5	—	350.9	350.9	—	—	—
Health Care Strategic Growth Fund (2016) [3]	1,331.0	—	—	—	—	—	—	—
Americas Fund XII (2017) [3]	13,500.0	204.7	—	224.8	224.8	—	—	—
Real Estate Credit Opportunity Partners (2017) [3]	1,130.0	395.5 —	5.4	400.2	405.6	—	—	—
Asian Fund III (2017) [3]	9,000.0	—	—	—	—	—	—	—
Real Estate Partners Americas II (2017) [3]	1,921.2	— —	—	—	—	—	—	—
Core Investment Vehicles (2017) [3]	9,500.0	1,000.0	—	1,000.0	1,000.0	—	—	—
Subtotal - Included Funds	107,854.1	69,002.5	83,860.8	41,556.8	125,417.6	15.8 %	11.7 %	1.8
All Funds	$ 124,328.6	$ 85,477.0	$ 134,130.1	$ 41,556.8	$ 175,686.9	25.6 %	18.8 %	2.1

Private Markets Investment Funds	Amount		Fair Value of Investments			
	Commitment	Invested	Realized (4)	Unrealized	Total Value	Gross Multiple of Invested Capital (5)
	($ in millions)					
Realized/Partially Realized Investments (4)						
Legacy Funds (1)						
1976 Fund	$ 31.4	$ 31.4	$ 537.2	$ —	$ 537.2	17.1
1980 Fund	356.8	356.8	1,827.8	—	1,827.8	5.1
1982 Fund	327.6	327.6	1,290.7	—	1,290.7	3.9
1984 Fund	1,000.0	1,000.0	5,963.5	—	5,963.5	6.0
1986 Fund	671.8	671.8	9,080.7	—	9,080.7	13.5
1987 Fund	6,129.6	6,129.6	14,949.2	—	14,949.2	2.4
1993 Fund	1,945.7	1,945.7	4,143.3	—	4,143.3	2.1
1996 Fund	6,011.6	6,011.6	12,476.9	—	12,476.9	2.1
Subtotal - Legacy Funds	16,474.5	16,474.5	50,269.3	—	50,269.3	3.1
Included Funds						
European Fund (1999) (2)	3,085.4	3,085.4	8,757.7	—	8,757.7	2.8
Millennium Fund (2002)	6,000.0	5,599.4	13,305.4	765.9	14,071.3	2.5
European Fund II (2005) (2)	5,750.8	5,245.4	8,467.3	60.2	8,527.5	1.6
2006 Fund (2006)	17,642.2	15,439.7	27,121.9	4,442.6	31,564.5	2.0
Asian Fund (2007)	3,983.3	3,418.8	7,868.1	563.1	8,431.2	2.5
European Fund III (2008) (2)	6,167.6	3,939.4	8,117.8	918.6	9,036.4	2.3
E2 Investors (Annex Fund) (2009) (2)	195.8	94.8	195.7	—	195.7	2.1
China Growth Fund (2010)	1,010.0	510.9	588.1	285.0	873.1	1.7
Natural Resources Fund (2010)	887.4	886.9	113.4	150.5	263.9	0.3
Global Infrastructure Investors (2011) (2)	1,040.2	1,025.7	858.3	832.8	1,691.1	1.6
North America Fund XI (2012)	8,718.4	5,760.0	5,144.9	8,810.2	13,955.1	2.4
Asian Fund II (2013)	5,825.0	2,738.7	1,891.3	3,710.1	5,601.4	2.0
Real Estate Partners Americas (2013)	1,229.1	867.2	835.0	471.8	1,306.8	1.5
Energy Income and Growth Fund (2013)	1,974.2	1,422.4	300.9	1,222.6	1,523.5	1.1
Global Infrastructure Investors II (2014) (2)	3,044.3	895.2	211.4	936.4	1,147.8	1.3
European Fund IV (2015) (2)	3,539.2	—	—	—	—	—
Real Estate Partners Europe (2015) (2) (3) (4)	720.1	—	—	—	—	—
Next Generation Technology Growth Fund (2016) (3) (4)	658.9	—	—	—	—	—
Health Care Strategic Growth Fund (2016) (3) (4)	1,331.0	—	—	—	—	—
Americas Fund XII (2017) (3) (4)	13,500.0	—	—	—	—	—
Real Estate Credit Opportunity Partners (2017) (3) (4)	1,130.0	—	—	—	—	—
Asian Fund III (2017) (3) (4)	9,000.0	—	—	—	—	—
Real Estate Partners Americas II (2017) (3) (4)	1,921.2	—	—	—	—	—
Core Investment Vehicles (2017) (3) (4)	9,500.0	—	—	—	—	—
Subtotal - Included Funds	107,854.1	50,929.9	83,777.2	23,169.8	106,947.0	2.1
All Realized/Partially Realized Investments	$ 124,328.6	$ 67,404.4	$ 134,046.5	$ 23,169.8	$ 157,216.3	2.3

(1) These funds were not contributed to KKR as part of the KPE Transaction.

(2) The capital commitments of the European Fund, European Fund II, European Fund III, E2 Investors (Annex Fund), European Fund IV, Global Infrastructure Investors, Global Infrastructure Investors II and Real Estate Partners Europe include euro-denominated commitments of €196.5 million, €2,597.5 million, €2,882.8 million, €55.5 million, €1,626.1 million, €30.0 million, €243.8 million and €276.6 million, respectively. Such amounts have been converted into U.S. dollars based on (i) the foreign exchange rate at the date of purchase for each investment and (ii) the exchange rate prevailing on December 31, 2017 in the case of unfunded commitments.

(3) The gross IRR, net IRR and gross multiple of invested capital are calculated for our investment funds that made their first investment at least 24 months prior to December 31, 2017 . None of the Real Estate Partners Europe, Next Generation Technology Growth Fund, Health Care Strategic Growth Fund, Americas Fund XII, Real Estate Credit Opportunity Partners, Asian Fund III, Real Estate Partners Americas II or our Core Investment Vehicles has invested for at least 24 months as of December 31, 2017 . We therefore have not calculated gross IRRs, net IRRs and gross multiples of invested capital with respect to those funds.

(4) An investment is considered fully or partially realized when it has been disposed of or has otherwise generated disposition proceeds or current income that has been distributed by the

relevant fund. In periods prior to the three months ended September 30, 2015, realized proceeds excluded current income such as dividends and interest. Realizations have not been shown for those investment funds that have either made their first investment more recently than 24 months prior to December 31, 2017 or have otherwise not had any realizations.

(5) IRRs measure the aggregate annual compounded returns generated by a fund's investments over a holding period. Net IRRs are calculated after giving effect to the allocation of realized and unrealized carried interest and the payment of any applicable management fees and organizational expenses. Gross IRRs are calculated before giving effect to the allocation of carried interest and the payment of any applicable management fees and organizational expenses.

The gross multiples of invested capital measure the aggregate value generated by a fund's investments in absolute terms. Each multiple of invested capital is calculated by adding together the total realized and unrealized values of a fund's investments and dividing by the total amount of capital invested by the fund. Such amounts do not give effect to the allocation of realized and unrealized carried interest or the payment of any applicable management fees or organizational expenses.

KKR's Private Markets funds may utilize third-party financing facilities to provide liquidity to such funds. The above net and gross IRRs are calculated from the time capital contributions are due from fund investors to the time fund investors receive a related distribution from the fund, and the use of such financing facilities generally decreases the amount of invested capital that would otherwise be used to calculate IRRs, which tends to increase IRRs when fair value grows over time and decrease IRRs when fair value decreases over time. KKR's Private Markets funds also generally provide in certain circumstances, which vary depending on the relevant fund documents, for a portion of capital returned to investors to be restored to unused commitments as recycled capital. For KKR's Private Markets funds that have a preferred return, we take into account recycled capital in the calculation of IRRs and multiples of invested capital because the calculation of the preferred return includes the effect of recycled capital. For KKR's Private Markets funds that do not have a preferred return, we do not take recycled capital into account in the calculation of IRRs and multiples of invested capital. The inclusion of recycled capital generally causes invested and realized amounts to be higher and IRRs and multiples of invested capital to be lower than had recycled capital not been included. The inclusion of recycled capital would reduce the composite net IRR of all Included Funds by 0.1% and the composite net IRR of all Legacy Funds by 0.5%, and would reduce the composite multiple of invested capital of Included Funds by less than 0.1 and the composite multiple of invested capital of Legacy Funds by 0.4.

For more information, see "Risk Factors—Risks Related to the Assets We Manage—The historical returns attributable to our funds, including those presented in this report, should not be considered as indicative of the future results of our funds or our balance sheet investments, of our future results or the performance of our common units."

Private Equity

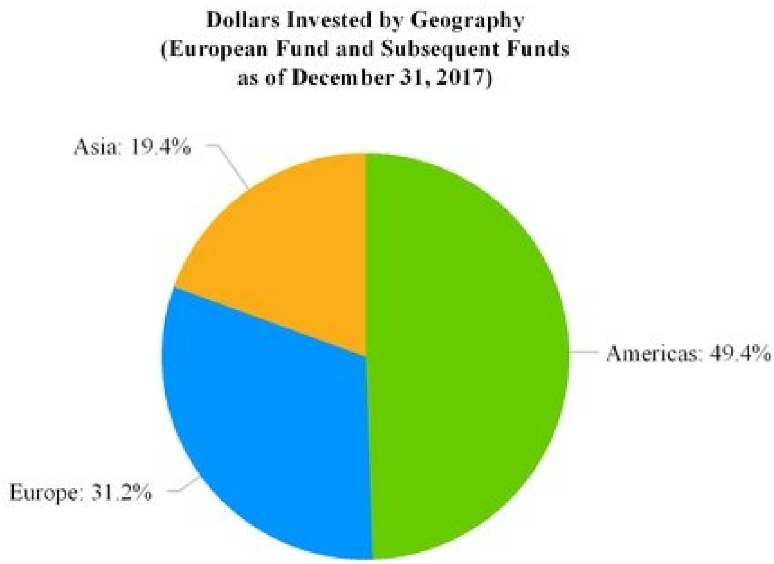
We are a world leader in private equity, having raised 23 funds (including growth equity) with approximately $102.9 billion of capital commitments through December 31, 2017 . We invest in industry-leading franchises and attract world-class management teams. Our investment approach leverages our capital base, sourcing advantage, global network and industry knowledge. It also leverages a sizable team of operating consultants, who work exclusively with our investment professionals and portfolio company management teams and otherwise at our direction, as well as senior advisors and other advisors, many of whom are former chief executive officers and leaders of the business community.

Our traditional private equity investment strategy typically seeks to engage primarily in management buyouts, build-ups, or other investments with a view to acquire a controlling or significant influence. Building upon our four decades of private equity investing experience, we have sourced a number of smaller growth equity investment opportunities, and we expanded our business by launching dedicated growth equity funds. Our first dedicated growth equity fund, launched in 2016, pursues growth equity investment opportunities in the technology, media and telecommunications ("TMT") sector, primarily in the United States, Canada, Europe and Israel. In 2016, we also launched our second dedicated growth equity fund to pursue growth equity investment opportunities in the health care sector, primarily in the United States. As of December 31, 2017, we have received $2.0 billion of capital commitments to our TMT and health care growth equity strategies.

In 2017, we further expanded on our private equity business by making our first core equity investment. Through our core investments strategy, we target investments that have a longer holding period and a lower risk profile, which may not be suitable for our traditional private equity funds. See "—Core Investment Strategy."

Portfolio

The following chart presents information concerning the amount of capital invested by traditional private equity funds and growth equity funds by geography through December 31, 2017 . We believe that this data illustrates the benefits of our business approach and our ability to source and invest in deals in multiple geographies.



As of December 31, 2017, our traditional private equity portfolio consisted of 119 companies with approximately $167 billion of annual revenues. These companies are headquartered in 21 countries and operate in 19 general industries, which take advantage of our broad and deep industry and operating expertise. Many of these companies are leading franchises with global operations, strong management teams and attractive growth prospects, which we believe will provide benefits through a broad range of business conditions.

Investment Approach

Our approach to making private equity investments focuses on achieving multiples of invested capital and attractive risk-adjusted IRRs by selecting high-quality investments that may be made at attractive prices, applying rigorous standards of due diligence when making investment decisions, implementing strategic and operational changes that drive growth and value creation in acquired businesses, carefully monitoring investments, and making informed decisions when developing investment exit strategies.

We believe that we have achieved a leading position in the private equity industry by applying a disciplined investment approach and by building strong partnerships with highly motivated management teams who put their own capital at risk. When making private equity investments, we seek out strong business franchises, attractive growth prospects, leading market positions and the ability to generate attractive returns. In our private equity funds, we do not effect transactions that are "hostile," meaning a target company's board of directors makes an unfavorable recommendation with respect to the transaction or publicly opposes the consummation of the transaction.

Sourcing and Selecting Investments

We have access to significant opportunities for making private equity investments as a result of our sizable capital base, global platform, and relationships with leading executives from major companies, commercial and investment banks, and other investment and advisory institutions. Members of our global network contact us with new investment opportunities, including a substantial number of exclusive investment opportunities and opportunities that are made available to only a limited number of other firms. We also proactively pursue business development strategies that are designed to generate deals internally based on the depth of our industry knowledge and our reputation as a leading financial sponsor.

To enhance our ability to identify and consummate private equity investments, we have organized our investment professionals in industry-specific teams. Our industry teams work closely with our operating consultants and other advisors to identify businesses that can be grown and improved. These teams conduct their own primary research, develop a list of industry themes and trends, identify companies and assets in need of operational improvement, and seek out businesses and assets that they believe will benefit from our involvement. They possess a detailed understanding of the economic drivers, opportunities for value creation and strategies that can be designed and implemented to improve companies across the industries in which we invest.

Due Diligence and the Investment Decision

When an investment team determines that an investment proposal is worth consideration, the proposal is formally presented to the applicable regional investment committee and the due diligence process commences if appropriate. The objective of the due diligence process is to identify attractive investment opportunities based on the facts and circumstances surrounding an investment and to prepare a framework that may be used from the date of an acquisition to drive operational improvement and value creation. When conducting due diligence, investment teams evaluate a number of important business, financial, tax, accounting, environmental, social, governance, legal and regulatory issues in order to determine whether an investment is suitable. While the due diligence process differs depending on the type of investment we make, generally, in connection with the private equity due diligence process, investment professionals spend significant amounts of time meeting with a company's management and operating personnel, visiting plants and facilities, and where appropriate, speaking with other stakeholders interested in and impacted by the investment in order to understand the opportunities and risks associated with the proposed investment. Our investment professionals may also use the services of outside accountants, consultants, lawyers, investment banks and industry experts as appropriate to assist them in this process. Investment committees monitor all due diligence practices, and the applicable investment committee must approve an investment before it may be made.

Building Successful and Competitive Businesses

Portfolio management committees are responsible for working with our investment professionals from the date on which a private equity investment is made until the time it is exited in order to ensure that strategic and operational objectives are accomplished and that the performance of the investment is closely monitored. When investing in a private equity portfolio company, we partner with management teams to execute on our investment thesis, and we rigorously track performance through regular monitoring of detailed operational and financial metrics as well as appropriate environmental, social and governance issues. We have developed a global network of experienced managers and operating executives who assist the private equity portfolio companies in making operational improvements and achieving growth. We augment these resources with operational guidance from operating consultants at KKR Capstone, senior advisors, other advisors and investment teams, and with "100-Day Plans" that focus the firm's efforts and drive our strategies. We seek to emphasize efficient capital management, top-line growth, R&D spending, geographical expansion, cost optimization and investment for the long-term.

Realizing Investments

We have developed substantial expertise for realizing private equity investments. From our inception through December 31, 2017 , the firm has generated approximately $134.1 billion of cash proceeds from the sale of our private equity portfolio companies in initial public offerings and secondary offerings, dividends, and sales to strategic buyers. When exiting private equity investments, our objective is to structure the exit in a manner that optimizes returns for fund investors and, in the case of publicly traded companies, minimizes the impact that the exit has on the trading price of the company's securities. We believe that our ability to successfully realize investments is attributable in part to the strength and discipline of our portfolio management committees and capital markets business, as well as the firm's longstanding relationships with corporate buyers and members of the investment banking and investing communities.

Private Equity Fund Structures

The private equity funds that we sponsor and manage have finite lives and investment periods. Each fund is organized as one or more partnerships, and each partnership is controlled by a general partner. Private equity fund investors are limited partners who agree to contribute a specified amount of capital to the fund from time to time for use in qualifying investments during the investment period, which generally lasts up to six years depending on how quickly capital is deployed. The investment period for certain funds may be terminated upon supermajority vote (based on capital commitment) of the fund's limited partners or by the fund's advisory committee. The term of our private equity funds generally last for 10 to 12 years and may last up to 15 years from the date of the fund's first or last investment, subject to a limited number of extensions with the consent of the limited partners or the applicable advisory committee. Given the length of the investment periods and terms of our private equity funds and the limited conditions under which such periods can be terminated and commitments may be withdrawn, the AUM of our private equity funds provide a long-term stable capital base.

Each private equity fund's general partner is generally entitled to a carried interest that allocates to it 20% of the net profits realized by the limited partners from the fund's investments. Our newer private equity funds, the North America Fund XI, Asian Fund II, European Fund IV, Americas Fund XII and Asian Fund III have a performance hurdle which requires that we return 7%, compounded annually, to limited partners in the fund prior to receiving our 20% share of net profits realized by limited partners. Such performance hurdles are subject to a catch-up allocation to the general partner after the hurdle has been reached. Our earlier private equity funds do not include a performance hurdle. The timing of receipt of carried interest in respect of investments of our private equity funds is dictated by the terms of the partnership agreements that govern such funds, and is distributed to the general partner of a private equity fund only after all of the following are met: (i) a realization event has occurred (e.g. sale of a portfolio company, dividend, etc.); (ii) the vehicle has achieved positive overall investment returns since its inception, in excess of performance hurdles where applicable; and (iii) with respect to investments with a fair value below cost, cost has been returned to fund investors in an amount sufficient to reduce remaining cost to the investments' fair value. For a fund that has a fair value above cost, overall, but has one or more investments where fair value is below cost, the shortfall between cost and fair value for such investments is referred to as a "netting hole." See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity—Sources of Liquidity" for a discussion of netting holes. Net realized profit or loss is not netted between or among funds except for the Annex Fund. In addition, the agreements governing our private equity funds generally include a "clawback" provision that, if triggered, may give rise to a contingent obligation that may require the general partner to return or contribute amounts to the fund for distribution to fund investors at the end of the life of the fund. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Clawback Provision" and "Risk Factors—The 'clawback' provision in our governing agreements may give rise to a contingent obligation that may require us to return or contribute amounts to our funds and fund investors."

We enter into management agreements with our private equity funds pursuant to which we receive management fees in exchange for providing the funds with management and other services. Gross management fees for our private equity funds generally range from 1% to 2% of committed capital during the fund's investment period and are generally 0.75% to 1.25% of invested capital after the expiration of the fund's investment period with subsequent reductions over time, which causes the fees to be reduced as investments are liquidated. In addition, in connection with the expiration of the investment period, a private equity fund may establish a reserve on its fund investors' capital commitments on which no fee is paid unless such capital is invested. These management fees are paid by private equity fund investors, who generally contribute capital to the fund in order to allow the fund to pay the fees to us. Our private equity funds generally require that management fees be returned to fund investors before a carried interest may be paid.

We also enter into monitoring agreements with our portfolio companies pursuant to which we receive periodic monitoring fees in exchange for providing them with management, consulting and other services, and we typically receive transaction fees for providing portfolio companies with financial, advisory and other services in connection with specific transactions. Monitoring agreements may provide for a termination payment following an initial public offering or change of control, if certain criteria are satisfied. In some cases, we may be entitled to other fees that are paid by an investment target upon closing a transaction or when a potential investment is not consummated. Our newer private equity fund agreements typically require us to share 100% of any monitoring, transaction and other fees that are allocable to a fund (after reduction for expenses incurred allocable to a fund from unconsummated transactions) with fund investors.

In addition, the agreements governing our private equity funds enable investors in those funds to reduce their capital commitments available for further investments, on an investor-by-investor basis, in the event certain "key persons" (for example, both of Messrs. Kravis and Roberts, and, in the case of certain geographically or product focused funds, one or more of the investment professionals focused on such funds) cease to be actively involved in the management of the fund. While these provisions do not allow investors in our funds to withdraw capital that has been invested or cause a fund to terminate, the occurrence of a "key person" event could cause disruption in our business, reduce the amount of capital that we have available for future investments, and make it more challenging to raise additional capital in the future.

Because private equity fund investors typically are unwilling to invest their capital in a fund unless the fund's manager also invests its own capital in the fund's investments, our private equity fund documents generally require the general partners of the funds to make minimum capital commitments to the funds. The amounts of these commitments, which are negotiated by fund investors, generally range from 2% to 8% of a fund's total capital commitments at final closing, but may be greater for certain funds pursuing newer strategies. When investments are made, the general partner contributes capital to the fund based on its fund commitment percentage and acquires a capital interest in the investment that is not subject to a carried interest or management fees.

Real Assets

Energy

Our energy business aims to deliver current returns to fund investors through distributions generated by producing and selling oil and natural gas reserves and capital appreciation. The goal is to provide investors with exposure to commodity prices and optionality associated with future drilling and production. Our energy platform targets real asset investment opportunities across the upstream and midstream segments of the oil and gas industry. We have acquired and operated oil and natural gas properties in mature basins located primarily in the United States. In acquiring these properties, which are typically considered to be non-core by their sellers, we seek to generate value through optimizing production, reducing operating costs, and optimizing commercial and marketing arrangements. In addition, we have completed investments in oil and gas drilling development transactions with operating companies and have also acquired mineral and royalty interests. We work closely with external teams of technical and operational experts to assist in the selection, evaluation and operation of investments. We invest in these energy strategies primarily through the KKR Energy Income and Growth Fund. As of December 31, 2017 , we have received $2.9 billion of capital commitments to our energy funds and $1.0 billion of capital commitments to this strategy through separately managed accounts.

Infrastructure

Our infrastructure platform seeks to achieve returns including current income through the acquisition and operational improvement of assets important to the functioning of the economy. We believe that the global infrastructure market provides an opportunity for the firm's private investment, operational improvement capabilities and stakeholder engagement. Through this platform we have made investments in parking, alternative energy, district heating and contracted electricity generation, water and wastewater, locomotive transportation, midstream and telecommunications infrastructure. As of December 31, 2017 , we had received $4.1 billion of capital commitments to our infrastructure funds and $1.1 billion of capital commitments to this strategy through separately managed accounts and co-investment vehicles.

Real Estate

Our real estate platform targets real estate equity opportunities primarily in the United States and Western Europe, although we have made investments in other areas of the world as well, including Australia and South Korea. Our equity investments include direct investments in real property, debt, special situations transactions and businesses with significant real estate holdings that can benefit from KKR's operational expertise. We seek to partner with real estate owners, lenders, operators, and developers to provide flexible capital to respond to transaction specific needs, including the outright purchase or financing of existing assets or companies and the funding of future development or acquisition opportunities. Through this strategy, we have made real estate equity investments in residential and commercial assets. We have also established investment platforms with strategic partners to invest in commercial real estate in Germany and the United States. As of December 31, 2017 , we have received $3.9 billion of capital commitments through our real estate equity investment funds.

Our real estate credit platform provides capital solutions for complex real estate transactions with a focus on commercial mortgage-backed securities, whole loans and subordinated debt. As of December 31, 2017, we managed approximately $2.2 billion of assets in our real estate credit strategy, which include KKR Real Estate Finance Trust Inc. ("KREF"), a NYSE-listed real estate investment trust ("REIT"), and $1.1 billion of capital commitments through our real estate credit fund.

Real Asset Investment Process

Our energy, infrastructure and real estate funds have a similar investment process as that described under "—Private Equity." Investment teams for a particular real asset strategy formally present investments to the applicable strategy oriented investment committee, which monitors all due diligence practices and must approve an investment before it may be made. Most of our real asset strategies also have a portfolio management committee that works with our investment professionals from the date on which an investment is made until the time it is exited in order to ensure that strategic and operational objectives are accomplished and that the performance of the investment is closely monitored. In addition to leveraging the resources of the firm, our energy, infrastructure and real estate investment teams typically partner with technical experts and operators to manage our real asset investments.

Real Asset Fund Structures

Our energy, infrastructure and real estate funds generally have investment periods of up to 6 years and generally have a fund term of up to 13 years. Management fees for such funds range from 0.75% to 1.5% on commitments, invested capital or net asset value during the investment period and on invested capital or net asset value for investments thereafter, subject to certain adjustments. These funds generally have performance hurdles of 8% to 10% subject to a catch-up allocation to the general partner after the hurdle has been reached. Thereafter the general partners of such funds generally share in 10% to 20% of net profits realized by limited partners.

Core Investment Strategy

Our core investment strategy targets investments with a longer holding period and a lower risk profile than our traditional private equity or, in certain cases, our real asset investments. The holding periods in core investments are generally longer than 15 years. In 2017, we established core investment vehicles with $6.0 billion of capital commitments from fund investors and a $3.5 billion capital commitment from KKR's balance sheet, through which we aim to make core investments in private equity and real asset opportunities globally.

Public Markets

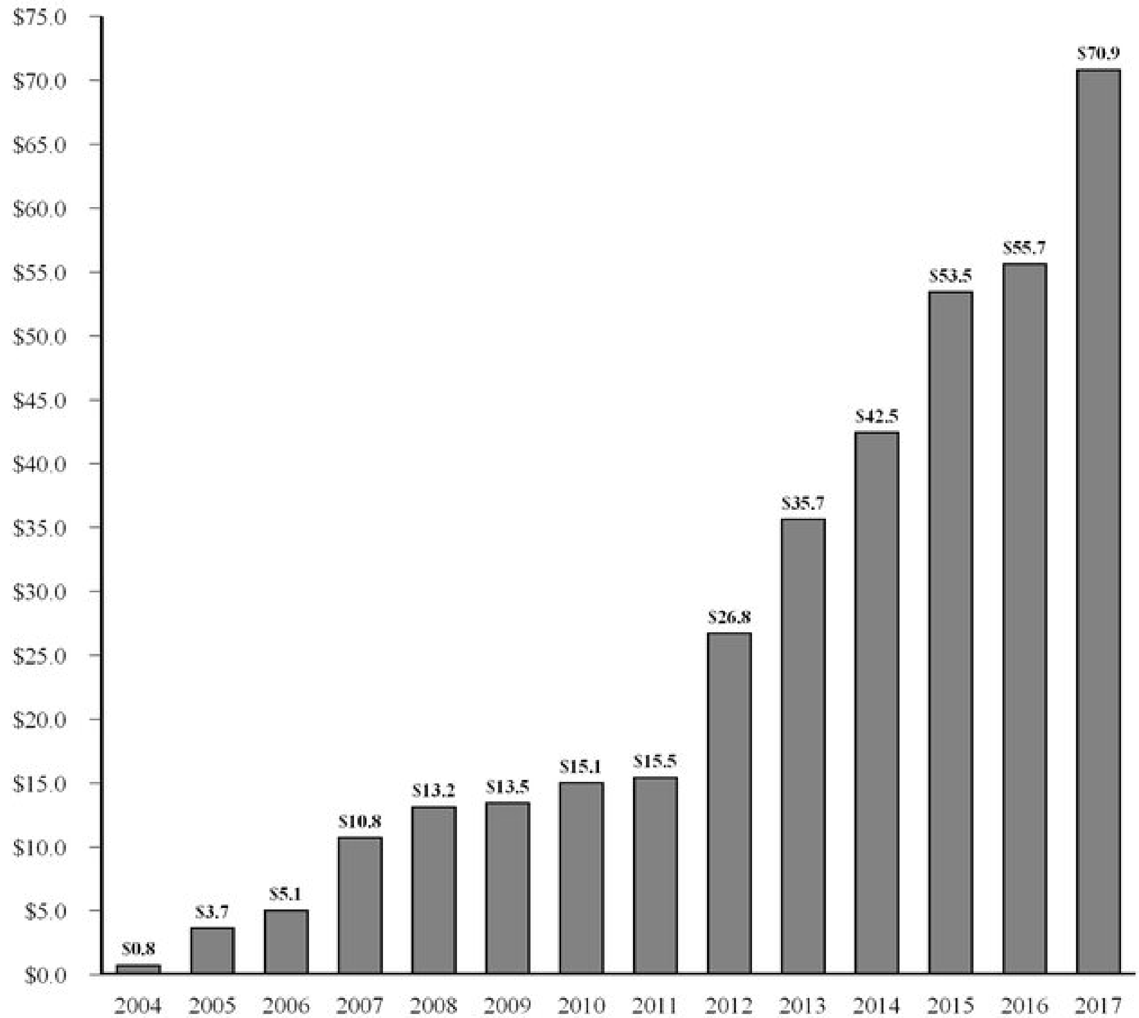
We operate and report our combined credit and hedge funds businesses through the Public Markets segment. Our credit business invests capital in (i) leveraged credit strategies, including leveraged loans, high-yield bonds, opportunistic credit and revolving credit strategies, and (ii) alternative credit strategies, including special situations and private credit strategies such as direct lending and private opportunistic credit (or mezzanine) investment strategies. The funds, CLOs, separately managed accounts, investment companies registered under the Investment Company Act of 1940 (the "Investment Company Act"), including business development companies ("BDCs"), and alternative investments funds ("AIFs") in our leveraged credit and alternative credit strategies are managed by KKR Credit Advisors (US) LLC, which is an SEC-registered investment adviser, KKR Credit Advisors (Ireland) Unlimited Company, regulated by the Central Bank of Ireland, and KKR Credit Advisors (EMEA) LLP, regulated by the United Kingdom Financial Conduct Authority (the "FCA"). Our Public Markets segment also includes our hedge funds business, which consists of strategic partnerships with third-party hedge fund managers in which KKR owns a minority stake (which we refer to as "strategic manager partnerships"). Our strategic manager partnerships offer a variety of investment strategies, including hedge fund-of-funds, equity hedge funds, credit hedge funds and funds focused on investing in natural catastrophe and weather risks.

We intend to continue to grow the Public Markets business by leveraging our global investment platform, experienced investment professionals and the ability to adapt our investment strategies to different market conditions to capitalize on investment opportunities that may arise at various levels of the capital structure and across market cycles.

On December 11, 2017, we entered into an agreement with FS Investment Corporation ("FS Investments") to form a strategic BDC partnership to provide investment advisory services to Corporate Capital Trust ("CCT") and Corporate Capital Trust II ("CCT II"), which are BDCs currently advised and sub-advised, respectively, by us, and four BDCs that are currently sponsored by FS Investments. This new strategic BDC partnership, if and when it closes, is expected to have $18 billion in combined AUM (based on current valuations). This transaction is subject to stockholder approvals and the satisfaction of certain other closing conditions, and there can be no assurance that it will be consummated as planned or at all or that the combined AUM will be as expected at closing.

The following chart presents the growth in the AUM of our Public Markets segment from the commencement of its operations in August 2004 through December 31, 2017 .

Public Markets
Assets Under Management [(1)(2)]
($ in billions)



(1) For years 2006 through 2008, AUM are presented pro forma for the KPE Transaction and, therefore, exclude the net asset value of KPE and its former commitments to our investment funds. AUM of KKR Prisma and pro rata AUM of PAAMCO Prisma, each as defined below, and AUM of Avoca are included in the years on and after the completion of the respective acquisitions or transactions, as applicable.

(2) In 2015 our definition of AUM was amended to include (i) KKR's pro rata portion of AUM managed by third-party hedge fund managers in which KKR holds a minority stake and (ii) capital commitments for which we are eligible to receive fees or carried interest upon deployment of capital. AUM for all prior periods has been adjusted to include such changes.

Credit

Performance

We generally review our performance in our credit business by investment strategy.

Our leveraged credit strategies principally invest through separately managed accounts, BDCs, CLOs and private equity-like investment funds. In certain cases, these strategies have meaningful track records and may be compared to widely-known indices. The following table presents information regarding larger leveraged credit strategies managed by KKR from inception to December 31, 2017. Our past performance, however, may not be representative of performance in any period other than the period discussed below and is not a guarantee of future results.

Leveraged Credit Strategies: Inception-to-Date Annualized Gross Performance vs. Benchmark by Strategy

($ in millions)	Inception Date	Gross Returns	Net Returns	Benchmark (1)	Benchmark Gross Returns
Bank Loans Plus High Yield	Jul 2008	8.17%	7.53%	65% S&P/ LSTA Loan Index, 35% BoAML HY Master II Index (2)	6.39%
Opportunistic Credit (3)	May 2008	13.01%	11.00%	BoAML HY Master II Index (3)	6.70%
Bank Loans	Apr 2011	5.48%	4.86%	S&P/LSTA Loan Index (4)	4.25%
High-Yield	Apr 2011	7.07%	6.48%	BoAML HY Master II Index (5)	6.60%
Bank Loans Conservative	Apr 2011	4.78%	4.17%	S&P/LSTA BB-B Loan Index (6)	4.25%
European Leveraged Loans (7)	Sep 2009	5.48%	4.96%	CS Inst West European Leveraged Loan Index (8)	4.78%
High-Yield Conservative	Apr 2011	6.44%	5.86%	BoAML HY BB-B Constrained (9)	6.49%
European Credit Opportunities (7)	Sept 2007	5.68%	4.77%	S&P European Leveraged Loans (All Loans) (10)	4.35%
Revolving Credit (11)	May 2015	N/A	N/A	N/A	N/A

(1) The benchmarks referred to herein include the S&P/LSTA Leveraged Loan Index (the "S&P/LSTA Loan Index"), S&P/LSTA U.S. B/BB Ratings Loan Index (the "S&P/ LSTA BB-B Loan Index"), the Bank of America Merrill Lynch High Yield Master II Index (the "BoAML HY Master II Index"), the BofA Merrill Lynch BB-B US High Yield Index (the "BoAML HY BB-B Constrained"), the Credit Suisse Institutional Western European Leveraged Loan Index (the "CS Inst West European Leveraged Loan Index"), and S&P European Leveraged Loans (All Loans). The S&P/LSTA Loan Index is a daily tradable index for the U.S. loan market that seeks to mirror the market-weighted performance of the largest institutional loans that meet certain criteria. The S&P/ LSTA BB-B Loan Index is comprised of loans in the S&P/LSTA Loan Index, whose rating is BB+, BB, BB-, B+, B or B-. The BoAML HY Master II Index is an index for high-yield corporate bonds. It is designed to measure the broad high-yield market, including lower-rated securities. The BoAML HY BB-B Constrained is a subset of the BoAML HY Master II Index including all securities rated BB1 through B3, inclusive. The CS Inst West European Leveraged Loan Index contains only institutional loan facilities priced above 90 , excluding TL and TLa facilities and loans rated CC, C or are in default. The S&P European Leveraged Loan Index reflects the market-weighted performance of institutional leveraged loan portfolios investing in European credits. While the returns of our leveraged credit strategies reflect the reinvestment of income and dividends, none of the indices presented in the chart above reflect such reinvestment, which has the effect of increasing the reported relative performance of these strategies as compared to the indices. Furthermore, these indices are not subject to management fees, incentive allocations or expenses.

(2) Performance is based on a blended composite of Bank Loans Plus High Yield strategy accounts. The benchmark used for purposes of comparison for the Bank Loans Plus High Yield strategy is based on 65% S&P/LSTA Loan Index and 35% BoAML HY Master II Index.

(3) The Opportunistic Credit strategy invests in high-yield securities and corporate loans with no preset allocation. The Benchmark used for purposes of comparison for the Opportunistic Credit strategy presented herein is based on the BoAML HY Master II Index. Funds within this strategy may utilize third-party financing facilities to enhance investment returns. In cases where financing facilities are used, the amounts drawn on the facility are deducted from the assets of the fund in the calculation of net asset value, which tends to increase returns when net asset value grows over time and decrease returns when net asset value decreases over time.

(4) Performance is based on a composite of portfolios that primarily invest in leveraged loans. The benchmark used for purposes of comparison for the Bank Loans strategy is based on the S&P/LSTA Loan Index.

(5) Performance is based on a composite of portfolios that primarily invest in high-yield securities. The benchmark used for purposes of comparison for the High Yield strategy is based on the BoAML HY Master II Index.

(6) Performance is based on a composite of portfolios that primarily invest in leveraged loans rated B-/Baa3 or higher. The benchmark used for purposes of comparison for the Bank Loans Conservative strategy is based on the S&P/LSTA BB-B Loan Index.

(7) The returns presented are calculated based on local currency.

(8) Performance is based on a composite of portfolios that primarily invest in higher quality leveraged loans. The benchmark used for purposes of comparison for the European Leveraged Loans strategy is based on the CS Inst West European Leveraged Loan Index.

(9) Performance is based on a composite of portfolios that primarily invest in high-yield securities rated B or higher. The benchmark used for purposes of comparison for the High-Yield Conservative strategy is based on the BoAML HY BB-B Constrained Index.

(10) Performance is based on a composite of portfolios that primarily invest in European institutional leveraged loans. The benchmark used for purposes of comparison for the European Credit Opportunities strategy is based on the S&P European Leveraged Loans (All Loans) Index.

(11) This strategy has not called any capital as of December 31, 2017. As a result, the gross and net return performance measures are not meaningful and are not included above.

Our alternative credit strategies primarily invest in more illiquid instruments through private investment funds, BDCs and separately managed accounts. The following table presents information regarding our Public Markets alternative credit commingled funds where investors are subject to capital commitments from inception to December 31, 2017 . Some of these funds have been investing for less than 24 months, and thus their performance is less meaningful and not included below. Past performance is no guarantee of future results.

Alternative Credit Strategies: Fund Performance

		Amount		Fair Value of Investments					
Public Markets Investment Funds	**Inception Date**	**Commitment**	**Invested (1)**	**Realized (1)**	**Unrealized**	**Total Value**	**Gross IRR (2)**	**Net IRR (2)**	**Multiple of Invested Capital (3)**
			($ in Millions)						
Special Situations Fund	Dec 2012	$ 2,274.3	$ 2,231.6	$ 874.1	$ 1,872.7	$ 2,746.8	7.0%	5.0 %	1.2
Special Situations Fund II	Dec 2014	3,283.5	1,680.1	—	1,706.5	1,706.5	1.5%	(1.4)%	1.0
Mezzanine Partners	Mar 2010	1,022.8	913.9	971.3	339.1	1,310.4	12.8%	8.1 %	1.4
Private Credit Opportunities Partners II	Dec 2015	2,245.1	133.8	—	168.0	168.0	29.9%	21.2 %	1.3
Lending Partners	Dec 2011	460.2	405.3	341.0	176.9	517.9	7.6%	6.1 %	1.3
Lending Partners II	Jun 2014	1,335.9	1,164.9	286.9	1,164.7	1,451.6	13.8%	11.5 %	1.2
Lending Partners III	Apr 2017	795.8	35.8	—	45.1	45.1	N/A	N/A	N/A
Lending Partners Europe	Mar 2015	847.6	396.5	47.3	418.2	465.5	18.7%	11.9 %	1.2
Other Alternative Credit Vehicles	Various	6,509.9	3,845.2	2,214.4	2,962.3	5,176.7	N/A	N/A	N/A
Unallocated Commitments (4)	Various	1,180.0	—	—	—	—	N/A	N/A	N/A
All Funds		$ 19,955.1	$ 10,807.1	$ 4,735.0	$ 8,853.5	$ 13,588.5			

(1) Recycled capital is excluded from the amounts invested and realized.

(2) These credit funds utilize third-party financing facilities to provide liquidity to such funds, and in such event IRRs are calculated from the time capital contributions are due from fund investors to the time fund investors receive a related distribution from the fund. The use of such financing facilities generally decreases the amount of invested capital that would otherwise be used to calculate IRRs, which tends to increase IRRs when fair value grows over time and decrease IRRs when fair value decreases over time. IRRs measure the aggregate annual compounded returns generated by a fund's investments over a holding period and are calculated taking into account recycled capital. Net IRRs presented are calculated after giving effect to the allocation of realized and unrealized carried interest and the payment of any applicable management fees. Gross IRRs are calculated before giving effect to the allocation of carried interest and the payment of any applicable management fees.

(3) The multiples of invested capital measure the aggregate value generated by a fund's investments in absolute terms. Each multiple of invested capital is calculated by adding together the total realized and unrealized values of a fund's investments and dividing by the total amount of capital invested by the investors. The use of financing facilities generally decreases the amount of invested capital that would otherwise be used to calculate multiples of invested capital, which tends to increase multiples when fair value grows over time and decrease multiples when fair value decreases over time. Such amounts do not give effect to the allocation of any realized and unrealized returns on a fund's investments to the fund's general partner pursuant to a carried interest or the payment of any applicable management fees and are calculated without taking into account recycled capital.

(4) "Unallocated Commitments" represent unallocated commitments from our strategic investor partnerships.

Such past performance may not be representative of performance in any period other than the period discussed above and is not a guarantee of future results. For additional information regarding impact of market conditions on the value and performance of our investments, see "Risk Factors—Risks Related to Our Business—Difficult market and economic conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial prospects and condition" and "Risk Factors—Risks Related to the Assets We Manage—The historical returns attributable to our funds, including those presented in this report, should not be considered as indicative of the future results of our funds or our balance sheet investments, of our future results or the performance of our common units."

Investment Approach

Our approach to making investments focuses on creating investment portfolios that seek to generate attractive risk-adjusted returns by selecting investments that may be made at attractive prices, subjecting investments to regular monitoring and oversight, and, for more liquid investments, making buy and sell decisions based on price targets and relative value parameters. The firm employs both "top-down" and "bottom-up" analyses when making investments. Our top-down analysis involves, as appropriate, a macro analysis of relative asset valuations, long-term industry trends, business cycles, regulatory trends, interest rate expectations, credit fundamentals and technical factors to target specific industry sectors and asset classes in which to invest. From a bottom-up perspective, our investment decision is predicated on an investment thesis that is developed using our proprietary resources and knowledge and due diligence.

Sourcing and Selecting Investments

We source investment opportunities through a variety of channels, including internal deal generation strategies and the firm's global network of contacts at major companies, corporate executives, commercial and investment banks, financial intermediaries, other private equity sponsors and other investment and advisory institutions. We are also provided with opportunities to invest in certain strategies, where appropriate, in the securities of KKR's private equity portfolio companies, though there are limitations across the platform on the maximum size of such KKR-affiliated investments.

Due Diligence and the Investment Decision

Once a potential investment has been identified, our investment professionals screen the opportunity and make a preliminary determination concerning whether we should proceed with further diligence. When evaluating the suitability of an investment for our funds, we typically employ a relative value framework and subject the investment to due diligence. This review considers many factors including, as appropriate, expected returns, capital structure, credit ratings, historical and projected financial data, the issuer's competitive position, the quality and track record of the issuer's management team, margin stability, and industry and company trends. Investment professionals use the services of outside advisors and industry experts as appropriate to assist them in the due diligence process and, when relevant and permitted, leverage the knowledge and experience of our Private Markets investment professionals. Strategy-specific investment committees monitor all due diligence practices.

Monitoring Investments

We monitor our portfolios of investments using, as applicable, daily, quarterly and annual analyses. Daily analyses include morning market meetings, industry and company pricing runs, industry and company reports and discussions with the firm's Private Markets investment professionals on an as-needed basis. Quarterly analyses include the preparation of quarterly operating results, reconciliations of actual results to projections and updates to financial models (baseline and stress cases). Annual analyses involve conducting internal audits, and testing compliance with monitoring and documentation requirements.

Credit Strategies

Our credit business pursues investments in leveraged credit strategies, such as leveraged loans and high-yield bonds, opportunistic credit and revolving credit strategies, and alternative credit strategies, such as special situations, direct lending and private opportunistic credit. We pursue these investments across a range of vehicles, including investment funds and separately managed accounts, for which we receive a fee and in certain cases an incentive fee or carried interest.

We also manage structured credit vehicles in the form of CLOs that hold leveraged loans, high-yield bonds or a combination of both. CLOs are typically structured as special purpose investment vehicles that acquire, monitor and, to varying degrees, manage a pool of credit assets. The CLOs generally serve as long-term financing for leveraged credit investments and as a way to minimize refinancing risk, minimize maturity risk and secure a fixed cost of funds over an underlying market interest rate. We typically receive a fee for managing certain CLOs.

We also serve as the registered investment adviser or sub-adviser to registered investment companies. The management fees we are paid for managing registered investment companies, including BDCs such as CCT and CCT II, are generally subject to contractual rights that require their board of directors to provide prior notice (or, in the case of a BDC we manage as a sub-adviser, the investment adviser) in order to terminate our investment management services.

Leveraged Credit. Our leveraged credit strategies are principally directed at investing in leveraged loans, high-yield bonds or a combination of both. Our opportunistic credit strategy seeks to deploy capital across investment themes that take advantage of credit market dislocations, spanning asset types and liquidity profiles. Our revolving credit strategy invests in senior secured revolving credit facilities. We had AUM of $24.8 billion in this strategy as of December 31, 2017 (inclusive of AUM of $2.3 billion in our opportunistic credit strategy and AUM of $1.5 billion in our revolving credit strategy).

Alternative Credit. Our alternative credit strategies consist of special situations and private credit strategies.

- *Special Situations.* We seek to make opportunistic investments largely in distressed companies through our special situations investment strategy. These investments include distressed investments (including post- restructuring equity), control-oriented opportunities, rescue financing (debt or equity investments made to address covenant, maturity or liquidity issues), debtor-in-possession or exit financing, and other event-driven investments in debt or equity. We had AUM of $7.4 billion in this strategy as of December 31, 2017 .

- *Private Credit.* Our private credit strategies seek to leverage the knowledge and relationships developed in the leveraged credit business. These strategies include direct lending and private opportunistic credit strategies.

    - *Direct Lending.* We seek to make investments in proprietarily sourced primarily senior debt financings for middle-market companies through our direct lending strategy. We had AUM of $7.4 billion in this strategy as of December 31, 2017 .

    - *Private Opportunistic Credit.* Through this strategy, we seek to make investments in directly sourced third-party mezzanine and mezzanine-like transactions and also seek asset-based credit and structured credit opportunities across financial and hard assets. These investments often consist of mezzanine debt, which generates a current yield, coupled with marginal equity exposure with additional upside potential. We had AUM of $4.4 billion in this strategy as of December 31, 2017 .

Hedge Funds

Overview

Our hedge fund business consists of strategic manager partnerships with third-party hedge fund managers in which KKR owns a minority stake. This includes a 29.9% interest in Marshall Wace, a global alternative investment manager specializing in long/short equity products, a 24.9% interest in Nephila Capital Ltd. ("Nephila"), an investment manager focused on investing in natural catastrophe and weather risk, a 24.9% interest in BlackGold Capital Management L.P. ("BlackGold"), a credit-oriented investment manager focused on energy and hard asset investments, and a 39.9% interest in PAAMCO Prisma Holdings, LLC ("PAAMCO Prisma"), an investment manager focused on liquid alternative investment solutions, including hedge fund-of-fund portfolios. We have also seeded Acion Partners Limited ("Acion"), a Hong Kong-based investment manager that manages Asian event-driven investments. As of December 31, 2017 , our strategic manager partnerships with third-party hedge fund managers accounted for $26.2 billion of AUM.

Prior to June 1, 2017, our hedge fund business included Prisma Capital Partners LP, formerly known as KKR Prisma ("KKR Prisma"). KKR Prisma constructed and managed customized hedge fund portfolios. On June 1, 2017, KKR completed the transaction to combine Pacific Alternative Asset Management Company, LLC ("PAAMCO") and KKR Prisma to create PAAMCO Prisma. KKR owns 39.9% of, and receives certain other payments from, PAAMCO Prisma, which operates independently from KKR.

Public Markets AUM and Vehicle Structures

As of December 31, 2017 , our Public Markets segment had $70.9 billion of AUM, comprised of $24.8 billion of assets managed in our leveraged credit strategies (which include $2.3 billion of assets managed in our opportunistic credit strategy and $1.5 billion of assets managed in our revolving credit strategy), $7.4 billion of assets managed in our special situations strategy, $11.8 billion of assets managed in our private credit strategies, $26.2 billion of assets managed through our hedge fund business and $0.7 billion of assets managed in other strategies. Our private credit strategies include $7.4 billion of assets managed in our direct lending strategy and $4.4 billion of assets managed in our private opportunistic credit strategy.

The table below presents information as of December 31, 2017, based on the investment funds, vehicles or accounts offered by our Public Markets segment. Our funds, vehicles and accounts have been sorted based upon their primary investment strategies. However, the AUM and FPAUM presented for each line in the table includes certain investments from non-primary investment strategies, which are permitted by their investment mandates, for purposes of presenting the fees and other terms for such funds, vehicles and accounts.

($ in millions)	AUM	FPAUM	Typical Management Fee Rate	Incentive Fee / Carried Interest	Preferred Return	Duration of Capital
Leveraged Credit:						
Leveraged Credit SMAs/Funds	$ 13,322	$ 11,643	0.33%-1.50%	Various (1)	Various (1)	Subject to redemptions
CLOs	10,689	10,689	0.40%-0.50%	Various (1)	Various (1)	10-14 Years (2)
Total Leveraged Credit	24,011	22,332				
Alternative Credit: (3)						
Special Situations	8,060	4,646	0.90%-1.75% (4)	10.00-20.00%	7.00-12.00%	8-15 Years (2)
Private Credit	8,504	4,105	0.50%-1.75%	10.00-20.00%	5.00-8.00%	8-15 Years (2)
Total Alternative Credit	16,564	8,751				
Hedge Funds (5)	26,182	20,489	0.50%-2.00%	Various (1)	Various (1)	Subject to redemptions
BDCs (6)	4,187	4,187	1.00%-1.125%	10.00-15.00%	7.00%	7 years
Total	$ 70,944	$ 55,759				

(1) Certain funds and CLOs are subject to a performance fee in which the manager or general partner of the funds share up to 20% of the net profits earned by investors in excess of performance hurdles (generally tied to a benchmark or index) and subject to a provision requiring the funds and vehicles to regain prior losses before any performance fee is earned.

(2) Duration of capital is measured from inception. Inception dates for CLOs were between 2005 and 2017 and for separately managed accounts and funds investing in alternative credit strategies from 2009 through 2017.

(3) Our alternative credit funds generally have investment periods of three to five years and our newer alternative credit funds generally earn fees on invested capital during the investment period.

(4) Lower fees on uninvested capital in certain vehicles.

(5) Hedge Funds represent KKR's pro rata portion of AUM and FPAUM of our strategic manager partnerships, which consist of minority stakes in other hedge fund managers.

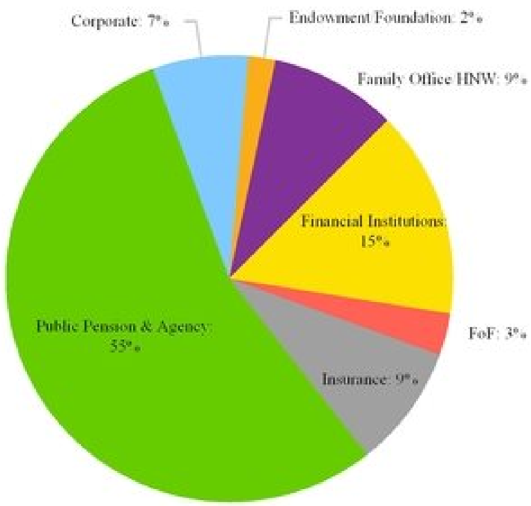
(6) Consists of CCT and CCT II, which are BDCs advised and sub-advised, respectively, by KKR. These vehicles invest in both leveraged credit and private credit strategies. On November 14, 2017, shares of CCT's common stock commenced trading on the NYSE and KKR Credit Advisors (US) LLC became CCT's sole investment adviser. On December 11, 2017, we entered into an agreement with FS Investments to form a strategic BDC partnership that will, subject to stockholder approvals and the satisfaction of certain other closing conditions, provide investment advisory services to CCT, CCT II and four BDCs that are currently sponsored by FS Investments.

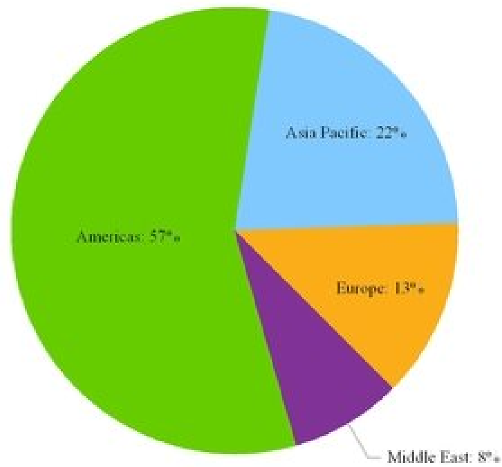
Fundraising and Composition of Fund Investors

We have a Client & Partner Group that is responsible for raising capital for us globally across all products, expanding our client relationships across asset classes and across types of fund investors, developing products to meet our clients' needs, and servicing existing fund investors and products. We also provide fundraising services to certain third-party fund managers in our strategic manager partnerships. As of December 31, 2017 , we had over 70 executives and professionals dedicated to our Client & Partner Group.

As of December 31, 2017 , we had approximately 900 investors in funds across all our strategies, which reflect the addition of 90 investors during the year, excluding former KKR Prisma clients following the PAAMCO Prisma transaction that closed on June 1, 2017. On average, a fund investor is invested in approximately two of our products as of December 31, 2017 . The following charts detail our investor base by type and geography as of December 31, 2017 .

Fund Investor Base by Type (1) **Fund Investor Base by Geography (1)**





(1) Based on the AUM of our Private Markets investment funds, Private Markets co-investment vehicles, and Public Markets separately managed accounts and investment funds. These charts exclude general partner commitments, assets managed through CLOs, and assets managed by other asset managers with which KKR has formed strategic partnerships where KKR does not hold more than a 50% ownership interest. Allocations are assigned to a type or geographic region according to subscriptions received from a limited partner.

Capital Markets

Our Capital Markets segment is comprised of our global capital markets business. Our capital markets business supports our firm, our portfolio companies and third-party clients by developing and implementing both traditional and non-traditional capital solutions for investments or companies seeking financing. These services include arranging debt and equity financing, placing and underwriting securities offerings and providing other types of capital markets services. Our capital markets business underwrites credit facilities and arranges loan syndications and participations. When we are sole arrangers of a credit facility, we may advance amounts to the borrower on behalf of other lenders, subject to repayment. When we underwrite an offering of securities on a firm commitment basis, we commit to buy and sell an issue of securities and generate revenue by purchasing the securities at a discount or for a fee. When we act in an agency capacity or best efforts basis, we generate revenue for arranging financing or placing securities with capital markets investors. We may also provide issuers with capital markets advice on security selection, access to markets, marketing considerations, securities pricing, and other aspects of capital markets transactions in exchange for a fee. Our capital markets business also plays an important role in syndicating private equity co-investment opportunities to both fund investors and other third parties, which may entitle the firm to receive management fees and/or a carried interest.

Our flagship capital markets subsidiary is KKR Capital Markets LLC, an SEC-registered broker-dealer and a member of the Financial Industry Regulation Authority ("FINRA"), which is registered or authorized to carry out certain broker-dealer activities in various countries in North America, Europe, Asia-Pacific and the Middle East.

Principal Activities

Through our Principal Activities segment, we manage the firm's own assets on our balance sheet and deploy capital to support and grow our businesses. Our Principal Activities segment uses our balance sheet assets to support our investment management and capital markets businesses. Typically, the funds in our Private Markets and Public Markets businesses contractually require us, as general partner of the funds, to make sizable capital commitments from time to time. We believe our general partner commitments are indicative of the conviction we have in a given fund's strategy, which assists us in raising new funds from limited partners. We also use our balance sheet to acquire investments in order to help establish a track record for fundraising purposes in new strategies. We may also use our own capital to seed investments for new funds, to bridge capital selectively for our funds' investments or finance strategic acquisitions and partnerships, although the financial results of an acquired business or strategic manager partnership may be reported in our other segments.

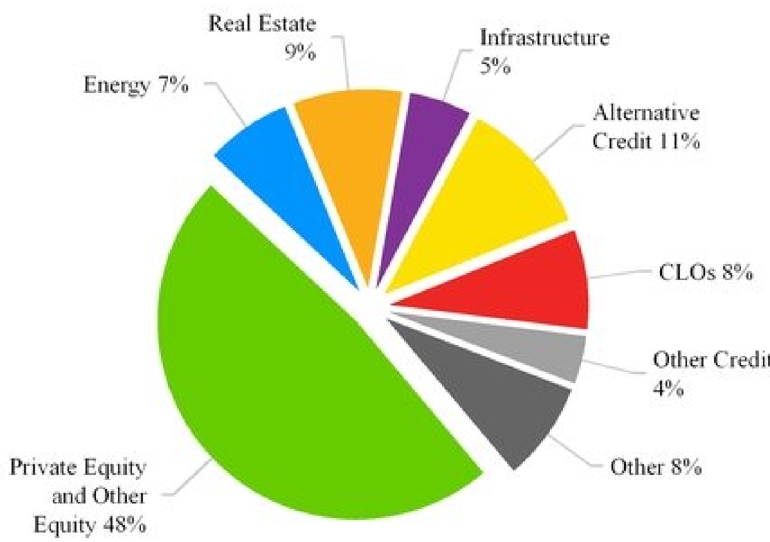
Our Principal Activities segment also provides the required capital to fund the various commitments of our Capital Markets business when underwriting or syndicating securities, or when providing term loan commitments for transactions involving our portfolio companies and for third parties. Our Principal Activities segment also holds assets that may be utilized to satisfy regulatory requirements for our Capital Markets business and risk retention requirements for our CLOs.

We also make opportunistic investments through our Principal Activities segment, which include co-investments alongside our Private Markets and Public Markets funds as well as Principal Activities investments that do not involve our Private Markets or Public Markets funds.

We endeavor to use our balance sheet strategically and opportunistically to generate an attractive risk-adjusted return on equity in a manner that is consistent with our fiduciary duties and in compliance with applicable laws.

The chart below presents the holdings of our Principal Activities segment by asset class as of December 31, 2017 .

Holdings by Asset Class [(1)]



(1) General partner commitments in our funds are included in the various asset classes shown above. Assets and revenues of other asset managers with which KKR has formed strategic manager partnerships where KKR does not hold more than 50% ownership interest are not included in our Principal Activities segment but are reported in the financial results of our other segments. Private Equity and Other Equity includes KKR private equity funds, co-investments alongside such KKR-sponsored private equity funds, certain core equity investments, and other opportunistic investments. However, equity investments in other asset classes, such as real estate, special situations and energy appear in these other asset classes. Other Credit consists of certain leveraged credit and specialty finance strategies.

Competition

We compete with other investment managers for both fund investors and investment opportunities. The firm's competitors consist primarily of sponsors of public and private investment funds, real estate development companies, BDCs, investment banks, commercial finance companies and operating companies acting as strategic buyers. We believe that competition for fund investors is based primarily on investment performance, investor liquidity and willingness to invest, investor perception of investment managers' drive, focus and alignment of interest, business reputation, duration of relationships, quality of services, pricing, fund terms including fees, and the relative attractiveness of the types of investments that have been or are to be made. We believe that competition for investment opportunities is based primarily on the pricing, terms and structure of a proposed investment and certainty of execution. In addition to these traditional competitors within the global investment management industry, we also face competition from local and regional firms, financial institutions and sovereign wealth funds in the various countries in which we invest. In certain emerging markets, local firms may have more established relationships with the companies in which we are attempting to invest. These competitors often fall into one of the aforementioned categories but in some cases may represent new types of fund investors, including high net worth individuals, family offices and state-sponsored entities.

There are numerous funds focused on private equity, real assets, growth equity, credit and hedge fund strategies that compete for investor capital. Fund managers have also increasingly adopted investment strategies outside of their traditional focus. For example, funds focused on credit and equity strategies have become active in taking control positions in companies, while private equity funds have acquired minority equity or debt positions in publicly listed companies. This convergence could heighten competition for investments. Furthermore, as institutional fund investors increasingly consolidate their relationships for multiple investment products with a few investment firms, competition for capital from such institutional fund investors may become more acute. However, such consolidation may also lead institutional fund investors to prefer more established investment firms, which could help us compete against newer entrants or investment firms that are smaller in size or offer more limited types of investment strategies.

Some of the entities that we compete with as an investment firm may have greater financial, technical, marketing and other resources and more personnel than us and, in the case of some asset classes, longer operating histories, more established relationships or greater experience. Several of our competitors also have raised, or may raise, significant amounts of capital and have investment objectives that are similar to the investment objectives of our funds, which may create additional competition for investment opportunities. Some of these competitors may also have lower costs of capital and access to funding sources that are not available to us, which may create competitive advantages for them. In addition, some of these competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider range of investments and to bid more aggressively than us for investments. Strategic buyers may also be able to achieve synergistic cost savings or revenue enhancements with respect to a targeted portfolio company, which may provide them with a competitive advantage in bidding for such investments.

Our capital markets business competes primarily with investment banks and independent broker-dealers in North America, Europe, Asia-Pacific and the Middle East. We principally focus our capital markets activities on the firm, our portfolio companies and fund investors, but we also seek to service other third parties. While we generally target customers with whom we have existing relationships, those customers may have similar relationships with the firm's competitors, many of whom will have access to competing securities transactions, greater financial, technical or marketing resources or more established reputations than us.

Competition is also intense for the attraction and retention of qualified employees and consultants. Our ability to continue to compete effectively in our businesses will depend upon our ability to attract new employees and consultants and retain and motivate our existing employees and consultants.

Employees, Consultants and Advisors

As of December 31, 2017, we employed 1,184 people worldwide:

Investment Professionals	378
Other Professionals	548
Support Staff	258
Total Employees [(1)]	1,184

(1) Does not include operating consultants and other consultants who provide services to us or our funds.

Investment Professionals

Our 378 investment professionals come from diverse backgrounds in private equity, real assets, credit, hedge funds and other asset classes and include executives with operations, strategic consulting, risk management, liability management and finance experience. As a group, these professionals provide us with a strong global team for identifying attractive investment opportunities, creating value and generating superior returns.

Other Professionals

Our 548 other professionals come from diverse backgrounds in capital markets, economics, capital raising, client services, public affairs, finance, tax, legal, compliance, human resources, and information technology. As a group, these professionals provide us with a strong team for overseeing investments and performing capital markets activities, servicing our existing fund investors and creating relationships with new fund investors globally. Additionally, a majority of these other professionals are responsible for supporting the global infrastructure of KKR.

KKR Capstone

We have developed an institutionalized process for creating value in investments. As part of our effort, we utilize a team of 55 operating consultants at KKR Capstone, who are not KKR employees but work exclusively with our investment professionals and portfolio company management teams or our designees. With professionals in North America, Europe and the Asia-Pacific, KKR Capstone provides additional expertise for assessing investment opportunities and assisting managers of portfolio companies in defining strategic priorities and implementing operational changes. During the initial phases of an investment, KKR Capstone's work seeks to implement our thesis for value creation. These operating consultants may assist portfolio companies in addressing top-line growth, cost optimization and efficient capital allocation and in developing operating and financial metrics. Over time, this work shifts to identifying challenges and taking advantage of business opportunities that arise during the life of an investment. KKR Capstone is consolidated in KKR's financial results for GAAP purposes, but is not a subsidiary or affiliate of KKR.

Senior Advisors and Other Advisors

To complement the expertise of our investment professionals, we have a team of senior advisors and other advisors. While not KKR employees, they provide us with additional operational and strategic insights. The responsibilities of senior advisors and other advisors include serving on the boards of our portfolio companies, helping us source and evaluate individual investment opportunities and assisting portfolio companies with operational matters. These individuals include current and former chief executive officers, chief financial officers and chairpersons of major corporations and others holding leading positions of public agencies worldwide.

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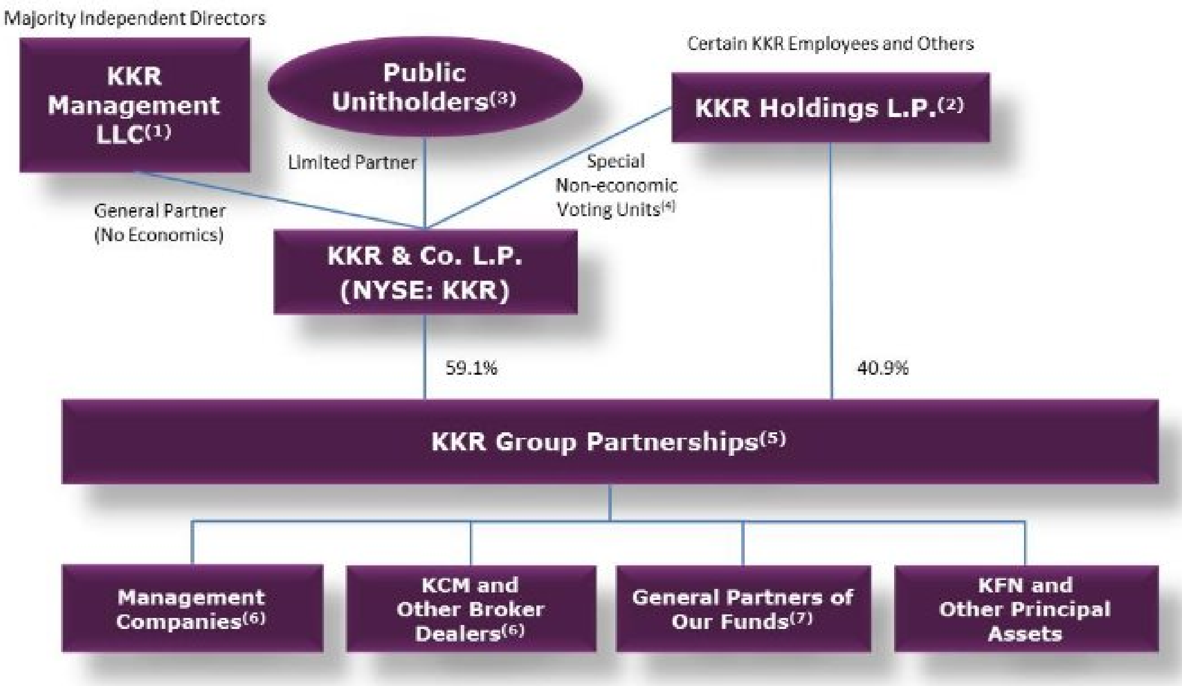
Organizational Structure

The following simplified diagram illustrates our organizational structure as of December 31, 2017 , unless otherwise noted. Certain entities depicted below may be held through intervening entities not shown in the diagram. If our Managing Partner elects to convert KKR into a corporation, the organizational structure illustrated below may significantly change.



(1) KKR Management LLC serves as the general partner of KKR & Co. L.P., which is governed by a board of directors consisting of a majority of independent directors. KKR Management LLC does not hold any economic interests in KKR & Co. L.P. and is owned by senior KKR employees.

(2) KKR Holdings is the holding vehicle through which certain of our current and former employees and other persons indirectly own their interest in KKR. KKR Group Partnership Units that are held by KKR Holdings are exchangeable for our common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications and compliance with applicable vesting and transfer restrictions. As limited partner interests, these KKR Group Partnership Units are non-voting and do not entitle KKR Holdings to participate in the management of our business and affairs. As of December 31, 2017, KKR Holdings had approximately a 40.9% interest in our business indirectly through its limited partner interests in the KKR Group Partnerships.

(3) Includes holders of 13,800,000 Series A Preferred Units issued on March 17, 2016, 6,200,000 Series B Preferred Units issued on June 20, 2016 and our common units.

(4) KKR Holdings holds special non-economic voting units in our partnership that entitle it to cast, with respect to those limited matters that may be submitted to a vote of our unitholders, a number of votes equal to the number of KKR Group Partnership Units that it holds from time to time.

(5) KKR Group Partnerships include KKR Management Holdings L.P., KKR Fund Holdings L.P. and KKR International Holdings L.P. Because the income of KKR Management Holdings L.P. is likely to be primarily non-qualifying income for purposes of the qualifying income exception to the publicly traded partnership rules, we formed KKR Management Holdings Corp., which is subject to taxation as a corporation for U.S. federal income tax purposes, to hold our interest in KKR Management Holdings L.P. Accordingly, our allocable share of the taxable income of KKR Management Holdings L.P. will be subject to taxation at a corporate rate. KKR Management Holdings L.P., which is treated as a partnership for U.S. federal income tax purposes, was formed to hold interests in our fee generating businesses and other assets that may not generate qualifying income for purposes of the qualifying income exception to the publicly traded partnership rules. KKR Fund Holdings L.P., which is also treated as a partnership for U.S. federal income tax purposes, was formed to hold interests in our businesses and assets that will generate qualifying income for purposes of the qualifying income exception to the publicly traded partnership rules. KKR International Holdings L.P. was formed generally to hold certain non-U.S. assets that may generate non-qualifying income under the U.S. federal income tax laws applicable to publicly traded partnerships. As of February 21, 2018, KKR International Holdings L.P. held no assets.

(6) KKR Management Holdings L.P. is the parent company of Kohlberg Kravis Roberts & Co. L.P., the SEC-registered investment adviser, which in turn is generally the parent company for most of KKR's other management and capital markets subsidiaries including KKR Credit Advisors (US) LLC and KKR Capital Markets Holdings L.P., the holding company for KKR Capital Markets LLC. KKR Fund Holdings L.P. is the parent company of KKR Credit Advisors (Ireland) Unlimited Company and KKR Alternative Investment Management Unlimited Company.

(7) 40% of the carried interest earned from our investment funds, and, beginning with the quarter ended September 30, 2016, 40% of the management fees that would have been subject to a management fee refund for investment funds that have a preferred return, are allocated to a carry pool, from which carried interest is allocable to our employees and selected other individuals. Beginning with the quarter ended September 30, 2017, 43% of carried interest generated by then-current and future funds is allocated to the carry pool instead of 40% of carried interest. For impacted funds, the incremental 3% replaces the amount of certain management fee refunds that would have been calculated for those funds as performance income compensation. No carried interest has been allocated with respect to co-investments acquired from KPE in the KPE Transaction. Our carry pool is supplemented by allocating for compensation 40% of the incentive fees that do not constitute carried interest that are earned from investment funds. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Financial Measures Under GAAP—Expenses—Compensation and Benefits."

Regulation

Our operations are subject to regulation and supervision in a number of jurisdictions. The level of regulation and supervision to which we are subject varies from jurisdiction to jurisdiction and is based on the type of business activity involved. We, in conjunction with our outside advisors and counsel, seek to manage our business and operations in compliance with such regulation and supervision. The regulatory and legal requirements that apply to our activities are subject to change from time to time and may become more restrictive, which may make compliance with applicable requirements more difficult or expensive or otherwise restrict our ability to conduct our business activities in the manner in which they are now conducted. Changes in applicable regulatory and legal requirements, including changes in their enforcement, could materially and adversely affect our business and our financial condition and results of operations. As a matter of public policy, the regulatory bodies that regulate our business activities are generally responsible for safeguarding the integrity of the securities and financial markets and protecting fund investors who participate in those markets rather than protecting the interests of our unitholders.

United States

Regulation as an Investment Adviser

We conduct our advisory business through our investment adviser subsidiaries, including Kohlberg Kravis Roberts & Co. L.P. and its wholly-owned subsidiary KKR Credit Advisors (US) LLC, each of which is registered as an investment adviser with the SEC under the Investment Advisers Act of 1940 (the "Investment Advisers Act"). The investment advisers are subject to the anti-fraud provisions of the Investment Advisers Act and to fiduciary duties derived from these provisions, which apply to our relationships with our advisory clients globally, including funds that we manage. These provisions and duties impose restrictions and obligations on us with respect to our dealings with our fund investors and our investments, including for example restrictions on agency cross and principal transactions. Our registered investment advisers are subject to periodic SEC examinations and other requirements under the Investment Advisers Act and related regulations primarily intended to benefit advisory clients. These additional requirements relate, among other things, to maintaining an effective and comprehensive compliance program, record-keeping and reporting requirements and disclosure requirements. The Investment Advisers Act generally grants the SEC broad administrative powers, including the power to limit or restrict an investment adviser from conducting advisory activities in the event it fails to comply with federal securities laws. Additional sanctions that may be imposed for failure to comply with applicable requirements include the prohibition of individuals from associating with an investment adviser, the revocation of registrations and other censures and fines.

KKR Credit Advisors (US) LLC is also subject to regulation under the Investment Company Act as an investment adviser to a registered investment company. The KKR Income Opportunities Fund is a closed-end management investment company registered under the Investment Company Act. The closed-end management investment company and KKR Credit Advisors (US) LLC are subject to the Investment Company Act and the rules thereunder, which among other things regulate the relationship between a registered investment company (or BDC) and its investment adviser and prohibit or restrict principal transactions and joint transactions.

Regulation as a Broker-Dealer

KKR Capital Markets LLC, one of our subsidiaries, is registered as a broker-dealer with the SEC under the Exchange Act and in all 50 U.S. States and U.S. territories, and is a member of the FINRA. MCS Capital Markets LLC, one of our subsidiaries, is registered as a broker-dealer with the SEC under the Exchange Act and in 35 U.S. States. As registered broker-dealers, KKR Capital Markets LLC and MCS Capital Markets LLC are subject to periodic SEC and FINRA examinations and reviews. A broker-dealer is subject to legal requirements covering all aspects of its securities business, including sales and trading practices, public and private securities offerings, use and safekeeping of customers' funds and securities, capital structure, record-keeping and retention and the conduct and qualifications of directors, officers, employees and other associated persons. These requirements include the SEC's "uniform net capital rule," which specifies the minimum level of net capital that a broker-dealer must maintain, requires a significant part of the broker-dealer's assets to be kept in relatively liquid form, imposes certain requirements that may have the effect of prohibiting a broker-dealer from distributing or withdrawing its capital and subjects any distributions or withdrawals of capital by a broker-dealer to notice requirements. These and other requirements also include rules that limit a broker-dealer's ratio of subordinated debt to equity in its regulatory capital composition, constrain a broker-dealer's ability to expand its business under certain circumstances and impose additional requirements when the broker-dealer participates in securities offerings of affiliated entities. Violations of these requirements may result in censures, fines, the issuance of cease-and-desist orders, revocation of licenses or registrations, the suspension or expulsion from the securities industry of the broker-dealer or its officers or employees or other similar consequences by regulatory bodies.

United Kingdom

We have several subsidiaries which are authorized and regulated by the FCA under the Financial Services and Markets Act 2000 ("FSMA"). FSMA and related rules govern most aspects of investment business, including investment management, sales, research and trading practices, provision of investment advice, corporate finance, use and safekeeping of client funds and securities, regulatory capital, record-keeping, margin practices and procedures, approval standards for individuals, anti-money laundering, periodic reporting and settlement procedures. The FCA is responsible for administering these requirements and our compliance with the FSMA and related rules. Violations of these requirements may result in censures, fines, imposition of additional requirements, injunctions, restitution orders, revocation or modification of permissions or registrations, the suspension or expulsion from certain "controlled functions" within the financial services industry of officers or employees performing such functions or other similar consequences.

KKR Capital Markets Limited has permission to engage in a number of regulated activities regulated under FSMA, including dealing as principal or agent and arranging deals in relation to certain types of specified investments and arranging the safeguarding and administration of assets. KKR Capital Markets Limited also benefits from a passport under the single market directives to offer services cross border into all countries in the European Economic Area and Gibraltar. Kohlberg Kravis Roberts & Co. Partners LLP has permission to engage in a number of regulated activities including advising on and arranging deals relating to corporate finance business in relation to certain types of specified investments. KKR Credit Advisors (EMEA) LLP has permission to engage in a number of regulated activities including managing, advising on and arranging deals in relation to certain types of specified investments.

Other Jurisdictions

Certain other subsidiaries or funds that we advise are registered with, have been licensed by or have obtained authorizations to operate in their respective jurisdictions outside of the United States. These registrations, licenses or authorizations relate to providing investment advice, broker-dealer activities, marketing of securities and other regulated activities. Failure to comply with the laws and regulations governing these subsidiaries and funds that have been registered, licensed or authorized could expose us to liability and/or damage our reputation.

KKR Credit Advisors (Ireland) Unlimited Company and KKR Alternative Investment Management Unlimited Company are regulated by the Central Bank of Ireland. KKR Credit Advisors (Ireland) Unlimited Company is authorized to carry out a number of regulated activities including receiving and transmitting orders, portfolio management and providing investment advice. KKR Alternative Investment Management Unlimited Company is an authorized EU alternative investment manager permitted to conduct portfolio management, risk management and certain administrative activities.

KKR Capital Markets LLC and MCS Capital Markets LLC, respectively, are also registered as an international dealer under the Securities Act (Ontario). This registration permits us to trade in non-Canadian equity and debt securities with certain types of investors located in Ontario, Canada.

KKR Capital Markets Japan Ltd., a joint stock corporation, is registered as a Type I and Type II Financial Instruments Business Operator (broker-dealer) under the Financial Instruments and Exchange Act of Japan, and a money lender under the Money Lending Business Act of Japan.

KKR MENA Limited, a Dubai International Financial Centre company, is licensed to arrange deals in investments, advise on financial products and arrange custody, and is regulated by the Dubai Financial Services Authority.

KKR Saudi Limited is licensed by the Capital Market Authority in Saudi Arabia and is authorized for the activity of arranging in the securities business.

KKR Australia Pty Limited and KKR Australia Investment Management Pty Limited are Australian financial services licensed and are authorized to provide advice on and deal in financial products for wholesale clients, and are regulated by the Australian Securities and Investments Commission.

KKR Capital Markets Asia Limited is licensed by the Securities and Futures Commission in Hong Kong to carry on dealing in securities and advising on securities regulated activities.

KKR Singapore Pte. Ltd. holds a capital markets services license to conduct fund management for qualified investors only, and is regulated by Monetary Authority of Singapore.

KKR Holdings Mauritius, Ltd. and KKR Account Adviser (Mauritius), Ltd. are unrestricted investment advisers authorized to manage portfolios of securities and give advice on securities transactions, and are regulated by the Financial Services Commission, Mauritius.

KKR Account Adviser (Mauritius), Ltd. is registered as a Foreign Portfolio Investor with the Securities Exchange Board of India ("SEBI") under the SEBI (Foreign Portfolio Investor) Regulations, 2014 pursuant to which it can make investments in listed and unlisted securities of Indian issuers.

KKR Mauritius Direct Investments I, Ltd. is registered as a Foreign Portfolio Investor with SEBI under the SEBI (Foreign Portfolio Investor) Regulations, 2014 pursuant to which it can make investments in listed and unlisted securities of Indian issuers, and is incorporated as an investment holding company in Mauritius regulated by the Financial Services Commission, Mauritius.

KKR India Financial Services Private Limited is registered with the Reserve Bank of India as a non-deposit taking non-banking financial company and is authorized to undertake lending and financing activities.

KKR Capital Markets India Private Limited is licensed by SEBI as a merchant banker that is authorized to execute capital market mandates, underwrite issues, offer investment advisory and other consultancy/advisory services in connection with securities. In addition, KKR Capital Markets India Private Limited is the investment manager and sponsor of five alternative investment funds, registered with SEBI under the SEBI (Alternative Investment Funds) Regulations, 2012.

Silverview Investments Pte. Ltd., Silverview Portfolio Investments Pte. Ltd. (earlier known as KKR Asia II Portfolio Investors Pte. Ltd.), Moneyline Portfolio Investments Limited are registered as a Foreign Portfolio Investor with SEBI under the SEBI (Foreign Portfolio Investor) Regulations, 2014 pursuant to which they can make investments in listed and unlisted securities of Indian issuers.

KKR India Asset Finance Private Limited (formerly known as Motichand Finance Private Limited) is registered with the Reserve Bank of India as a non-deposit taking non-banking financial company and is authorized to undertake lending and financing activities.

KKR Asia II Venture Investments Pte. Ltd. is registered with SEBI as a foreign venture capital investor, or FVCI, under the SEBI (Foreign Venture Capital Investors) Regulations, 2000 pursuant to which it can make certain investments in securities of Indian issuers and is incorporated as an investment holding company in Singapore.

From time to time, one or more of our investment funds or their related investment vehicles may be regulated as a mutual fund by the Cayman Islands Monetary Authority, regulated as an investment limited partnership by the Central Bank of Ireland, listed on the Irish Stock Exchange, notified with the Financial Services Agency of Japan for sale pursuant to certain private placement exemptions and/or for investment pursuant to certain exemption, registered with the Financial Supervisory Service of the Republic of Korea, licensed by or granted in principal approval from SEBI, subject to the regulatory supervision of the Commission de Surveillance du Secteur Financier of Luxembourg, notified with the Netherlands Authority for Financial Markets for sale pursuant to certain private placement exemptions, or registered under the Investment Company Act.

There are a number of legislative and regulatory initiatives in the United States and in Europe that could significantly affect our business. Please see "Risk Factors—Risks Related to Our Business—Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could materially and adversely affect our business."

Website and Availability of SEC Filings

Our website address is *www.kkr.com* . Information on our website is not incorporated by reference herein and is not a part of this report. We make available free of charge on our website or provide a link on our website to our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after those reports are electronically filed with, or furnished to, the SEC. To access these filings, go to the "KKR & Co. L.P." section of our "Investor Center" page on our website, then click on "SEC Filings." You may also read and copy any document we file at the SEC's public reference room located at 100 F Street, N.E., Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. In addition these reports and the other documents we file with the SEC are available at a website maintained by the SEC at *www.sec.gov* .

From time to time, we may use our website as a channel of distribution of material information. Financial and other material information regarding our company is routinely posted on and accessible at *www.kkr.com* . In addition, you may automatically receive e-mail alerts and other information about our company by enrolling your e-mail address by visiting the "E-mail Alerts" section under the "KKR & Co. L.P." section of the "Investor Center" page at *www.kkr.com* .

ITEM 1A. RISK FACTORS

Investing in our securities involves risk. Persons investing in our securities should carefully consider the risks described below and the other information contained in this report and other filings that we make from time to time with the SEC, including our consolidated financial statements and accompanying notes. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. Our business, financial condition or results of operations could also be materially and adversely affected by additional factors that apply to all companies generally, as well as other risks that are not currently known to us or that we currently view to be immaterial. In any such case, the trading price of our securities could decline and you may lose all or part of your original investment. While we attempt to mitigate known risks to the extent we believe to be practicable and reasonable, we can provide no assurance, and we make no representation, that our mitigation efforts will be successful.

Risks Related to Our Business

Difficult market and economic conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial prospects and condition.

Our business and the businesses of the companies in which we invest are materially affected by financial markets and economic conditions or events throughout the world, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation), trade barriers, commodity prices, currency exchange rates and controls and national and international political circumstances (including wars, terrorist acts or security operations). For example, the unprecedented turmoil in the global financial markets during 2008 and 2009 provoked significant volatility of securities prices, contraction in the availability of credit and the failure of a number of companies, including leading financing institutions, and had a material adverse effect on our businesses and the businesses of the companies in which we invest. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Environment" for a discussion of recent developments in market and business conditions that may affect our business.

Such financial markets and economic conditions are outside our control and may affect the level and volatility of securities prices and liquidity and as a result, the value of our investments and our financial results. In addition, we may not be able to or may choose not to manage our exposure to these conditions and/or events. If not otherwise offset, declines in the equity, commodity and debt in the markets would likely cause us to write down our investments and the investments of our funds. For example, during the global financial crisis in 2008 and 2009, valuations of our private equity funds declined across all geographies, with investments in private equity funds marked down to as low as 67% of original cost and multiples of invested capital reaching as low as 0.5x, 0.6x, 0.7x and 0.8x for the European Fund II, European Fund III, 2006 Fund and Asian Fund, respectively, as of March 31, 2009. Our profitability may also be materially and adversely affected by our fixed costs and the possibility that we would be unable to scale back other costs within a time frame sufficient to match any decreases in net income relating to a downturn in market and economic conditions.

Unfavorable market and economic conditions may reduce opportunities for our funds to make, exit and realize value from their investments. Challenging market and economic conditions, including those caused by changes in tax laws and other regulatory restrictions, may make it difficult for us to find suitable investments for our funds or secure financing for investments on attractive terms. Such conditions may also result in reduced opportunities for our funds to exit and realize value from their existing investments and lower-than-expected returns on existing investments. Although the equity markets are not the only means by which we exit investments, in challenging equity markets, our funds may experience greater difficulty in realizing value from investments. In addition, when financing is not available or becomes too costly, it is difficult for potential buyers to raise sufficient capital to purchase our funds' investments. Consequently, we may earn lower-than-expected returns on investments, which could cause us to realize diminished or no carried interest.

We generally raise capital for a successor fund following the substantial and successful deployment of capital from the existing fund. In the event of poor performance by existing funds, our ability to raise new funds is impaired. During periods of unfavorable fundraising conditions, fund investors may negotiate for lower fees, different fee sharing arrangements for transaction or other fees, and other concessions. The outcome of such negotiations could result in our agreement to terms that are materially less favorable to us than for prior funds we have managed. Our current funds, including all our recent private equity funds, have performance hurdles, which require us to generate a specified return on investment prior to our right to receive carried interest. This requirement will likely be in all our future funds, and the hurdle rate could increase for our future funds. In addition, successor funds raised by us when such unfavorable circumstances described above exist would also likely result in smaller funds than our comparable predecessor funds. Fund investors may also seek to redeploy capital away from certain of our credit or other non-private equity investment vehicles, which permit redemptions on relatively short notice, in order to meet liquidity needs or invest in other asset classes or with other managers. Any of these developments could materially and adversely affect our future revenues, net income, cash flow, financial condition or ability to retain our employees. See "—Our inability to raise additional or successor funds (or raise successor funds of a comparable size as our predecessor funds) could have a material adverse impact on our business" and "—Our investors in future funds may negotiate to pay us lower management fees, reimburse us for fewer expenses or change the economic terms of our future funds, including with respect to transaction fees, management fees or monitoring fees, to be less favorable to us than those of our existing funds, which could materially and adversely affect our revenues or profitability."

During periods of difficult market or economic conditions or slowdowns (which may occur across one or more industries, sectors or geographies), companies in which we have invested may experience decreased revenues, financial losses, credit rating downgrades, difficulty in obtaining access to financing and increased funding costs. These companies may also have difficulty in expanding their businesses and operations or be unable to meet their debt service obligations or pay other expenses as they become due, including amounts payable to us. Negative financial results in our funds' portfolio companies may result in lower investment returns for our investment funds, which could materially and adversely affect our operating results and cash flow. To the extent the operating performance of such portfolio companies (as well as valuation multiples) deteriorate or do not improve, our funds may sell those assets at values that are less than we projected or even at a loss, thereby significantly affecting those funds' performance and consequently our operating results and cash flow and resulting in lower or no carried interest being paid to us. Adverse conditions may also increase the risk of default with respect to private equity, credit and other investments that we manage or the abandonment or foreclosure of our real asset investments. Even if economic and market conditions do improve broadly, adverse conditions in particular sectors may also cause our performance to suffer. Finally, low interest rates related to monetary stimulus, economic stagnation or deflation may negatively impact expected returns on all types of investments as the demand for relatively higher return assets increases and the supply decreases.

In addition, our Capital Markets segment generates fees through a variety of activities in connection with the issuance and placement of equity and debt securities and credit facilities, with the size of fees generally correlated to overall transaction sizes. As a result, the conditions in financial markets as described above, as well as transaction activity in our Private Markets segment and Public Markets segment, impact both the frequency and size of fees generated by this segment.

Changes in the debt financing markets may negatively impact the ability of our investment funds, their portfolio companies and strategies pursued with our balance sheet assets to obtain attractive financing for their investments or to refinance existing debt and may increase the cost of such financing or refinancing if it is obtained, which could lead to lower-yielding investments and potentially decrease our net income.

In the event that our funds are unable to obtain committed debt financing for potential acquisitions or can only obtain debt at an increased interest rate or on unfavorable terms, our funds may have difficulty completing otherwise profitable acquisitions or may generate profits that are lower than would otherwise be the case, either of which could lead to a decrease in the investment income earned by us. Any failure by lenders to provide previously committed financing can also expose us to potential claims by sellers of businesses that we may have contracted to purchase. Similarly, certain of the strategies pursued with our balance sheet assets rely on the use of leverage, including the issuance of CLOs, and other secured and unsecured borrowings. Our ability to generate returns on these assets and make cash available for distribution to our unitholders would be reduced to the extent that changes in market conditions, including continued increase by the U.S. Federal Reserve of its benchmark interest rate, cause the cost of our financing to increase relative to the income that can be derived from the assets acquired and financed. Similarly, our portfolio companies regularly utilize the corporate debt markets in order to obtain financing for their operations. To the extent that credit markets render such financing difficult to obtain or more expensive, this may negatively impact the operating performance of those portfolio companies and, therefore, the investment returns on our funds. In addition, to the extent that conditions in the credit markets impair the ability of our portfolio companies to refinance or extend maturities on their outstanding debt, either on favorable terms or at all, the operating performance of those portfolio companies may be negatively impacted, which could impair the value of our investment in those portfolio companies and lead to a decrease in the investment income earned by us. In some cases, the inability of our portfolio companies to refinance or extend maturities may result in the inability of those companies to repay debt at maturity or pay interests when due, and may cause the companies to sell assets, undergo a recapitalization or seek bankruptcy protection, any of which would also likely impair the value of our investment and lead to a decrease in investment income earned by us.

We have significant liquidity requirements, and adverse market and economic conditions may adversely affect our sources of liquidity, which could adversely affect our business operations in the future.

We expect that our primary liquidity needs will consist of cash required to:

- continue to grow our business, including seeding new strategies, funding our capital commitments made to existing and future funds, co-investments and any net capital requirements of our capital markets companies and otherwise supporting investment vehicles that we sponsor;
- warehouse investments in portfolio companies or other investments for the benefit of one or more of our funds, accounts or CLOs pending the contribution of committed capital by the investors in such vehicles, and advancing capital to them for operational or other needs;
- service debt obligations including the payment of obligations at maturity, on interest payment dates or upon redemption, as well as any contingent liabilities that may give rise to future cash payments;
- fund cash operating expenses and contingencies, including for litigation matters;
- pay amounts that may become due under our tax receivable agreement with KKR Holdings;
- make cash distributions in accordance with our distribution policy for our common units or the terms of our preferred units;
- underwrite commitments, advance loan proceeds and fund syndication commitments within our capital markets business;
- make future purchase price payments in connection with our proprietary acquisitions, such as our strategic manager partnership with Marshall Wace, to the extent not paid by newly issued common units;
- acquire other assets for our Principal Activities segment, including other businesses, investments and assets, some of which may be required to satisfy regulatory requirements for our capital markets business or risk retention requirements for CLOs (to the extent it continues to apply); and
- repurchase our common units pursuant to the unit repurchase program or other securities issued by us.

These liquidity requirements are significant and, in some cases, involve capital that will remain invested for extended periods of time. As of December 31, 2017, we have approximately $5.7 billion of remaining unfunded capital commitments to our investment funds. Our commitments to our funds will require significant cash outlays over time, and there can be no assurance that we will be able to generate sufficient cash flows from realizations of investments to fund them. We have also used our balance sheet to provide credit support to our general partner's obligations to our funds and to support certain transactions by our funds.

In addition, as of December 31, 2017, we had $21.2 billion of indebtedness outstanding under our credit facilities and debt securities on a GAAP basis and $3.1 billion of indebtedness outstanding under our credit facilities and debt securities on a segment basis, and $1.9 billion of cash and short-term investments on a GAAP basis and $3.2 billion of cash and short-term investments on a segment basis. The segment-based measures exclude the assets and liabilities of our investment funds, CLOs and CMBS and other consolidated entities that are not subsidiaries of KKR & Co. L.P., but include KKR Financial Holdings LLC's ("KFN") debt obligations, which as of December 31, 2017, consisted of $764.8 million and KFN's 7.375% Series A LLC preferred shares of $373.8 million , which do not provide for recourse to KKR beyond the assets of KFN. All of KFN's outstanding 7.375% Series A LLC preferred shares were redeemed on January 16, 2018. Our $1.0 billion corporate revolving credit facility will mature in 2019. Depending on market conditions, we may not be able to refinance or renew all or part of these senior notes or our corporate revolving credit facility, or find alternate sources of financing (including issuing equity), on commercially reasonable terms or at all. Furthermore, the incurrence of additional debt by us or our subsidiaries in the future could result in downgrades of our existing corporate credit ratings, which could limit the availability of future financing and increase our costs of borrowing.

In addition, the underwriting commitments for our capital markets business may require significant cash obligations, and these commitments may also put pressure on our liquidity. The holding company for our capital markets business has entered into a credit agreement that provides for revolving borrowings of up to $500 million, which can only be used in connection with our capital markets business, including placing and underwriting securities offerings, and a 364-day revolving credit agreement that provides for revolving borrowing of up to $750 million, which can only be used to facilitate the settlement of debt transaction syndicated by our capital markets business. To the extent we commit to buy and sell an issue of securities in firm commitment underwritings or otherwise, we may be required to borrow under these revolving credit facilities to fund such obligations, which, depending on the size and timing of the obligations, may limit our ability to enter into other underwriting arrangements or similar activities, service existing debt obligations or otherwise grow our business. Further, these facilities are scheduled to mature in 2021 and 2018, respectively, and depending on the market conditions, we may not be able to refinance or renew them on commercially reasonable terms or at all. Regulatory net capital requirements may also limit the ability of our broker-dealer subsidiaries to participate in underwriting or other transactions or to allocate our capital more efficiently across our businesses.

Our other liquidity requirements include potential future purchase price payments in connection with strategic manager partnerships with third-party hedge fund managers like Marshall Wace, based on the respective performance of these businesses or the exercise of certain options. In the fourth quarter of 2017, due to the exercise of one of the options agreed to between Marshall Wace and KKR, we acquired an additional 5.0% interest in Marshall Wace, for which we paid with a combination of cash and common units. In addition, in connection with the development of a new KKR office in New York City, we will be required to pay for the construction of the office, which is expected to be completed in 2020.

In the event that our liquidity requirements were to exceed available liquid assets for the reasons specified above or for any other reasons, we could be forced to sell assets or seek to raise debt or equity capital on unfavorable terms. For further discussion of our liquidity needs see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity."

The "clawback" provisions in our governing agreements may give rise to a contingent obligation that may require us to return or contribute amounts to our funds and fund investors.

The partnership documents governing our carry-paying funds, including funds relating to private equity, growth equity, infrastructure, energy, real estate, special situations, private credit opportunities, direct lending, revolving credit and core investments, generally include a "clawback" provision that, if triggered, may give rise to a contingent obligation requiring the general partner to return amounts to the fund for distribution to the fund investors at the end of the life of the fund. Under a clawback obligation, upon the liquidation of a fund, the general partner is required to return, typically on an after-tax basis, previously distributed carry to the extent that, due to the diminished performance of later investments, the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, including the effects of any performance thresholds. We would continue to be subject to the clawback obligation even if carry has been distributed to current or former employees or other personnel through our carry pool, and we would be required to seek other sources of liquidity to fund such an obligation if such carry is not returned to us by them. Excluding carried interest received by the general partners of funds that were not contributed to us in the KPE Transaction, as of December 31, 2017 , $19.2 million of carried interest was subject to this clawback obligation, assuming that all applicable carry-paying funds were liquidated at their December 31, 2017 fair values. Had the investments in such carry-paying funds been liquidated at zero value, the clawback obligation would have been $1,920.9 million .

Carry distributions arising subsequent to the KPE Transaction may give rise to clawback obligations that may be allocated generally to us and our principals who participate in the carry pool. In addition, guarantees of or similar arrangements relating to clawback obligations in favor of third-party investors in an individual investment partnership by entities we own may limit distributions of carried interest more generally.

Strategic investor partnerships have longer investment periods and invest in multiple strategies, which may increase the possibility of a "netting hole," which will result in less carried interest for us, as well as clawback liabilities.

We have entered into strategic partnerships with certain investors, generally through separately managed accounts, which have longer investment periods, often of 20 years or more, and provide for investments across different investment strategies (which we refer to as "strategic investor partnerships"). Compared to our traditional private equity fund structure, these partnerships may offer reduced fees for fund investors and may require netting across various funds in which they invest. Generally, if a fund's investments have fair values above cost overall, but one or more of its investments has a fair value that is below cost, the shortfall between cost and fair value for such investment (which we refer to as a "netting hole") must be "filled" by returning invested capital to such fund's limited partners in an amount equal to such shortfall before any realized gains on individual investments can be distributed to the general partner as carried interest. The longer investment period and cross-fund netting feature of the strategic investor partnerships increases the possibility of netting holes compared to our traditional private equity fund structure, which, if present, will reduce the carried interest we otherwise would earn. Similarly, the longer duration of these partnerships can increase the risk of clawback, because over a longer investment period, a period of reduced performance following periods of performance adequate to realize carried interest is more likely to occur. See "—The 'clawback' provisions in our governing agreements may give rise to a contingent obligation that may require us to return or contribute amounts to our funds and fund investors."

Our earnings and cash flow are highly variable due to the nature of our business and we do not intend to provide earnings guidance, each of which may cause the value of interests in our business to be volatile.

Our earnings are highly variable from quarter to quarter due to the volatility of investment returns of most of our funds, other investment vehicles and our balance sheet assets and the fees earned from our businesses. We recognize earnings on investments in our funds based on our allocable share of realized and unrealized gains (or losses) reported by such funds and for certain of our recent funds, when a performance hurdle is achieved. During times of market volatility the fair value of our funds and our balance sheet assets are more variable, and as publicly traded equity securities currently represent a significant proportion of the assets of many of our funds and balance sheet assets, volatility in the equity markets may have a significant impact on our reported results. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Fair Value Measurements" for a discussion of the impact of equity markets on the value of private equity investments. A decline in realized or unrealized gains, a failure to achieve a performance hurdle or an increase in realized or unrealized losses, would adversely affect our net income.

Fee income, which we recognize when contractually earned, can vary due to fluctuations in AUM, the number of investment transactions made by our funds, the number of portfolio companies we manage, the fee provisions contained in our funds and other investment products and transactions by our capital markets business. In any particular quarter, fee income may vary significantly due to the variances in size and frequency of monitoring fees (including termination payments), transaction fees or fees received by our capital markets business. Our total management, monitoring and transaction fees (net of fee credits) for the years ended December 31, 2017, 2016 and 2015 were $1,431.0 million, $987.6 million and $874.7 million, respectively, on a GAAP basis, and $1,502.0 million , $1,074.9 million and $1,142.1 million, respectively, on a segment basis. We may create new funds or investment products or vary the terms of our funds or investment products (for example our funds now include performance hurdles), which may alter the composition or mix of our income from time to time. In particular, in our newer private equity and other funds, we have agreed to return to our fund investors all monitoring and transaction fees generated by the fund's investments, which resulted in a decrease of our monitoring and transaction fee income. We may also experience fluctuations in our results from quarter to quarter, including our revenue and net income, due to a number of other factors, including changes in the values of our funds' investments, changes in the amount of distributions or interest earned in respect of investments, changes in our operating expenses, the degree to which we encounter competition and general market and economic conditions. In addition, our earnings and cash flows are dependent in part on the performance of KFN, a specialty finance company that we acquired in 2014, and are subject to the risks to KFN's businesses as described elsewhere in the report. Although KFN is a subsidiary of KKR, KFN has its own indebtedness outstanding. The terms of its indebtedness impose limitations on KFN's current and future operations and may restrict its ability to make distributions to KKR. For the years ended December 31, 2017, 2016 and 2015, our net income attributable to KKR & Co. L.P. common unitholders on a GAAP basis was $984.9 million , $287.1 million and $488.5 million, respectively, and our economic net income (loss) on a segment basis was $2,435.3 million , $794.4 million and $1,298.0 million, respectively. Such fluctuations may lead to variability in the value of interests in our business and cause our results for a particular period not to be indicative of our performance in future periods. It may be difficult for us to achieve steady growth in net income and cash flow on a quarterly basis, which could in turn lead to large adverse movements in the value of interests in our business.

The timing and receipt of carried interest from our investment funds are unpredictable and will contribute to the volatility of our cash flows. For example, with respect to our private equity funds, carried interest is distributed to the general partner of a private equity fund with a clawback provision only after all of the following are met: (i) a realization event has occurred (e.g., sale of a portfolio company, dividend, etc.); (ii) the fund has achieved positive overall investment returns since its inception, in excess of performance hurdles where applicable; and (iii) with respect to investments with a fair value below cost (which we refer to as a netting hole), cost has been returned to fund investors in an amount sufficient to reduce remaining cost to the investments' fair value. Carried interest payments from investments depend on our funds' performance and opportunities for realizing gains, which may be limited. It takes a substantial period of time to identify attractive investment opportunities, to raise all the funds needed to make an investment and then to realize the cash value (or other proceeds) of an investment through a sale, public offering or other exit. To the extent an investment is not profitable, no carried interest will be received from our funds with respect to that investment and, to the extent such investment remains unprofitable, we will only be entitled to a management fee on that investment. Furthermore, certain vehicles and separately managed accounts may not provide for the payment of any carried interest at all. Even if an investment proves to be profitable, it may be several years before any profits can be realized in cash. We cannot predict when, or if, any realization of investments will occur. In addition, if finance providers, such as commercial and investment banks, make it difficult for potential purchasers to secure financing to purchase companies in our investment funds' portfolio, it may decrease potential realization events and the potential to earn carried interest. A downturn in the equity markets would also make it more difficult to exit investments by selling equity securities. If we were to have a realization event in a particular quarter, the event may have a significant impact on our cash flows during the quarter that may not be replicated in subsequent quarters. A decline in realized or unrealized gains, or an increase in realized or unrealized losses, would adversely affect our investment income, which could further increase the volatility of our quarterly results.

The timing and receipt of carried interest also vary with the life cycle of certain of our funds. Our carry-paying funds that have completed their investment periods and are able to realize mature investments, sometimes referred to as being in a "harvesting period," are more likely to make larger distributions than our carry-paying funds that are in their fund raising or investment periods that precede the harvesting period. During times when a significant portion of our AUM is attributable to carry-paying funds that are not in their harvesting periods, we may receive substantially lower carried interest distributions.

In addition, our hedge funds business consists of strategic manager partnerships with third-party hedge fund managers in which KKR owns a minority stake. These hedge fund managers offer a variety of investment strategies, including hedge fund-of-funds, equity hedge funds, credit hedge funds and funds making investments based on natural catastrophe and weather risks. As a result, we are indirectly exposed to the volatility and fluctuations in financial results of our strategic manager partners. For example, certain funds managed by our strategic manager partners have "high-water mark" provisions whereby if the funds have experienced losses in prior periods, the fund managers will not be able to earn incentive fees with respect to a fund investor's account until the net asset value of the fund investor's account exceeds the highest period end value on which incentive fees were previously paid. The incentive fees our strategic manager partners earn are therefore dependent on the net asset value of these funds, which could add to volatility in our quarterly results and cash flow.

A decline in the pace or size of investment by our funds would result in our receiving less revenue from fees.

The transaction and management or monitoring fees that we earn are driven in part by the pace at which our funds make investments and the size of those investments. Any decline in that pace or the size of investments would reduce our revenue from transaction and management or monitoring fees. Likewise, during an attractive selling environment, our funds may capitalize on increased opportunities to exit investments. Any increase in the pace at which our funds exit investments, if not offset by new commitments and investments, would reduce future management fees. Additionally, in certain of our funds that derive management fees only on the basis of invested capital, the pace at which we make investments, the length of time we hold such investment and the timing of disposition will directly impact our revenues. Many factors could cause such a decline in the pace of investment or the transaction and management or monitoring fees we receive, including:

- the inability of our investment professionals to identify attractive investment opportunities;
- competition for such opportunities among other potential acquirers;
- unfavorable market and economic conditions;
- decreased availability of capital or financing on attractive terms;
- our failure to consummate identified investment opportunities because of business, regulatory or legal complexities and adverse developments in the U.S. or global economy or financial markets;
- terms we may agree with or provide to our fund investors or investors in separately managed accounts with respect to fees such as increasing the percentage of transaction or other fees we may share with our fund investors; and
- new regulations, guidance or other actions provided or taken by regulatory authorities.

Our inability to raise additional or successor funds (or raise successor funds of a comparable size as our predecessor funds) could have a material adverse impact on our business.

Our current private equity funds and certain other funds and investment vehicles have a finite life and a finite amount of commitments from fund investors. Once a fund nears the end of its investment period, our success depends on our ability to raise additional or successor funds in order to keep making investments and, over the long term, earning management fees (although our funds and investment vehicles continue to earn management fees after the expiration of their investment periods, they are generally at a reduced rate). Even if we are successful in raising successor funds, to the extent we are unable to raise successor funds of a comparable size to our predecessor funds or the extent that we are delayed in raising such successor funds, our revenues may decrease as the investment period of our predecessor funds expire and associated fees decrease. For example, European Fund IV was smaller than its predecessor fund and North America Fund XI was smaller than its predecessor fund. The performance of our funds also impacts our ability to raise capital, and deterioration in the performance of our funds would result in challenges to future fundraising. The evolving preferences of our fund investors may necessitate that alternatives to the traditional investment fund structure, such as separately managed accounts, smaller funds and co-investment vehicles, become a larger part of our business going forward. This could increase our cost of raising capital at the scale we have historically achieved. Furthermore, in order to raise capital for new strategies and products without drawing capital away from our existing products, we will need to seek new sources of capital such as individual investors.

Our ability to raise new funds could also be hampered if the general appeal of private equity and alternative investments were to decline. An investment in a limited partner interest in a private equity fund is less liquid than an exchange traded instrument and the returns on such investment may be more volatile than an investment in securities for which there is a more active and transparent market. Private equity and alternative investments could fall into disfavor as a result of concerns about liquidity and short-term performance. Institutional investors in private equity funds that have suffered from decreasing returns, liquidity pressure, increased volatility or difficulty maintaining target asset allocations may materially decrease or temporarily suspend making new investments in private equity funds. Such concerns could be exhibited, in particular, by public pension funds, which have historically been among the largest investors in alternative assets. Many public pension funds are significantly underfunded and their funding problems have been, and may in the future be, exacerbated by economic downturn. Concerns with liquidity could cause such public pension funds to reevaluate the appropriateness of alternative investments, and other institutional investors may reduce their overall portfolio allocations to alternative investments. This could result in a smaller overall pool of available capital in our industry. There is no assurance that the amount of commitments investors are making to alternative investment funds will continue at recent levels or that our ability to raise capital from investors will not be hampered.

In addition, the asset allocation rules or regulations or investment policies to which such third-party investors are subject could inhibit or restrict the ability of third-party investors to make investments in our investment funds. Coupled with a lack of distributions from their existing investment portfolios, many of these investors may have been left with disproportionately outsized remaining commitments to, and invested capital in, a number of investment funds, which may significantly limit their ability to make new commitments to third-party managed investment funds such as those advised by us.

Fund investors may also seek to redeploy capital away from certain of our credit or other non-private equity investment vehicles, which permit redemptions on relatively short notice in order to meet liquidity needs or invest in other asset classes. We believe that our ability to avoid excessive redemption levels primarily depends on our funds' continued satisfactory performance, although redemptions may also be driven by other factors important to our fund investors, including their need for liquidity and compliance with investment mandates, even if our performance is superior. Investors' liquidity needs tend to be more pronounced during periods of market volatility. Any such redemptions would decrease our AUM and revenues.

In addition, the Dodd Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), under what has become known as the "Volcker Rule," broadly prohibits depository institution holding companies (including foreign banks with U.S. branches, agencies or commercial lending companies and certain insurance companies), insured depository institutions and their subsidiaries and controlled affiliates, or "banking entities," from investing in "covered funds," including third-party private equity funds like ours. As a result, banking entities, subject to certain limited exemptions, had to conform their existing covered fund investments and relationships to the Volcker Rule, and will be limited in their ability to undertake new contractual commitments to private equity funds like ours.

Banking entities have historically represented an important, although decreasing, class of investors for our funds. It is possible that other institutions will not be available to replace this traditional source of capital for our private equity funds. Furthermore, divestitures by banking entities of interests in private equity funds over the next several years to comply with the Volcker Rule may lead to lower prices in the secondary market for our fund interests, which could have adverse implications for our ability to raise funds from investors who may have considered the availability of secondary market liquidity as a factor in determining whether to invest. In addition to federal law, changes in state and local law may limit investment activities of state pension plans and insurance companies.

The number of funds raising capital varies from year to year, and in years where relatively few funds are raising capital, the growth of our AUM, FPAUM and associated fees may be significantly lower. There is no assurance that fundraises for new strategies or successor funds will experience similar success as our existing or predecessor funds in the future.

Our investors in future funds may negotiate to pay us lower management fees, reimburse us for fewer expenses or change the economic terms of our future funds, including with respect to transaction fees, management fees or monitoring fees, to be less favorable to us than those of our existing funds, which could materially and adversely affect our revenues or profitability.

In connection with raising new funds or securing additional investments in existing funds, we negotiate terms for such funds and investments with our fund limited partners. The outcome of such negotiations could result in our agreement to terms that are materially less favorable to us than the terms of prior funds we have advised or funds advised by our competitors. Such terms could restrict our ability to raise investment funds with investment objectives or strategies that compete with existing funds, reduce fee revenues we earn, reduce the percentage of profits on third-party capital in which we share, increase the performance hurdle required to be generated on investment prior to our right to receive carried interest, add expenses and obligations for us in managing the fund or increase our potential liabilities. Furthermore, as institutional investors increasingly consolidate their relationships with investment firms and competition becomes more acute, we may receive more requests to modify the terms in our new funds. Certain of our newer funds also include more favorable terms for fund investors that commit to early closes for our funds. Additionally, in certain funds, we have agreed to charge management fees based on invested capital or net asset value as opposed to charging management fees based on committed capital. In certain cases, we have provided "fee holidays" to certain investors in which we do not charge management fees for a fixed period of time (such as the first six months). Agreement to terms that are materially less favorable to us could result in a material decrease in our profitability.

Certain institutional investors have also publicly criticized certain fund fee and expense structures, including monitoring fees and transaction fees. We have received and expect to continue to receive requests from a variety of fund investors and groups representing such investors to decrease fees and to modify our carried interest and incentive fee structures, which could result in a reduction or delay in the timing of receipt of the fees and carried interest and incentive fees we earn. The SEC has focused on certain fund fees and expenses, including whether such fees and expenses were appropriately disclosed to fund limited partners, and such focus may lead to increased publicity that could cause fund investors to further resist our receipt of certain fees and expense reimbursements. In our recent flagship private equity funds, we have increased the percentage of transaction and monitoring fees that are credited against fund management fees to 100% of the amount of the transaction and monitoring fees attributable to that fund.

In addition, certain institutional investors, including sovereign wealth funds and public pension funds, have demonstrated an increased preference for alternatives to the traditional investment fund structure, such as separately managed accounts, specialized funds and co-investment vehicles. We also have entered into strategic investor partnerships with specific investors whereby we manage that investor's capital across a variety of our products on separately negotiated terms. There can be no assurance that such alternatives will be as profitable to us as the traditional investment fund structure, and the impact such a trend could have on our results of operations, if widely implemented, is unclear. Moreover, certain institutional investors are demonstrating a preference to in-source their own investment professionals and to make direct investments in alternative assets without the assistance of investment advisers like us. Such institutional investors may become our competitors and could cease to be our clients.

Any agreement to or changes in terms less favorable to us could materially and adversely affect our revenues and profitability.

The investment management business is intensely competitive, which could have a material adverse impact on our business.

We compete as an investment manager for both fund investors and investment opportunities. The investment management business is highly fragmented, with our competitors consisting primarily of sponsors of public and private investment funds, real estate development companies, BDCs, investment banks, commercial finance companies and operating companies acting as strategic buyers of businesses. We believe that competition for fund investors is based primarily on:

- investment performance;
- investor liquidity and willingness to invest;
- investor perception of investment managers' drive, focus and alignment of interest;
- business reputation;
- the duration of relationships with fund investors;
- the quality of services provided to fund investors;
- pricing;
- fund terms (including fees); and
- the relative attractiveness of the types of investments that have been or will be made.

We believe that competition for investment opportunities is based primarily on the pricing, terms and structure of a proposed investment and certainty of execution.

A number of factors serve to increase our competitive risks:

- a number of our competitors in some of our businesses may have greater financial, technical, marketing and other resources and more personnel than we do, and, in the case of some asset classes or geographic regions, longer operating histories, more established relationships, greater expertise or better reputation;
- fund investors may materially decrease their allocations in new funds due to their experiences following an economic downturn, the limited availability of capital, regulatory requirements or a desire to consolidate their relationships with investment firms;
- some of our competitors may have agreed to terms on their investment funds or products that are more favorable to fund investors than our funds or products, such as lower management fees, greater fee sharing or higher performance hurdles for carried interest, and therefore we may be forced to match or otherwise revise our terms to be less favorable to us than they have been in the past;
- some of our funds may not perform as well as competitors' funds or other available investment products;
- our competitors have raised or may raise significant amounts of capital, and many of them have similar investment objectives and strategies to our funds, which may create additional competition for investment opportunities and may reduce the size and duration of pricing inefficiencies that many alternative investment strategies seek to exploit;
- some of these competitors may also have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us with respect to investment opportunities;
- some of our competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments;
- some of our competitors may be subject to less regulation or less regulatory scrutiny and accordingly may have more flexibility to undertake and execute certain businesses or investments than we do and/or bear less expense to comply with such regulations than we do;

- there are relatively few barriers to entry impeding the formation of new funds, including a relatively low cost of entering these businesses, and the successful efforts of new entrants into our various lines of business, including major commercial and investment banks and other financial institutions, have resulted in increased competition;
- some fund investors may prefer to invest with an investment manager that is not publicly traded, is smaller or manages fewer investment products; and
- other industry participants will from time to time seek to recruit our investment professionals and other employees away from us.

We may lose investment opportunities in the future if we do not match investment prices, structures and terms offered by competitors. Our competitors that are corporate buyers may be able to achieve synergistic cost savings in respect of an investment, which may provide them with a competitive advantage in bidding for an investment. Alternatively, we may experience decreased investment returns and increased risks of loss if we match investment prices, structures and terms offered by competitors. Moreover, as a result, if we are forced to compete with other investment firms on the basis of price, we may not be able to maintain our current fund fee, carried interest or other terms. There is a risk that fees and carried interest in the alternative investment management industry will decline, without regard to the historical performance of a manager. Fee or carried interest income reductions on existing or future funds, without corresponding decreases in our cost structure, could materially and adversely affect our revenues and profitability.

In addition, if interest rates were to rise or if market conditions for competing investment products become or are more favorable and such products begin to offer rates of return superior to those achieved by our funds, the attractiveness of our funds relative to investments in other investment products could decrease. This competitive pressure could materially and adversely affect our ability to make successful investments and limit our ability to raise future funds, either of which would adversely impact our business, results of operations and cash flow.

Our structure implicates complex provisions of U.S. federal income tax laws for which no clear precedent or authority may be available. These structures also are subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis. In addition, we may elect to change our structure at any time.

The U.S. federal income tax treatment of our unitholders depends in some instances on determinations of fact and interpretations of complex provisions of U.S. federal income tax laws for which no clear precedent or authority may be available. The U.S. federal income tax rules are constantly under review by persons involved in the legislative process, the Internal Revenue Service ("IRS"), and the U.S. Department of the Treasury, frequently resulting in revised interpretations of established concepts, statutory changes, revisions to regulations and other modifications and interpretations. The present U.S. federal income tax treatment of owning our common units may be modified by administrative, legislative or judicial interpretation at any time, and any such action may affect investments and commitments previously made. The maintenance of the structure and tax attributes of the KKR Group Partnerships, which comprise our businesses, requires significant monitoring and resources. Failure to maintain this structure could result in material adverse tax consequences.

Our organizational documents and agreements give our Managing Partner broad authority to modify our limited partnership agreement from time to time as our Managing Partner determines to be necessary or appropriate, without the consent of the unitholders, to address changes in U.S. federal, state and local income tax regulations, legislation or interpretation. Without the consent of the unitholders, our Managing Partner may also elect to convert KKR into a corporation or cause KKR to be taxed as a corporation for U.S. federal tax purposes, if certain conditions have been satisfied. The Tax Cuts and Jobs Act, which was enacted in December 2017 and amends various aspects of U.S. federal income tax legislation (the "2017 Tax Act"), increases the likelihood of such a conversion. On February 8, 2018, we announced that our senior management and our Managing Partner's board of directors are evaluating whether to convert from a partnership to a corporation. Such a conversion could be a taxable event to our unitholders where gain or loss is recognized. In addition, a conversion would subject all of our future net income to a level of corporate tax, which may reduce the amount of cash available for distribution or reinvestment and reduce our reported after-tax earnings. In addition, certain exemptions from certain corporate governance requirements of the NYSE would no longer be available to us if we convert to a corporation, and we may undertake significant internal reorganization of our organizational structure, both of which could result in an increase in costs. See "—Risks Related to Our Common Units—As a limited partnership, we qualify for some exemptions from the corporate governance and other requirements of the NYSE." Finally, following a conversion, certain future payments required under our tax receivable agreement could be materially higher than they would have been had we not converted. See "—Risks Related to Our Organizational Structure—We will be required to pay our principals for most of the benefits relating to any additional tax depreciation or amortization deductions we may claim as a result of the tax basis step-up we receive in connection with subsequent exchanges of our common units and related transactions" and "Certain Relationships and Related Transactions, and Director Independence—Tax Receivable Agreement."

The U.S. Congress has considered legislation that would have in some cases after a ten-year period, precluded us from qualifying as a partnership or required us to hold carried interest through taxable subsidiary corporations. If any similar legislation were to be enacted and apply to us, the after-tax income and gain related to our business, as well as the market price of our units, could be reduced.

Some legislative and administrative proposals have provided that, for taxable years beginning after the date of enactment (or in some cases, beginning ten years after the date of enactment), income derived with respect to carried interest would not meet the qualifying income requirements under the publicly traded partnership rules. Therefore, if similar legislation is enacted, following such enactment (or such ten-year period), we would be precluded from qualifying as a partnership for U.S. federal income tax purposes. If we were taxed as a U.S. corporation, our effective tax rate would increase significantly. The federal statutory rate for corporations is 21% effective January 1, 2018. In addition, we could be subject to increased state and local taxes. Furthermore, you could be subject to tax on our conversion into a corporation. See "—Our structure implicates complex provisions of U.S. federal income tax laws for which no clear precedent or authority may be available. These structures also are subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis. In addition, we may elect to change our structure at any time."

States and other jurisdictions have also considered legislation to increase taxes with respect to carried interest. For example, New York has periodically considered legislation under which you could be subject to New York state income tax on income in respect of our common units as a result of certain activities of our affiliates in New York, although it is unclear when or whether such legislation will be enacted.

If the proposed legislation described above or any similar legislation were to be enacted and apply to us, the after-tax income and gain related to our business, our ability to fund cash distributions, as well as the market price of our units, could be reduced.

Additional proposed changes in the U.S. and foreign taxation of businesses could adversely affect us.

The U.S. Congress, the Organization for Economic Co-operation and Development (the "OECD") and other government agencies in jurisdictions in which we and our affiliates invest or do business have maintained a focus on issues related to the taxation of multinational companies. The OECD has made changes to numerous long-standing tax principles through its base erosion and profit shifting ("BEPS") project, which is focused on a number of issues, including the allocation of profits among affiliated entities in different tax jurisdictions. The OECD released the BEPS package in October 2015, which looks at various different ways in which domestic tax rules around the world, and the bilateral double tax treaties that govern the interplay between them, could be amended to address perceived profit shifting among affiliated entities. Several of the proposed measures, including measures covering treaty abuse (including an anti-abuse "principal purpose" test that would deny treaty benefits to the extent that obtaining such benefit was one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in such benefit), the deductibility of interest expense, local nexus requirements, transfer pricing and hybrid mismatch arrangements are potentially relevant to some of our structures and could have an adverse tax impact on our funds, investors and/or our portfolio companies. Some member countries have been moving forward on the BEPS agenda but, because timing of implementation and the specific measures adopted will vary among participating states, significant uncertainty remains regarding the impact of BEPS proposals. If implemented, these proposals could result in a loss of tax treaty benefits and increased taxes on income from our investments.

A number of European jurisdictions have enacted taxes on financial transactions, and the European Commission has proposed legislation to harmonize these taxes under the so-called "enhanced cooperation procedure," which provides for adoption of EU-level legislation applicable to some but not all EU Member States. Several of these proposals for reform, if enacted by the United States or by other countries in which we or our affiliates invest or do business, could materially and adversely affect our investment returns and could reduce the cash we have available for distributions to unitholders or for other uses by us. It is unclear what any actual legislation could provide, when it would be proposed or what its prospects for enactment could be.

We depend on our founders and other key personnel, the loss of whose services could have a material adverse effect on our business, results of operations and financial condition.

We depend on the efforts, skills, reputations and business contacts of our employees, including our founders, Henry Kravis and George Roberts, and other key personnel, the information and deal flow they and others generate during the normal course of their activities and the synergies among the diverse fields of expertise and knowledge held by our professionals. Accordingly, our success depends on the continued service of these individuals, who are not obligated to remain employed with us. The loss of the services of any of them could have a material adverse effect on our revenues, net income and cash flows and could harm our ability to maintain or grow AUM in existing funds or raise additional funds in the future.

Our employees and other key personnel possess substantial experience and expertise and have strong business relationships with investors in our funds and other members of the business community. As a result, the loss of these personnel could jeopardize our relationships with investors in our funds and members of the business community and result in the reduction of AUM or fewer investment opportunities. For example, if any of our key personnel were to join or form a competing firm, our business, results of operations and financial condition could suffer.

Furthermore, the agreements governing our committed capital funds generally provide that in the event certain "key persons" (for example, both of Messrs. Kravis and Roberts for our private equity funds, and, in the case of certain geographically or product focused funds, one or more of the executives focused on such funds) cease to actively manage a fund or be substantially involved in KKR activities, investors in the fund will be entitled to reduce, in whole or in part, their capital commitments available for further investments on an investor-by-investor basis. In the case of certain of our fully paid-up funds, investors may be permitted to terminate their investment in the event a "key persons" provision is triggered, which could possibly lead to a liquidation of those funds. In addition, the occurrence of such a "key person" event could cause us to agree to less favorable ongoing terms with respect to the affected fund. Although we periodically engage in discussions with the limited partners of our funds regarding a waiver of such provisions with respect to executives involved in geographically or product focused funds whose departures have occurred or are anticipated, such waiver is not guaranteed, and our limited partners' refusal to provide a waiver may have a material adverse effect on our revenue, net income and cash flow.

If we cannot retain and motivate our employees and other key personnel and recruit, retain and motivate new employees and other key personnel, our business, results of operations and financial condition could be materially and adversely affected.

Our most important asset is our people, and our continued success is highly dependent upon the efforts of our employees and other key personnel, and to a substantial degree on our ability to retain and motivate our employees and other key personnel and to strategically recruit, retain and motivate new talented employees, including qualified investment professionals. However, we may not be successful in these efforts as the market for talented and qualified candidates is extremely competitive. Our ability to recruit, retain and motivate our employees is dependent on our ability to offer highly attractive incentive opportunities. Under the 2017 Tax Act, investments must be held for more than three years, rather than the prior requirement of more than one year, for carried interest to be treated for U.S. federal income tax purposes as capital gain. The longer holding period requirement may result in some of our carried interest being treated as ordinary income, which would materially increase the amount of taxes that our employees and other key personnel would be required to pay, thereby adversely affecting our ability to offer attractive incentive opportunities. See "—Risks Related to U.S. Taxation." Similarly, changes in the United Kingdom with respect to the taxation of carried interest, including the treatment of certain carried interest returns as income, which became effective from April 6, 2016, may impact our ability to recruit, retain and motivate employees and key personnel in the United Kingdom. In addition, there have been proposed laws and regulations that sought to regulate the compensation of certain of our employees. See "—Extensive regulation of our business affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could materially and adversely affect our business." The loss of even a small number of our investment professionals could jeopardize the performance of our funds and other investment products, which would have a material adverse effect on our results of operations. Efforts to retain or attract employees, including our investment professionals, may result in significant additional expenses, which could materially and adversely affect our profitability.

Many of our employees hold interests in our business through KKR Holdings. These individuals historically received financial benefits from our business in the form of distributions and amounts funded by KKR Holdings and through their direct and indirect participation in the value of KKR Group Partnership Units held by KKR Holdings. While all of our employees receive base salaries from us, annual cash bonuses for certain employees were historically borne by KKR Holdings from its cash reserves based upon distributions on a portion of KKR Group Partnership Units held by KKR Holdings. However, many units in KKR Holdings have been allocated to certain employees and non-employee operating consultants, and upon their vesting, distributions on vested units would belong to such unitholders and not be available to fund annual cash bonuses. In addition, under its distribution policy, KKR intends to make equal quarterly distributions to holders of its common units in a fixed amount per common unit per quarter. As a result, to the extent that distributions are made on KKR Group Partnership Units (which are used by KKR to pay such quarterly distributions), the pro rata distributions received by KKR Holdings for KKR Group Partnership Units underlying any unvested KKR Holdings units could be insufficient to fully fund annual cash bonus compensation. In 2017, the amount of such annual cash bonuses borne by KKR Holdings was $5.5 million, and we funded the rest of the cash bonus payments from other sources, including cash from our operations and the carry pool. Although KKR Holdings may fund a larger portion of the cash bonus payments from its cash reserves, if any, in future periods, we likely will continue to utilize our own funds for most, if not all, of the cash bonus payments. In that event, either our profit margins or our employee retention or both may be adversely impacted. There can be no assurance that the carry pool will have sufficient cash available to continue to make such cash payments in the future and fluctuations from the distributions generated from the carry pool, if not offset by funds from other sources, including other performance-based income, could render our compensation less attractive. In any of these circumstances, a higher percentage of our revenue would be paid out in the form of cash compensation, which could have a material adverse impact on our profit margins. Currently 40% or 43%, as applicable, of the carried interest earned from our investment funds is allocated to our carry pool. Our Managing Partner is not permitted under its operating agreement to increase the percentage of carried interest allocable to the carry pool without the consent of a majority of our independent directors. Our carry pool is supplemented by allocating for compensation 40% of the incentive fees that do not constitute carried interest that are earned from investment funds and certain management fee refunds, which percentage may be increased without requiring the consent of a majority of our independent directors under our Managing Partner's operating agreement.

We have granted and expect to grant equity awards from our Equity Incentive Plan, which has caused and will cause dilution. While we evaluate the grant of equity awards from our Equity Incentive Plan to employees on an annual basis, the size of the grants, if any, is made at our discretion, and such grants generally do not require an approval by the independent directors of our Managing Partner's board of directors, except for grants to our executive officers. As we increase the use of equity awards from our Equity Incentive Plan in the future, expense associated with equity-based compensation may increase materially. For example, in connection with compensation in 2017, we allocated equity awards relating to 29.2 million common units under our Equity Incentive Plan and KKR Holdings granted 14.7 million KKR Holdings units to certain senior employees. These KKR Holdings awards were granted from outstanding but previously unallocated units of KKR Holdings, and consequently these grants did not increase the number of KKR Holdings units outstanding or outstanding KKR common units on a fully-diluted basis. See "Executive Compensation—Compensation Discussion and Analysis—Compensation Elements—KKR Holdings Units" for the terms and conditions of such KKR Holdings units. The value of the KKR Holdings units and KKR common units may drop in value or be volatile, which may make our equity less attractive to our employees.

In July 2015, the SEC proposed rules, as mandated by the Dodd-Frank Act, requiring companies to develop and enforce recovery policies that in the event of an accounting restatement, "claw back" from current and former executive officers incentive-based compensation they would not have received based on the restatement. In April and May 2016, the SEC also issued for public comment revised proposed rules designed to prohibit certain incentive-based compensation arrangements deemed to encourage inappropriate risk taking by covered financial institutions by providing "excessive" compensation, fees or benefits or that could lead to material losses. To date, however, the SEC has not adopted the proposed rules. Depending on the outcome of the rule making process, the application of these rules to us could require us to substantially revise our compensation strategy, increase our compensation and other costs, and materially and adversely affect our ability to recruit and retain qualified employees. In addition, less carried interest from the carry pool may be allocated to certain of our employees, which may result in less cash payments to such employees. To the extent our equity incentive or carry pool programs are not effective, we may be limited in our ability to attract, retain and motivate talented employees and other key personnel and we may need to increase the level of cash compensation that we pay.

In addition, there is no guarantee that the confidentiality and restrictive covenant agreements to which our employees and other key personnel are subject, together with our other arrangements with them, will prevent them from leaving us, joining our competitors or otherwise competing with us. Depending on which entity is a party to these agreements and/or the laws applicable to them, we may not be able to, or may choose not to, enforce them or become subject to lawsuits or other claims, and certain of these agreements might be waived, modified or amended at any time without our consent. Even when enforceable, these agreements expire after a certain period of time, at which point each of our employees and other key personnel are free to compete against us and solicit our fund investors and employees. See "Certain Relationships and Related Transactions, and Director Independence—Confidentiality and Restrictive Covenant Agreements."

We strive to maintain a work environment that reinforces our culture of collaboration, motivation and alignment of interests with fund investors. If we do not continue to develop and implement the right processes and tools to manage our changing enterprise and maintain our culture, our ability to compete successfully and achieve our business objectives could be impaired, which could materially and adversely affect our business, results of operations and financial condition.

Operational risks and data security breaches may disrupt our businesses, result in losses or limit our growth.

We rely heavily on our financial, accounting and other data processing systems and on the systems of third parties who provide services to us. If any of these systems do not operate properly or are disabled, we could suffer financial loss, a disruption of our businesses, liability to our funds, regulatory intervention or reputational damage. In addition, we operate in businesses that are highly dependent on information systems and technology. For example, we face operational risk from errors made in the execution, confirmation or settlement of transactions. We also face operational risk from transactions not being properly recorded, evaluated or accounted for in our funds. In particular, our Public Markets business is highly dependent on our ability to process and evaluate, on a daily basis, transactions across markets and geographies in a time-sensitive, efficient and accurate manner. Our and our third-party service providers' information systems and technology may not continue to be able to accommodate our growth, may not be suitable for new products and strategies and may be subject to security risks, and the cost of maintaining such systems and technology may increase from our current level. Such a failure to accommodate growth, or an increase in costs related to such information systems and technology, could have a material adverse effect on our business. Furthermore, most of our administrative personnel and our information system and technology infrastructure are located in our New York City office, and any disruption in the operation of, or inability to access, our New York City office could have a significant impact on our business. We are also dependent on an increasingly concentrated group of third-party vendors that we do not control for hosting solutions and technologies. A disaster or a disruption in technology or infrastructure that supports our businesses, including a disruption involving electronic communications or other services used by us, our vendors or third parties with whom we conduct business, or directly affecting our principal offices, could have a material adverse impact on our ability to continue to operate our business without interruption. Our business continuation or disaster recovery programs may not be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse us for our losses, if at all.

Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. We face various security threats on a regular basis, including ongoing cyber-security threats to and attacks on our information technology infrastructure that are intended to gain access to our proprietary information, destroy data or disable, degrade or sabotage our systems. Although we take protective measures and endeavor to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to unauthorized access, theft, misuse, computer viruses or other malicious code, and other events that could have a security impact. We and our employees have been and expect to continue to be the target of fraudulent calls, emails and other forms of activities. The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means. In addition, cyber-security has become a top priority for regulators around the world. Many jurisdictions in which we operate have laws and regulations relating to data privacy, cyber-security and protection of personal information, including the General Data Protection Regulation in the European Union that goes into effect in May 2018. Some jurisdictions have also enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data. Breaches in security could potentially jeopardize our, our employees' or our fund investors' or counterparties' confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our, our employees', our fund investors', our counterparties' or third parties' operations, which could result in significant losses, increased costs, disruption of our business, liability to our fund investors and other counterparties, regulatory intervention or reputational damage. Furthermore, if we fail to comply with the relevant laws and regulations, it could result in regulatory investigations and penalties, which could lead to negative publicity and may cause our fund investors and clients to lose confidence in the effectiveness of our security measures. Finally, we rely on third party service providers for certain aspects of our business, including for certain information systems, technology, administration, tax and compliance matters. Any interruption or deterioration in the performance of these third parties could impair the quality of our and our funds' operations and could impact our reputation and materially and adversely affect our businesses and limit our ability to grow.

Our portfolio companies also rely on data processing systems and the secure processing, storage and transmission of information, including payment and health information. A disruption or compromise of these systems could have a material adverse effect on the value of these businesses. Our funds may invest in strategic assets having a national or regional profile or in infrastructure, the nature of which could expose them to a greater risk of being subject to a terrorist attack or security breach than other assets or businesses. Such an event may have material adverse consequences on our investment or assets of the same type or may require portfolio companies to increase preventative security measures or expand insurance coverage.

Our organizational documents do not limit our ability to enter into new lines of businesses, and we may expand into new investment strategies, geographic markets and businesses, each of which may result in additional risks and uncertainties in our businesses.

We intend, to the extent that market conditions warrant, to seek to grow our businesses by increasing AUM in existing businesses, pursuing new investment strategies (including investment opportunities in new asset classes), developing new types of investment structures and products (such as separately managed accounts and structured products), and expanding into new geographic markets and businesses. We have in the past opened offices in Asia, the Middle East and Latin America, and also developed a capital markets business in the United States, Europe, the Middle East and Asia-Pacific, which we intend to grow and diversify. We have also launched a number of new investment initiatives in areas such as real estate, energy, infrastructure, growth equity and core investments.

Our organic growth strategy focuses on providing resources to foster the development of new product offerings and business strategies by our investment professionals and launching successor and related products, such that our new strategies achieve a level of scale and profitability. Given our diverse platform, these initiatives could create conflicts of interests with existing products, increase our costs and expose us to new market risks, and legal and regulatory requirements. The success of our organic growth strategy will also depend on, among other things, our ability to correctly identify and create products that appeal to the limited partners of our funds and vehicles. While we have made significant expenditures to develop these new strategies and products, there is no assurance that they will achieve a satisfactory level of scale and profitability. To raise new funds and pursue new strategies, we have and expect to continue to use our balance sheet to warehouse seed investments, which may decrease the liquidity available for other parts of our business. If a new strategy or fund does not develop as anticipated and such investments are not ultimately transferred to a fund, we may be forced to realize losses on these retained investments.

We have and may continue to pursue growth through acquisitions of other investment management companies, acquisitions of critical business partners, strategic partnerships or other strategic initiatives, which may include entering into new lines of business. In addition, we expect opportunities will arise to acquire other alternative or traditional investment managers. For example, we have expanded our European credit business with our acquisition of Avoca in 2014. We have also made minority investments in hedge fund managers, and we have entered into joint ventures with third parties to participate in new real estate investment strategies. On December 11, 2017, we entered into an agreement with FS Investments to form a strategic BDC partnership that will, subject to stockholder approvals and the satisfaction of certain other closing conditions, provide investment advisory services to CCT, CCT II and four BDCs that are currently sponsored by FS Investments. To the extent we make strategic investments or acquisitions, undertake other strategic initiatives or enter into a new line of business, we will face numerous risks and uncertainties, including risks associated with:

- our ability to successfully negotiate and enter into beneficial arrangements with our counterparties;
- the required investment of capital and other resources;
- the incurrence of substantial transaction-related costs including non-recurring transaction-related costs;
- delays or failure to complete an acquisition or other transaction in a timely manner or at all due to a failure to obtain shareholder or regulatory approvals or satisfy any other closing conditions, which may subject us to damages or require us to pay significant costs;
- lawsuits challenging an acquisition or unfavorable judgments in such lawsuits, which may prevent the closing of the transaction, cause delays, or require us to incur substantial costs including in costs associated with the indemnification of directors;
- the possibility that we have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk or liability or have not appropriately planned for such activities;
- the possibility of diversion of management's time and attention from our core business;
- the possibility of disruption of our ongoing business;
- the failure to realize the anticipated benefits from an acquired business or strategic partnership in a timely manner, if at all;
- combining, integrating or developing operational and management systems and controls including an acquired business's internal controls and procedures;
- integration of the businesses including the employees of an acquired business;
- potential increase in concentration of the investors in our funds;
- disagreements with joint venture partners or other stakeholders in strategic partnerships;
- the additional business risks of the acquired business and the broadening of our geographic footprint, including the risks associated with conducting operations in foreign jurisdictions such as taxation;
- properly managing conflicts of interests;
- our ability to obtain requisite regulatory approvals and licenses without undue cost or delay and without being required to comply with material restrictions or material conditions that would be detrimental to us or to the combined organization; and

- regulatory scrutiny or litigation exposure due to the activities of the strategic manager partners or joint venture partners.

Entry into certain lines of business may subject us to new laws and regulations with which we are not familiar, or from which we are currently exempt, and may lead to increased litigation and regulatory risk and costs. If a new business generates insufficient revenues or if we are unable to efficiently manage our expanded operations, our results of operations will be adversely affected. Our strategic initiatives include joint ventures or the acquisition of minority interests in third parties, in which case we will be subject to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputational damage relating to, systems, controls and personnel that are not under our control.

We may not be successful in executing upon or managing the complexities of new investment strategies, markets and businesses, which could adversely affect our business, results of operations and financial condition.

Our growth strategy is based, in part, on the expansion of our platform through selective investment in, and development or acquisition of, businesses and investment strategies complementary to our business. The expansion into new products and geographies has demanded greater management attention and dedication of resources to manage the increasing complexity of operations and regulatory compliance. This growth strategy involves a number of risks, including the risk that: the expected synergies from a newly developed product or strategic alliance will not be realized; the expected results will not be achieved; new strategies are not appropriately planned for or integrated into the firm; the new strategies may conflict, detract from or compete against our existing businesses; the investment process, controls and procedures that we have developed around our existing platform will prove insufficient or inadequate; or our information systems and technology, including related security systems, may prove to be inadequate. We have also entered into strategic investor partnerships and established separately managed accounts, which lack the scale of our traditional funds and are more costly to administer. The prevalence of these accounts may also present conflicts and introduce complexity in the deployment of capital. The offering of investment products to retail investors, including any funds registered under the Investment Company Act, may result in increased compliance and litigation costs. We may also incur significant charges in connection with such investments, which ultimately may result in significant losses and costs. Such losses could adversely impact our business, results of operations and financial condition, as well as harm our professional reputation.

If we are unable to syndicate the securities or indebtedness or realize returns on investments financed with our balance sheet assets, our liquidity, business, results of operations and financial condition could be materially and adversely affected.

Our balance sheet assets provide us with a significant source of capital to grow and expand our business, increase our participation in our transactions and underwrite commitments in our capital markets business. We have used our balance sheet assets to underwrite loans, securities or other financial instruments, which we generally expect to syndicate to third parties. We also entered into an arrangement with a third party that reduces our risk associated with holding unsold securities when underwriting certain debt transactions, which enables our capital markets business to underwrite a larger amount. To the extent that we are unable to syndicate our commitments to third parties or our risk reduction arrangement does not fully perform as anticipated, we may be required to sell such investments at a significant loss or hold them indefinitely. If we are required to retain investments on our balance sheet for an extended period of time, our results would be directly impacted by the performance of such investments and it would also impair our capital markets business' ability to complete additional transactions, either of which could materially and adversely affect our business, results of operations and financial condition.

We generally have a larger balance sheet than many of our competitors, and consequently, the performance of these balance sheet assets has a greater impact on our results of operations. Our success in deploying our balance sheet assets and generating returns on this capital will depend among other things on the availability of suitable opportunities after giving priority in investment opportunities to our advised investment funds, the level of competition from other companies that may have greater financial resources and our ability to value potential development or acquisition opportunities accurately and negotiate acceptable terms for those opportunities. To the extent we are unsuccessful in deploying our balance sheet assets, our business and financial results may suffer. In addition, as our balance sheet assets have been a significant source of capital for new strategies, to the extent that such strategies are not successful or our balance sheet assets cease to provide adequate liquidity, we would be limited in our ability to seed new businesses or support our existing business as effectively as contemplated. See "—We may not be successful in executing upon or managing the complexities of new investment strategies, markets and businesses, which could adversely affect our business, results of operations and financial condition."

Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could materially and adversely affect our business.

Our business is subject to extensive regulation, including periodic examinations, inquiries and investigations by governmental and self-regulatory organizations in the jurisdictions in which we operate around the world. Many of these regulators, including U.S. federal and state and foreign government agencies and self-regulatory organizations, are empowered to impose fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and-desist orders or the suspension or expulsion of applicable licenses and memberships. Any of the foregoing may damage our relationships with existing fund investors, impair our ability to raise capital for successor funds, impair our ability to carry out certain investment strategies, or contravene provisions concerning compliance with law in agreements to which we are a party. Even if a sanction is not imposed or the sanction imposed against us or our personnel by a regulator were small in monetary amount, the adverse publicity relating to the regulatory activity or imposition of these sanctions could harm our reputation and cause us to lose existing fund investors or fail to gain new fund investors. In addition, actions by regulators against other investment managers can cause changes in business practices that could materially and adversely affect our business, results of operations and financial condition.

In recent years, the private equity industry has come under increased regulatory and news media scrutiny with governmental officials and regulators, including the SEC, focusing on the private equity industry's fees, allocation of expenses to funds, valuation practices, allocation of fund investment opportunities, particularly co-investment opportunities, and disclosures to fund investors. In recent years, the SEC's focus areas included, among others, the acceleration of monitoring fees, the allocation of broken-deal expenses, the disclosure, use and compensation of operating partners or consultants, outside business activities of firm principals and employees, group purchasing arrangements, disclosure of affiliated service providers, general conflicts of interest disclosures, cyber-security, data privacy and protection, foreign bribery and corruption, and policies covering insider trading, business continuity and transition planning. While it is unclear whether the SEC will continue its pursuit of these or other focus areas, the SEC's examination and enforcement program continues generally to focus on the alternative investment management industry in which we operate.

Any changes or potential changes in the regulatory framework applicable to our business, including the changes and potential changes described below, as well as adverse news media attention, may: impose additional expenses or capital requirements on us; limit our fundraising for our investment products; result in limitations in the manner in which our business is conducted; have an adverse impact upon our results of operations, financial condition, reputation or prospects; impair employee retention or recruitment; and require substantial attention by senior management. It is impossible to determine the extent of the impact of any new laws, regulations, initiatives or regulatory guidance that may be proposed or may become law on our business or the markets in which we operate. If enacted, any new law, regulation, initiatives or regulatory guidance could negatively impact our funds and us in a number of ways, including: increasing our costs and the cost for our funds of investing, borrowing, hedging or operating; increasing the funds' or our regulatory operating costs; imposing additional burdens on the funds' or our staff; and potentially requiring the disclosure of sensitive information. In addition, we may be materially and adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. New laws, regulations, initiatives or regulatory guidance could make compliance more difficult or more expensive, affect the manner in which we conduct business and divert significant management and operational resources and attention from our business. Moreover, an increase in regulatory investigations and new or enhanced reporting requirements of the trading and other investment activities of alternative investment management funds and firms, including our funds and us, is possible. Such investigations and reporting requirements could impose additional expenses on us, require the attention of senior management, increase the complexity of managing our business, or result in fines or other sanctions if we or any of our funds are deemed to have violated any law or regulations.

Recent and Potential Regulatory Changes in the United States. In recent years, there have been a number of changes in the regulatory framework applicable to our business, including those required under the Dodd-Frank Act. These changes have, among other things: increased regulatory scrutiny of our industry; increased our recordkeeping, reporting and disclosure requirements; and placed restrictions on the growth or type of activities certain financial institutions may pursue. In addition, under the prior administration, regulatory agencies proposed several regulations that, if adopted as proposed, may increase our compliance costs and affect our profitability in various ways. Although the current administration is not presently pursuing all of these proposed regulatory actions, it or future administrations could redirect their attention to these or other areas at any time. We discuss below several recent or potential regulatory changes that may further impact our business.

Financial Stability Oversight Council ("FSOC"). Established under the Dodd-Frank Act, the FSOC is an inter-agency body charged with, among other things, designating systemically important nonbank financial companies for heightened prudential supervision and making recommendations regarding the imposition of enhanced regulatory standards regarding capital, leverage, conflicts and other requirements for financial firms deemed to pose a systemic threat to U.S. financial stability. The FSOC applies a three-stage review process to determine whether to designate a nonbank financial company as systemically important, with the level of scrutiny increasing at each stage. During the first stage, the FSOC applies a broad set of uniform quantitative metrics to identify nonbank financial companies that warrant additional review. In this first stage, the FSOC considers whether a nonbank financial company has at least $50 billion in total consolidated assets and whether it meets other thresholds relating to credit default swaps ("CDS") outstanding, derivative liabilities, loans and bonds outstanding, a minimum leverage ratio of total consolidated assets to total equity of 15 to 1, and a short-term debt ratio of debt (with maturities less than 12 months) to total consolidated assets of 10%. A company that meets both the asset test and at least one of the other thresholds will be subject to additional review in Stage 2. While we have less than $50 billion in total consolidated assets as of December 31, 2017 (as currently measured by the FSOC) and we believe we do not currently meet any of the Stage 1 criteria outlined above, those criteria as well as our business may evolve over time. Additional uncertainty is created because the FSOC retains authority to designate any nonbank financial company as systemically important, even if the company does not meet the Stage 1 criteria. Under the prior administration, FSOC focused on potential systemic risks arising from asset management products and activities. It is unclear whether, under the current administration, the FSOC will continue to focus on this area. If the FSOC were to determine that we were a systemically important nonbank financial company, we would become subject to supervision by the U.S. Federal Reserve and a heightened degree of regulation, including more stringent standards relating to capital, leverage, liquidity, risk management, resolution planning, credit exposure reporting and concentration limits, restrictions on acquisitions, and annual stress testing by the U.S. Federal Reserve. There can be no assurance that nonbank financial firms such as us will not become subject to the aforementioned restrictions or other requirements for financial firms deemed to be systemically important to the financial stability of the U.S. economy.

On December 18, 2014, the FSOC issued a notice seeking public comment on potential systemic risks from asset management products and activities, focusing in particular on (1) liquidity and redemption risks, (2) use of leverage, (3) operational functions and (4) resolution-related issues. On November 16, 2016, the FSOC reiterated its focus on these risk areas, as well as securities lending, in a public statement on its review of asset management products and activities. According to the notice and statement, the FSOC has not made any final determination regarding the existence or nature of any potential risks to financial stability posed by the asset management industry.

Regulation of Swaps. As mandated by the Dodd-Frank Act, the Commodity Futures Trading Commission (the "CFTC") has proposed or adopted a series of rules to establish a comprehensive new regulatory framework for swaps. Under Title VII of the Dodd-Frank Act, the CFTC has assumed regulatory authority over many types of swaps. As a result:

- Operating pooled funds that trade swaps, or providing investment advice to clients that trade swaps is a basis for registration with the CFTC, absent an applicable exemption. Although not mandated by the Dodd-Frank Act, the CFTC in 2012 issued a final rule that rescinded an exemption from CFTC registration for commodity pool operators in connection with privately offered funds. Operating our funds in a manner consistent with one or more exemptions from registration with the CFTC may limit the activities of certain of our funds, and monitoring and analysis of these exemptions requires management and operational resources and attention. Registration with the CFTC, if required, could impact our operations and add additional costs associated with ongoing compliance.

- The Dodd-Frank Act also imposes regulatory requirements on the trading of swaps, including requirements that most swaps be executed on an exchange or "swap execution facility" and cleared through a central clearing house. Although these requirements presently apply only to certain classes of interest rate swaps and CDS, the CFTC may mandate central execution and clearing with respect to additional classes of swaps in the future.

- CFTC regulations employ quantitative tests and thresholds to determine whether entities are "swap dealers" or "major swap participants" that must register in the appropriate category and comply with capital, margin, record keeping, reporting and business conduct rules. Our funds could become subject to the requirement to register as major swap participants due to changes to the funds' investment strategy or valuations, or revisions to the thresholds for registration.

- On December 5, 2016, the CFTC re-proposed rules instituting position limits on certain physical commodity futures contracts that, if finalized as proposed, would limit positions in 28 agricultural, energy and metals commodities, including swaps, futures and options that are economically equivalent to those commodity contracts. On the same day, the CFTC finalized rules that require commonly owned and commonly controlled accounts and entities to aggregate positions, absent an exemption, for position limit purposes. While these final aggregation rules currently apply only to agricultural products for CFTC purposes, the CFTC may expand them to cover oil and gas and other commodities, which could materially and adversely impact our private equity and energy funds. Moreover, the futures exchanges already apply similar aggregation rules to trading in oil, gas and other commodity futures. If the proposed position limits rules are adopted in substantially the form proposed and if the final aggregation rules are applied in a way such that we do not qualify for an exemption, we could be required to aggregate the positions of our various investment funds and the positions of our portfolio companies for which we control trading, which in turn may require us and our portfolio companies to limit our trading activities, and impact the ability of our investment funds to invest or remain invested in certain derivatives, or engage in otherwise profitable acquisitions in particular industries. The Dodd-Frank Act also requires the SEC to establish position limits on security-based swaps, which rules could have a similar impact on our business.

- The CFTC and banking regulators have adopted, and the SEC has proposed, rules regarding margin and capital requirements for most uncleared or "over-the-counter" swaps. These rules generally require swap dealers and major swap participants to collect and post a minimum amount of margin when trading with other covered entities and financial end-users. These requirements could increase the cost of trading in the derivative markets, which could in turn make it more expensive and difficult for us or our funds to enter into swaps and other derivatives in the normal course of our business and reduce the effectiveness of the funds' and our investment strategies. In certain cases, using non-deliverable forward transactions to hedge non-deliverable currencies such as the Indian rupee, South Korean won, Malaysian ringgit and Indonesian rupiah may be cost prohibitive or impractical to execute, because of the margin requirements or capital reserve required to be held against potential derivative liabilities. These rules could also adversely impact liquidity in derivatives markets, which could expose our funds and us to greater risks and reduce hedging opportunities in connection with their trading activities. Variation margin requirements for uncleared swaps became effective in 2017, and initial margin requirements for uncleared swaps are expected to be phased in through 2020, depending on the aggregate notional amount of over-the-counter swaps traded by the funds and us.

- In September 2016, the U.S. Federal Reserve issued for public comment a proposed rule that, if adopted as proposed, would impose significant capital and other prudential requirements on the physical commodities activities of certain banking organizations. The implementation of these or other new regulations could increase the cost of trading in the commodities and derivative markets, which could in turn make it more expensive and difficult for us or our funds to enter into swaps and other derivatives in the normal course of our business. Moreover, these increased regulatory responsibilities and increased costs could reduce trading levels in the commodities and derivative markets by a number of market participants, which could in turn adversely impact liquidity in the markets and expose our funds to greater risks in connection with their trading activities.

Asset-Backed Securities Risk Retention Requirement. Rules adopted by the SEC and federal banking and housing agencies implementing the Dodd-Frank Act's five percent risk retention requirement for originators of asset-backed securities became fully effective on December 24, 2016. The risk retention rules require a "securitizer" or "sponsor" (which, in the case of a CLO, is considered the collateral manager) to retain directly or through a majority-owned affiliate, at least 5% of the credit risk of the securitized assets. These rules could materially and adversely affect the profitability of our CLO activities and may adversely affect the leveraged loan market generally, including the primary or secondary market for CLO securities, including the level of liquidity and trading of CLO securities, which in turn could materially and adversely affect our CLO management business. In addition, certain of our affiliates have been required to execute agreements agreeing to certain undertakings intended to ensure that the CLOs comply with the risk retention rules. In the event one of our affiliates breaches one or more of such undertakings, we or such affiliates could be exposed to claims by the other parties, including for any losses incurred as a result of such breach. On February 9, 2018, The U.S. Court of Appeals for the District of Columbia ruled that CLO managers of open-market CLOs are not subject to the risk retention requirement; however, the decision is subject to further judicial review if federal agencies decide to seek rehearing in court. The implications on our CLO business are unclear, given the near- and long-term uncertainty regarding the validity of the rule.

Other Regulations under the Dodd-Frank Act. The Dodd-Frank Act amended the Exchange Act to compensate and protect whistleblowers who voluntarily provide original information to the SEC and establishes a fund to be used to pay whistleblowers who will be entitled to receive a payment equal to between 10% and 30% of certain monetary sanctions imposed in a successful government action resulting from the information provided by the whistleblower. In addition, in October 2011, the SEC adopted a rule requiring certain advisers to private funds to periodically file reports on Form PF, as required under the Dodd-Frank Act. Large private fund advisers including advisers with at least $1.5 billion in assets under management attributable to hedge funds and advisers with at least $2 billion in assets under management attributable to private equity funds are subject to more detailed and in certain cases more frequent reporting requirements. The information is to be used by the FSOC in monitoring risks to the U.S. financial system. These regulations increase our compliance costs and could result in adverse regulatory actions against us.

Although it is possible that Congress or the current administration could modify and relax regulatory requirements and restrictions that were adopted in response to the financial crisis, the timing and scope of such modifications remain uncertain and may not materialize.

EU-Wide Regulations. The EU Alternative Investment Fund Managers Directive (the "AIFMD") entered into effect on July 22, 2013. The AIFMD establishes a comprehensive regulatory and supervisory framework for alternative investment fund managers ("AIFMs") managing or marketing alternative investment funds ("AIFs") in the European Union. The AIFMD imposes various substantive requirements on authorized AIFMs including rules on the structure of remuneration for certain personnel that are similar to those applicable under CRD III and IV (each as defined below), a threshold for regulatory capital, an obligation to appoint a depositary, reporting obligations in respect of controlled EU portfolio companies and increased transparency towards investors and regulators and allows authorized AIFMs to market AIFs to professional investors throughout the European Union under an "EU passport." The EU passport is not currently available to non-EU AIFMs or to EU AIFMs marketing non-EU AIFs, thereby restricting those persons to marketing under the national private placement regimes of EU Member States.

Although a subsidiary of ours is registered as an AIFM with the Central Bank of Ireland, we may not be able to benefit from the EU marketing passport under the AIFMD for all of our funds, and the EU marketing passport may not apply to marketing to investors in the United Kingdom when its withdrawal from the European Union becomes effective. See "—Brexit" below. The AIFMD, Commission Delegated Regulation (EU) No 231/2013 and EU Member State implementing measures could have a material adverse effect on our businesses by, among other things, (i) imposing disclosure obligations and restrictions on distributions by EU portfolio companies of the funds we manage, (ii) potentially requiring changes in our compensation structures for key personnel, thereby potentially affecting our ability to recruit and retain these personnel, (iii) increasing the cost and complexity of raising capital for our funds, which may slow the pace of fundraising, and (iv) generally increasing our compliance costs. In addition, there are areas of the AIFMD that are subject to legal uncertainty, including the scope of the legal structures qualifying as AIFs whose management and marketing requires authorization, and failure to comply even in areas where there is legal uncertainty can result in enforcement action, including, but not limited to, fines.

The AIFMD is currently subject to a legislative review by the European Commission. The outcome of that review is expected during the course of 2018 and it is not currently clear what changes to the AIFMD, if any, may be implemented and what impact any such changes would have on our business.

In July 2014, revisions to the Markets in Financial Instruments Directive (known as "MiFID I"), consisting of the revised directive, "MiFID II," and a new related regulation, "MiFIR," came into force. MiFID II and MiFIR apply to our operations from January 2018. MiFID II and MiFIR further enhance the EU regulatory framework for the provision of investment services and trading in financial instruments by introducing a number of requirements in regards to transaction reporting, transparency, market infrastructure, securities and derivatives trading, and conduct of business rules, including new harmonized rules for authorization of EU branches of third-country firms seeking to provide certain investment services in the European Union. The application of MiFID II and MiFIR will result in new regulatory burdens on a number of our subsidiaries, which could result in increased costs, and any failure to comply with the new requirements, even in areas where there is legal uncertainty, could result in enforcement action, including, but not limited to, fines.

In the European Union, credit institutions and certain investment firms are subject to the provisions of the Capital Requirements Directive IV ("CRD IV") and the Capital Requirements Regulation. These pieces of legislation implement the capital and liquidity standards promulgated by the Basel Committee on Banking Supervision (commonly referred to as "Basel III"), and impose various governance and remuneration obligations. CRD IV has enhanced our financial reporting obligations and subjected us to new reporting requirements, which increases costs and the risk of non-compliance. Compliance with Basel III may result in significant costs to banking organizations, which, in turn, could result in higher borrowing costs for us and our portfolio companies, and may reduce access to certain types of credit.

Two of our subsidiaries (established in the UK and Ireland) are subject to the remuneration-related requirements of CRD IV, as well as similar requirements under the AIFMD. Additionally, the European Banking Authority has published final guidelines on sound remuneration policies under CRD IV which set out the requirements for remuneration policies, group application and proportionality, along with criteria for the allocation of remuneration as fixed and variable and details on the disclosures required under the Capital Requirements Regulation. These measures required changes in our compensation structures for key personnel, thereby potentially affecting these subsidiaries' ability to recruit and retain these personnel.

Other EU bank regulatory initiatives that could result in higher borrowing costs for us and our portfolio companies or reduce access to certain types of credit include the European Banking Authority's guidelines on limits to exposures to shadow banking entities which carry out banking activities outside a regulated framework under EU law (including funds employing leverage on a substantial basis, within the meaning of AIFMD and its implementing rules, and credit funds), which entered into force on January 1, 2017, and guidelines on leveraged lending, proposed in November 2016 and modeled on U.S. leveraged lending guidelines.

CRD IV and the Capital Requirements Regulation are in the process of being amended, and while the amended measures are likely to impact our business in similar ways to those described above, the extent of that impact cannot yet be determined.

In August 2012, the regulation on OTC Derivatives, Central Counterparties and Trade Repositories (also known as the European Market Infrastructure Regulation, or "EMIR") became effective. EMIR applies to derivatives transactions in which one of the parties is established in the European Union, and may in some circumstances apply to transactions between two non-EU counterparties where these contracts have a direct, substantial and foreseeable effect within the European Union. The European Commission adopted an equivalence decision for the United States in March 2016. However, ongoing regulatory uncertainty regarding the interaction between U.S. and EU requirements for central clearing and related activities could result in duplicative regulatory obligations in the two jurisdictions and could increase our costs of compliance. The implementation of any new regulations could increase the cost of trading in the commodities and derivative markets, which could in turn make it more expensive and difficult for us or our funds to enter into swaps and other derivatives in the normal course of our business. Moreover, these increased regulatory responsibilities and increased costs could reduce trading levels in the commodities and derivative markets by a number of market participants, which could in turn adversely impact liquidity in the markets and expose our funds to greater risks in connection with their trading activities.

A number of other EU financial regulatory initiatives have the potential to materially and adversely affect our business. Future acquisitions by KKR or our funds could lead to application of the European Union's Financial Conglomerates Directive, which introduced a prudential regime for financial conglomerates to address perceived risks associated with large cross-sector businesses, and could increase the costs of investing in insurance companies and banks in the European Union. Other recent EU financial regulatory initiatives such as the Short Selling Regulation, which limits naked short selling of sovereign bonds and stocks, the Bank Recovery and Resolution Directive, which established a recovery and resolution framework for EU credit institutions and investment firms, and a new regulation on reporting and transparency of securities financing transactions, which requires all such transactions to be reported to trade repositories, places additional reporting requirements on investment managers and introduces prior risk disclosures and written consent before assets are rehypothecated, may all impact the complexity and cost of conducting our business in the European Union. The European Union has adopted, and may in the future adopt, additional risk retention and due diligence requirements in respect of various types of EU-regulated investors that, among other things, restrict investors from taking positions in securitization, increase the capital costs of originator, sponsor or original lender of a securitization, and require retaining a larger net economic interest in the securitization, which may adversely affect the profitability of us, our funds or our CLOs and the leveraged loan market generally. The implementation of these new requirements could increase our and our funds' or CLOs' costs and the complexity of managing our business and could result in fines if we or any of our funds or CLOs were deemed to have violated any of the new regulations.

In May 2016, the European Union adopted the General Data Protection Regulation, which will impose stringent data protection requirements and will provide for significant penalties for noncompliance beginning in May 2018. Any inability, or perceived inability, to adequately address privacy and data protection concerns, or comply with applicable laws, regulations, policies, industry standards, contractual obligations, or other legal obligations, even if unfounded, could result in additional cost and liability and could damage our reputation and materially and adversely affect our business.

Brexit. On March 29, 2017, the government of the United Kingdom made a formal notification to the European Council under Article 50 of the Treaty of the European Union, which triggered a two-year period during which the terms of the United Kingdom's exit from the European Union, commonly known as "Brexit," will be negotiated. The final terms of the United Kingdom's exit from the European Union are, and will remain for the immediate future, unclear, and the resulting legal and regulatory uncertainty may impact our business in a number of ways, not all of which are currently readily apparent. Such uncertainty may adversely affect the valuation of our investments that are located in United Kingdom, or those that conduct business in or derive revenues from, the United Kingdom. Following the Brexit, certain of our entities authorized and regulated by the Financial Conduct Authority may no longer be able to avail themselves of passporting rights to provide services in other EU Member States under various pieces of EU legislation, while our Central Bank of Ireland-authorized AIFM may no longer benefit from the EU marketing passport to market products to investors in the United Kingdom. These changes may increase the cost of raising capital, underwriting and distributing securities and conducting business generally and interfere with our ability to market our products and provide our services. Changes in regulation may also impair our ability to recruit, retain and motivate new employees and retain key employees. The United Kingdom's exit could also lead to instability in the European Union, including potential withdrawal by other Member States, which would greatly amplify the adverse events described in this paragraph.

Other Regulations of the Financial Markets. Certain requirements imposed by regulators are designed primarily to ensure the integrity of the financial markets and are not designed to protect holders of interests in our business or our funds. Consequently, these regulations often serve to limit our activities. In addition to many of the regulations and proposed regulations described above under "—Recent and Potential Regulatory Changes in the United States" and "—EU-Wide

Regulations," U.S. federal bank regulatory agencies and the European Central Bank have issued leveraged lending guidance covering transactions characterized by a degree of financial leverage, although in the United States, pursuant to a determination by the U.S. Government Accountability Office in October 2017 that guidance is subject to Congressional review pursuant to the Congressional Review Act before it becomes effective. If upheld in its current form, such guidance would limit the amount or availability of debt financing available to borrowers and may increase the cost of financing we are able to obtain for our transactions and may cause the returns on our investments to suffer. It is unclear whether or how the Congressional review will impact the guidance in the United States.

In 2016, the U.S. Department of Labor (the "DOL") issued a final rule that, among other things, expanded the definition of an "investment advice fiduciary" under U.S. Employee Retirement Income Security Act of 1974 ("ERISA") to potentially include certain investment advisers and other intermediaries who recommend investments to employee benefit plans and individual retirement accounts as fiduciaries to such plans and accounts. The rule, if implemented as first issued by the DOL, could potentially limit our ability to distribute our products to certain investors. On February 3, 2017, President Trump issued a memorandum asking the DOL to examine the final rule, and subsequently, the DOL delayed the applicability date to July 1, 2019 while it determines whether to revise or repeal the rule. It is impossible to predict whether the rule will be implemented in current or revised form, or at all, and if adopted, the timing of the implementation.

In addition, in 2016, the SEC proposed a rule that would require registered investment advisers to adopt and implement written business continuity plans and transition plans based upon the particular risks associated with the individual adviser's operations and address several specified factors. Under the current administration, there is some uncertainty as to whether the proposed rule will be adopted as proposed or at all. While it remains to be seen what the final rule, if adopted, will require, compliance with such a rule may impose additional costs on us.

Certain of the funds we manage that engage in originating, lending and/or servicing loans, may consider investments that would subject us to state and federal regulation, borrower disclosure requirements, limits on fees and interest rates on some loans, state lender licensing requirements and other regulatory requirements in the conduct of their business. If our funds make these investments, they may also be subject to consumer disclosures and substantive requirements on consumer loan terms and other federal regulatory requirements applicable to consumer lending that are administered by the Consumer Financial Protection Bureau. These state and federal regulatory programs are designed to protect borrowers.

State and federal regulators and other governmental entities have authority to bring administrative enforcement actions or litigation to enforce compliance with applicable lending or consumer protection laws, with remedies that can include fines and monetary penalties, restitution of borrowers, injunctions to conform to law, or limitation or revocation of licenses and other remedies and penalties. In addition, lenders and servicers may be subject to litigation brought by or on behalf of borrowers for violations of laws or unfair or deceptive practices. If we enter into transactions that subject us to these risks, failure to conform to applicable regulatory and legal requirements could be costly and have a detrimental impact on certain of our funds and ultimately on us

Portfolio Company Legal and Regulatory Environment. We are subject to certain laws, such as certain environmental laws, takeover laws, anti-bribery, anti-money laundering and anti-corruption laws, escheat or abandoned property laws, antitrust laws and data privacy and data protection laws that may impose requirements on us and our portfolio companies as an affiliated group. As a result, we could become jointly and severally liable for all or part of fines imposed on our portfolio companies or be fined directly for violations committed by portfolio companies, and such fines imposed directly on us could be greater than those imposed on the portfolio company. Moreover, portfolio companies may seek to hold us responsible if any fine imposed on them is increased because of their membership in a larger group of affiliated companies. For example, on April 2, 2014, the European Commission announced that it had fined 11 producers of underground and submarine high voltage power cables a total of 302 million euro for participation in a ten-year market and customer sharing cartel. Fines were also imposed on parent companies of the producers involved, including Goldman Sachs, the former parent company of one of the cartel members. In addition, compliance with certain laws or contracts could also require us to commit significant resources and capital towards information gathering and monitoring thereby increasing our operating costs. For example, because we may indirectly hold voting securities in public utilities subject to regulation by the Federal Energy Regulatory Commission ("FERC"), including entities that may hold FERC authorization to charge market-based rates for sales of wholesale power and energy, we may be subject to certain FERC regulations, including regulations requiring us and our portfolio companies to collect, report and keep updated substantial information concerning our ownership of such voting interests and voting interests in other related energy companies, corporate officers, and our direct and indirect investment in such utilities and related companies. Such rules may subject our portfolio companies and us to costly and burdensome data collection and reporting requirements.

In the United States, certain statutes may subject us or our funds to the liabilities of our portfolio companies. The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also referred to as the "Superfund," requires cleanup of sites from which there has been a release or threatened release of hazardous substances, and authorizes the U.S. Environmental Protection Agency to take any necessary response action at Superfund sites, including ordering potentially responsible parties liable for the release to pay for such actions. Potentially responsible parties are broadly defined under CERCLA and could include us.

In addition, we or certain of our investment funds could potentially be held liable under ERISA for the pension obligations of one or more of our portfolio companies if we or the investment fund were determined to be a "trade or business" under ERISA and deemed part of the same "controlled group" as the portfolio company under such rules, and the pension obligations of any particular portfolio company could be material. On March 28, 2016, a Federal District Court judge in Massachusetts ruled that two private equity funds affiliated with Sun Capital were jointly and severally responsible for unfunded pension liabilities of a Sun Capital portfolio company. While neither fund held more than an 80% ownership interest of the portfolio company, the percentage required under existing regulations to find liability, the court found the funds had formed a partnership-in-fact conducting a trade or business and that as a result each fund was jointly and severally liable for the portfolio company's unfunded pension liabilities. If the rationale of this decision were to be applied by other courts, we or certain of our investment funds could be held liable under ERISA for certain pension obligations of portfolio companies. In addition, if the rationale of this decision were expanded to apply also for U.S. federal income tax purposes, then certain of our investors could be subject to increased U.S. income tax liability or filing obligations in certain contexts.

Similarly, our portfolio companies may be subject to contractual obligations which may impose obligations or restrictions on their affiliates. The interpretation of such contractual provisions will depend on local laws. Given that we do not control all of our portfolio companies and that our portfolio companies generally operate independently of each other, there is a risk that we could contravene one or more of such laws, regulations and contractual arrangements due to limited access and opportunities to monitor compliance. In addition, compliance with these laws or contracts could require us to commit significant resources and capital towards information gathering and monitoring thereby increasing our operating costs.

Complex regulations may limit our ability to raise capital, increase the costs of our capital raising activities and may subject us to penalties .

We regularly rely on exemptions in the United States from various requirements of the Securities Act, the Exchange Act, the Investment Company Act, the Commodity Exchange Act and ERISA in conducting our investment management activities. These exemptions are sometimes highly complex and may in certain circumstances depend on compliance by third parties whom we do not control. If for any reason these exemptions were to become unavailable to us, we could become subject to additional restrictive and costly registration requirements, regulatory action or third-party claims and our business could be materially and adversely affected. For example, in raising new funds, we typically rely on private placement exemptions from registration under the Securities Act, including Rule 506 of Regulation D. However, Rule 506 becomes unavailable to issuers (including our funds) if the issuer or any of its "covered persons" (certain officers and directors and also certain third parties including, among others, promoters, placement agents and beneficial owners of 20% of outstanding voting securities of the issuer) has been the subject of a "disqualifying event," which includes a variety of criminal, regulatory and civil matters (so-called "bad actor" disqualification). If our funds or any of the covered persons associated with our funds is subject to a disqualifying event, one or more of our funds could lose the ability to raise capital in a Rule 506 private offering for a significant period of time, which could significantly impair our ability to raise new funds, and, therefore, could materially and adversely affect our business, results of operations and financial condition. In addition, if certain of our employees or any potential significant investor has been the subject of a disqualifying event, we could be required to reassign or terminate such an employee or we could be required to refuse the investment of such an investor, which could impair our relationships with investors, harm our reputation or make it more difficult to raise new funds. See "—Risks Related to Our Organizational Structure—If we were deemed to be an 'investment company' subject to regulation under the Investment Company Act, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business."

We are and will become further subject to additional regulatory and compliance burdens as we expand our product offerings and investment platform to include retail investors. For example, funds in our Public Markets segment are registered under the Investment Company Act as management investment companies. These funds and KKR Credit Advisors (US) LLC, which currently serves as their investment adviser (or in the case of CCT II, as its sub-adviser), are subject to the Investment Company Act and the rules thereunder, which, among other things, regulate the relationship between a registered investment company (or BDC) and its investment adviser and prohibit or severely restrict principal transactions and joint transactions. As our business expands we may be required to make additional registrations under the Investment Company Act or similar laws, including in jurisdictions outside the United States. Compliance with these rules will increase our compliance costs and create potential for additional liabilities and penalties the management of which would divert management's attention from our business and investments.

Rule 206(4)-5 under the Investment Advisers Act regulates "pay to play" practices by investment advisers involving campaign contributions and other payments to elected officials or candidates for political office who are able to exert influence on government clients. Among other restrictions, the rule prohibits investment advisers from providing advisory services for compensation to a government client for two years, subject to very limited exceptions, after the investment adviser, its senior executives or its personnel involved in soliciting investments from government entities make contributions to certain candidates and officials in position to influence the hiring of an investment adviser by such government client. Advisers are required to implement compliance policies designed, among other matters, to track contributions by certain of the adviser's employees and engagements of third parties that solicit government entities and to keep certain records in order to enable the SEC to determine compliance with the rule. There has also been similar rule-making on a state-level regarding "pay to play" practices by investment advisers, including in California and New York. FINRA has released its own set of "pay to play" regulations that effectively prohibit the receipt of compensation from state or local government agencies for solicitation and distribution activities within two years of a prohibited contribution by a broker-dealer or one of its covered associates. Any failure on our part to comply with these rules could cause us to lose compensation for our advisory services or expose us to significant penalties and reputational damage.

Federal, state and foreign anti-corruption and sanctions laws applicable to us and our portfolio companies create the potential for significant liabilities and penalties and reputational harm .

We are subject to a number of laws and regulations governing payments and contributions to political persons or other third parties, including restrictions imposed by the Foreign Corrupt Practices Act ("FCPA"), as well as trade sanctions and export control laws administered by the Office of Foreign Assets Control ("OFAC"), the U.S. Department of Commerce and the U.S. Department of State. The FCPA is intended to prohibit bribery of foreign governments and their officials and political parties, and requires public companies in the United States to keep books and records that accurately and fairly reflect those companies' transactions. OFAC, the U.S. Department of Commerce and the U.S. Department of State administer and enforce various export control laws and regulations, including economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign states, organizations and individuals. These laws and regulations relate to a number of aspects of our business, including servicing existing fund investors, finding new fund investors, and sourcing new investments, as well as activities by the portfolio companies in our investment portfolio or other controlled investments.

The Iran Threat Reduction and Syrian Human Rights Act of 2012 ("ITRA") expanded the scope of U.S. sanctions against Iran require public reporting companies to disclose in their annual or quarterly reports certain dealings or transactions the company or its affiliates "knowingly" engaged in during the previous reporting period involving Iran or other individuals and entities targeted by certain OFAC sanctions. In some cases, ITRA requires companies to disclose these types of dealings or transactions even if they are permissible under U.S. law or are conducted outside of the United States by a foreign affiliate. If any such activities are disclosed in a periodic report, we are required to separately file, concurrently with such report, a notice of such disclosure. The SEC is required to post this notice on its website and send the report to the U.S. President and certain U.S. Congressional committees. The U.S. President thereafter is required to initiate an investigation and, within 180 days of initiating such an investigation, to determine whether sanctions should be imposed. Disclosure of such activity, even if such activity is not subject to sanctions under applicable law, and any sanctions actually imposed on us or our affiliates as a result of these activities, could harm our reputation and have a negative impact on our business.

Similar laws in non-U.S. jurisdictions, such as EU sanctions or the U.K. Bribery Act, as well as other applicable anti-bribery, anti-corruption, anti-money laundering, or sanction or other export control laws in the United States and abroad, may also impose stricter or more onerous requirements than the FCPA, OFAC, the U.S. Department of Commerce and the U.S. Department of State, and implementing them may disrupt our business or cause us to incur significantly more costs to comply with those laws. Different laws may also contain conflicting provisions, making compliance with all laws more difficult. If we fail to comply with these laws and regulations, we could be exposed to claims for damages, civil or criminal financial penalties, reputational harm, incarceration of our employees, restrictions on our operations and other liabilities, which could materially and adversely affect our business, results of operations and financial condition. In addition, we may be subject to successor liability for FCPA violations or other acts of bribery, or violations of applicable sanctions or other export control laws committed by companies in which we or our funds invest or which we or our funds acquire.

We are subject to substantial litigation risks and may face significant liabilities and damage to our professional reputation as a result of litigation allegations and negative publicity.

The activities of our businesses, including the investment decisions we make and the activities of our employees in connection with our portfolio companies, may subject us and them to the risk of litigation by third parties, including fund investors dissatisfied with the performance or management of our funds, holders of our or our portfolio companies' debt or equity, and a variety of other potential litigants. See the section entitled "Litigation" appearing in Note 18 "Commitments and

Contingencies" to our consolidated financial statements included elsewhere in this report. For example, we, our funds and certain of our employees are each exposed to the risks of litigation relating to investment activities of our funds and actions taken by the officers and directors (some of whom may be KKR employees) of portfolio companies, such as lawsuits by other shareholders of our public portfolio companies or holders of debt instruments of companies in which our funds have significant investments. We are also exposed to risks of litigation, investigation or negative publicity in the event of any transactions that are alleged not to have been properly considered and approved under applicable law.

Although investors in our funds do not have legal remedies against us, the general partners of our funds, our funds, our employees or our affiliates solely based on their dissatisfaction with the investment performance of those funds, such investor may have remedies against us, the general partners of our funds, our funds, our employees or our affiliates to the extent any losses result from fraud, negligence, willful misconduct or other similar misconduct. While the general partners and investment advisers to our investment funds, including their directors, officers, employees and affiliates, are generally indemnified to the fullest extent permitted by law with respect to their conduct in connection with the management of the business and affairs of our investment funds, such indemnity generally does not extend to actions determined to have involved fraud, gross negligence, willful misconduct or other similar misconduct.

If any civil or criminal lawsuits were brought against us and resulted in a finding of substantial legal liability or culpability, the lawsuit could materially and adversely affect our business, results of operations and financial condition or cause significant reputational harm to us, which could seriously impact our business. We depend to a large extent on our business relationships and our reputation for integrity and high-caliber professional services to attract and retain fund investors and qualified professionals and to pursue investment opportunities for our funds. As a result, allegations of improper conduct by private litigants or regulators, whether the ultimate outcome is favorable or unfavorable to us, as well as negative publicity and press speculation about us, our investment activities or the private equity industry in general, whether or not valid, may harm our reputation, which may be more damaging to our business than to other types of businesses.

With a workforce composed of many highly-paid professionals, we face the risk of litigation relating to claims for compensation or other damages, which may, individually or in the aggregate, be significant in amount. The cost of settling any such claims could negatively impact our business, results of operations and financial condition.

Certain types of investment vehicles may subject us to additional risk of litigation and regulatory scrutiny.

We have formed and may continue to form investment vehicles seeking investment from retail investors, which may subject us to additional risk of litigation and regulatory scrutiny. See "—Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could materially and adversely affect our business." We have and expect to continue to distribute products through new channels, including through unaffiliated firms, and we may not be able to effectively monitor or control the manner of their distribution, which could result in litigation against us, including with respect to, among other things, claims that products distributed through such channels are distributed to customers for whom they are unsuitable or distributed in any other inappropriate manner. The distribution of products through new channels whether directly or through market intermediaries, including in the retail channel, could expose us to additional regulatory risk in the form of allegations of improper conduct and/or actions by state and federal regulators against us with respect to, among other things, product suitability, conflicts of interest and the adequacy of disclosure to customers to whom our products are distributed through those channels.

In addition, investment adviser subsidiaries of KKR externally manage a number of publicly traded permanent capital vehicles, including KREF (a REIT listed on the NYSE), CCT (a BDC listed on the NYSE) and KKR Income Opportunities Fund (a closed-end management investment company). We may enter into new investment management agreements with other publicly traded permanent capital vehicles in the future. Publicly traded permanent capital vehicles allow us to invest in longer-term strategies and secure stable fee streams, while providing liquidity to such vehicle's equity investors. However, these vehicles are subject to the heightened regulatory requirements applicable to public companies, including compliance with the laws and regulations of the SEC, the Exchange Act, the Sarbanes-Oxley Act of 2002 and the national securities exchanges on which their securities are listed, among others. These requirements will place increased demands on senior employees, require administrative, operational and accounting resources, and incur significant expenses. Failure to comply with these requirements could result in a civil lawsuit, regulatory penalties, enforcement actions, or potentially lead to suspension of trading or de-listing from an exchange. Furthermore, if the shareholders of these vehicles were to be dissatisfied with the investment performance or disagree with investment strategies employed by us, they may seek to cause the board of directors of the relevant vehicle to terminate the investment management agreement with us or change the terms of such agreement in a manner that is less favorable to us. As publicly traded entities, these permanent capital vehicles also face additional litigation risk, including class actions and other shareholder lawsuits, which would distract senior employees, including investment professionals.

Misconduct of our employees, consultants or sub-contractors or by our portfolio companies could harm us by impairing our ability to attract and retain clients and subjecting us to significant legal liability and reputational harm.

There is a risk that our employees, consultants or sub-contractors could engage in misconduct that adversely affects our business. We are subject to a number of obligations and standards arising from our business and our authority over the assets we manage. The violation of these obligations and standards by any of our employees, consultants or sub-contractors would adversely affect our clients and us. We may also be adversely affected if there is misconduct by senior management of portfolio companies in which we invest, even though we may be unable to control or mitigate such misconduct. Such misconduct may also negatively affect the valuation of the investments in such portfolio companies. Our current and former employees, consultants or sub-contractors and those of our portfolio companies may also become subject to allegations of sexual harassment, racial and gender discrimination or other similar misconduct, which, regardless of the ultimate outcome, may result in adverse publicity that could significantly harm our and such portfolio company's brand and reputation. Furthermore, our business often requires that we deal with confidential matters of great significance to companies in which we may invest. If our employees, consultants or sub-contractors were improperly to use or disclose confidential information, we could suffer serious harm to our reputation, financial position and current and future business relationships, as well as face potentially significant litigation or investigation. It is not always possible to detect or deter such misconduct, and the precautions we take may not be effective in all cases. If any of our employees, consultants or sub-contractors or the employees of portfolio companies were to engage in misconduct or were to be accused of such misconduct, our business and our reputation could be materially and adversely affected.

Underwriting, syndicating and securities placement activities expose us to risks.

KKR Capital Markets LLC and our other broker-dealer subsidiaries may act as an underwriter, syndicator or placement agent in securities offerings and, through affiliated entities, loan syndications. We may incur losses and be subject to reputational harm to the extent that, for any reason, we are unable to sell securities or indebtedness we purchased or placed as an underwriter, syndicator or placement agent at the anticipated price levels or at all. As an underwriter, syndicator or placement agent, we also may be subject to potential liability for material misstatements or omissions in prospectuses and other offering documents relating to offerings we underwrite, syndicate or place. In certain situations, our broker-dealer subsidiaries may have liabilities arising from transactions in which our investment fund may participate as a purchaser of securities, which could constitute a conflict of interest or subject us to damages or reputational harm.

We are subject to risks in using third-party service providers, including prime brokers, custodians, administrators and other agents.

Certain of our investment funds and our principal trading activities depend on the services of third-party service providers, including prime brokers, custodians, administrators and other agents, to carry out administrative or other services, including valuations, securities transactions, tax preparation and government filings. We are subject to risks of errors and mistakes made by these third parties, which may be attributed to us and subject us or our fund investors to reputational damage, penalties or losses. We may be unsuccessful in seeking reimbursement or indemnification from these third-party service providers.

Furthermore, in the event of the insolvency of a prime broker and/or custodian, our funds may not be able to recover equivalent assets in full as they will rank among the prime broker's and custodian's unsecured creditors in relation to assets that the prime broker or custodian borrows, lends or otherwise uses. In addition, our and our funds' cash held with a prime broker or custodian may not be segregated from the prime broker's or custodian's own cash, and our funds therefore may rank as unsecured creditors in relation to that cash. The inability to recover assets from the prime broker or custodian could have a material adverse impact on the performance of our funds and our business, results of operations and financial condition. Counterparties have generally reacted to recent market volatility by tightening their underwriting standards and increasing their margin requirements for all categories of financing, which has the result of decreasing the overall amount of leverage available and increasing the costs of borrowing. Many of our funds have credit lines, and if a lender under one or more of these credit lines were to become insolvent, we may have difficulty replacing the credit line and one or more of our funds may face liquidity problems.

Default risk may arise from events or circumstances that are difficult to detect, foresee or evaluate. In addition, concerns about, or a default by, one large market participant could lead to significant liquidity problems for other market participants, which may in turn expose us to significant losses. We may not accurately anticipate the impact of market stress or counterparty financial condition, and as a result, we may not have taken sufficient action to reduce these risks effectively, which, if left unmitigated, could have a material adverse effect on our business, results of operations and financial condition.

Risks Related to the Assets We Manage

As an investment manager, we sponsor and manage funds that make investments worldwide on behalf of third-party investors and, in connection with those activities, are required to deploy our own capital in those investments. The investments of these funds are subject to many risks and uncertainties which, to the extent they are material, are discussed below. In addition, we have investments on our balance sheet, which we manage for our own behalf. These risks, as they apply to our balance sheet investments, may have a greater impact on our results of operations and financial conditions as we directly bear the full risk of our balance sheet investments. As a result, the gains and losses on such assets are reflected in our net income and the risks set forth below relating to the assets that we manage will directly affect our operating performance.

The historical returns attributable to our funds, including those presented in this report, should not be considered as indicative of the future results of our funds or our balance sheet investments, of our future results or the performance of our common units.

We have presented in this report certain information relating to our investment returns, such as net and gross IRRs, multiples of invested capital and realized and unrealized investment values for funds that we have sponsored and managed. The historical and potential future returns of the funds that we manage are not directly linked to returns on KKR Group Partnership Units.

Moreover, historical returns of our funds may not be indicative of the future results that you should expect from our funds or our balance sheet investments. In particular, the future results may differ significantly from their historical results for the following reasons, among others:

- the rates of returns of our funds reflect unrealized gains as of the applicable valuation date that may never be realized, which may adversely affect the ultimate value realized from those funds' investments;
- the historical returns that we present in this report derive largely from the performance of our earlier private equity funds, whereas future fund returns will depend increasingly on the performance of our newer funds, which may have little or no investment track record, and in particular, you will not benefit from any value that was created in our funds prior to the KPE Transaction to the extent such value has been realized and we may be required to repay excess amounts previously received in respect of carried interest in our funds if, upon liquidation of the fund, we have received carried interest distributions in excess of the amount to which we were entitled;
- the future performance of our funds will be affected by macroeconomic factors, including negative factors arising from disruptions in the global financial markets that were not prevalent in the periods relevant to the historical return data included in this report;
- in some historical periods, the rates of return of some of our funds have been positively influenced by a number of investments that experienced a substantial decrease in the average holding period of such investments and rapid and substantial increases in value following the dates on which those investments were made; those trends and rates of return may not be repeated in the future as the actual or expected length of holding periods related to investments is likely longer than such historical periods;
- our newly established funds may generate lower returns during the period that they take to deploy their capital;
- our funds' returns have benefited from investment opportunities and general market conditions in certain historical periods that may not repeat themselves, and there can be no assurance that our current or future funds will be able to avail themselves of comparable investment opportunities or market conditions; and
- we may create new funds and investment products in the future that reflect a different asset mix in terms of allocations among funds, investment strategies, geographic and industry exposure, vintage year and economic terms.

In addition, our historical rates of return reflect our historical cost structure, which has varied and may vary further in the future. Certain of our newer funds, for example, have lower fee structures and also have performance hurdles. Future returns will also be affected by the risks described elsewhere in this report, including risks of the industry sectors and businesses in which a particular fund invests and changes in laws. See "—Risks Related to Our Business—Difficult market and economic conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial prospects and condition."

Valuation methodologies for certain assets in our funds and on our balance sheet can be subjective and the fair value of assets established pursuant to such methodologies may never be realized, which could result in significant losses for our funds and us.

There are no readily ascertainable market prices for a substantial majority of illiquid investments of our investment funds, our finance vehicles or other assets on our balance sheet. When determining fair values of investments, we use the last reported market price as of the statement of financial condition date for investments that have readily observable market prices. When an investment does not have a readily available market price, the fair value of the investment represents the value, as determined by us in good faith, at which the investment could be sold in an orderly disposition over a reasonable period of time between willing parties other than in a forced or liquidation sale. There is no single standard for determining fair value in good faith and in many cases fair value is best expressed as a range of fair values from which a single estimate may be derived. When making fair value determinations for our private equity investments, we typically use a market multiples approach that considers a specified financial measure (such as EBITDA) and/or a discounted cash flow analysis. Real asset investments in infrastructure, energy and real estate are valued using one or more of the discounted cash flow analysis, market comparables analysis and direct income capitalization, which in each case incorporates significant assumptions and judgments, and in certain cases may utilize the services of independent valuation firms. Credit investments are valued using values obtained from dealers or market makers, and where these values are not available, credit investments are valued by us based on ranges of valuations determined by an independent valuation firm.

Each of these methodologies requires estimates of key inputs and significant assumptions and judgments. We also consider a range of additional factors that we deem relevant, including the applicability of a control premium or illiquidity discount, the presence of significant unconsolidated assets and liabilities, any favorable or unfavorable tax attributes, the method of likely exit, financial projections, estimates of assumed growth rates, terminal values, discount rates including risk free rates, capital structure, risk premiums, commodity prices and other factors, and determining these factors may involve a significant degree of our management's judgment and the judgment of management of our portfolio companies.

Because valuations, and in particular valuations of investments for which market quotations are not readily available, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, determinations of fair value may differ materially from the values that would have resulted if a ready market had existed. Even if market quotations are available for our investments, such quotations may not reflect the value that we would actually be able to realize because of various factors, including possible illiquidity associated with a large ownership position, subsequent illiquidity in the market for a company's securities, future market price volatility or the potential for a future loss in market value based on poor industry conditions or the market's view of overall company and management performance. Our partners' capital could be adversely affected if the values of investments that we record is materially higher than the values that are ultimately realized upon the disposal of the investments and changes in values attributed to investments from quarter to quarter may result in volatility in our AUM and such changes could materially affect the results of operations that we report from period to period. There can be no assurance that the investment values that we record from time to time will ultimately be realized and that we will be able to realize the investment values that are presented in this report.

Because there is significant uncertainty in the valuation of, or in the stability of the value of, illiquid investments, the fair values of investments reflected in an investment fund's or finance vehicle's net asset value ("NAV") do not necessarily reflect the prices that would actually be obtained by us on behalf of the fund or finance vehicle when such investments are realized. For example, there may be liabilities such as unknown or uncertain tax exposures with respect to investments, especially those outside the United States, which may not be fully reflected in valuations. Realizations at values significantly lower than the values at which investments have been reflected in prior fund NAVs would result in losses for the applicable fund and the loss of potential carried interest and other fees. Also, if realizations of our investments produce values materially different than the carrying values reflected in prior fund NAVs, fund investors may lose confidence in us, which could in turn result in difficulty in raising capital for future funds.

In addition, because we value our entire portfolio only on a quarterly basis, subsequent events that may have a material impact on those valuations may not be reflected until the next quarterly valuation date.

Our investments are impacted by various economic conditions that are difficult to quantify or predict, which may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our results of operations and financial condition.

Our investments are impacted by various economic conditions that are difficult to quantify or predict, which may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our results of operations and financial condition. For example:

- Global equity markets, which may be volatile, significantly impact the valuation of our portfolio companies and, therefore, the investment income that we recognize. For our investments that are publicly listed and thus have readily observable market prices, global equity markets have a direct impact on valuation. For other investments, these markets have an indirect impact on valuation as we typically utilize market multiples (i.e. stock price of comparable companies divided by earnings or cash flow) as a critical input to ascertain fair value of our investments that do not have readily observable market prices. In addition, the valuation for any particular period may not be realized at the time of disposition. For example, because our private equity funds often hold very large amounts of the securities of their portfolio companies, the disposition of these securities often takes place over a long period of time, which can further expose us to volatility risk. In addition, the receptivity of equity markets to initial public offerings, as well as subsequent secondary equity offerings by companies already public, impacts our ability to realize investment gains. Unfavorable market conditions, market volatility and other factors may also adversely impact our strategic manager partnerships with third-party hedge fund managers by influencing the level or pace of subscriptions or redemptions from the funds managed by our partners.

- Changes in credit markets can also impact valuations and may have offsetting results depending on the valuation methodology used. For example, we typically use a discounted cash flow analysis as one of the methodologies to ascertain the fair value of our investments that do not have readily observable market prices. If applicable interest rates rise, then the assumed cost of capital for those portfolio companies would be expected to increase under the discounted cash flow analysis, and this effect would negatively impact their valuations if not offset by other factors. Rising U.S. interest rates may also negatively impact certain foreign currencies that depend on foreign capital flows. Conversely, a fall in interest rates can positively impact valuations of certain portfolio companies if not offset by other factors. These impacts could be substantial depending upon the magnitude of the change in interest rates. In certain cases, the valuations obtained from the discounted cash flow analysis and the other primary methodology we use, the market multiples approach, may yield different and offsetting results. For example, the positive impact of falling interest rates on discounted cash flow valuations may offset the negative impact of the market multiples valuation approach and may result in less of a decline in value than for those investments that had a readily observable market price. Finally, low interest rates related to monetary stimulus and economic stagnation may also negatively impact expected returns on all investments, as the demand for relatively higher return assets increases and supply decreases.

- Foreign exchange rates can materially impact the valuations of our investments that are denominated in currencies other than the U.S. dollar. For example, U.S. dollar appreciation relative to other currencies is likely to cause a decrease in the dollar value of non-U.S. investments to the extent unhedged.

- Conditions in commodity markets impact the performance of our portfolio companies and other investments in a variety of ways, including through the direct or indirect impact on the cost of the inputs used in their operations as well as the pricing and profitability of the products or services that they sell. The price of commodities has historically been subject to substantial volatility, which among other things, could be driven by economic, monetary, political or weather related factors. If our funds' operator or our portfolio companies are unable to raise prices to offset increases in the cost of raw materials or other inputs, or if consumers defer purchases of or seek substitutes for the products of our funds or such portfolio companies, our funds or such portfolio companies could experience lower operating income which may in turn reduce the valuation of such funds' investments or those portfolio companies. The value of energy investments generally increase or decrease with the increase or decrease, respectively, of energy commodity prices and in particular with long-term forecasts for such energy commodity prices. Given our investments in oil and gas companies and assets, the value of this portfolio and the investment income we realize is sensitive to oil and gas prices. The volatility of commodity prices also makes it difficult to predict commodity price movements. Apart from our energy investments, a number of our other investments may be dependent to varying degrees on the energy sector through, for example, the provision of equipment and services used in energy exploration and production. These companies may benefit from an increase or suffer from a decline in commodity prices.

Changes in these factors can have a significant effect on the results of the valuation methodologies used to value our portfolio, and our reported fair values for these assets could vary materially if these factors from prior quarters were to change significantly. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Environment."

Global and regional economic conditions have a substantial impact on the value of investments. See "—Risks Related to Our Business—Difficult market and economic conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial prospects and condition."

Dependence on significant leverage in investments by our funds and our balance sheet assets could adversely affect our ability to achieve attractive rates of return on those investments.

Because many of our funds' investments and our balance sheet investments often rely heavily on the use of leverage, our ability to achieve attractive rates of return will depend on our continued ability to access sufficient sources of indebtedness at attractive rates. For example, our credit funds use varying degrees of leverage when making investments. Similarly, in many private equity investments, indebtedness may constitute 70% or more of a portfolio company's total debt and equity capitalization, including debt that may be incurred in connection with the investment, and a portfolio company's indebtedness may also increase in recapitalization transactions subsequent to the company's acquisition. The absence of available sources of sufficient debt financing for extended periods of time could therefore materially and adversely affect our funds and our portfolio companies. U.S. federal bank regulatory agencies and the European Central Bank have issued leveraged lending guidance covering transactions characterized by a degree of financial leverage. Such guidance limits the amount or availability of debt financing and may increase the cost of financing we are able to obtain for our transactions and may cause the returns on our investments to suffer.

In addition, the 2017 Tax Act has limited the tax deductibility of interest, which could have a material adverse effects on us. See "—Risks Related to U.S. Taxation—Comprehensive U.S. federal income tax reform tax legislation became effective in 2018, which could have a material effect on us."

An increase in either the general levels of interest rates or in the risk spread demanded by sources of indebtedness such as we experienced during the global financial crisis in 2008 and 2009 would make it more expensive to finance those investments. In addition, increases in interest rates could decrease the value of fixed-rate debt investments that our balance sheet assets, finance vehicles or our funds make. Increases in interest rates could also make it more difficult to locate and consummate private equity and other investments because other potential buyers, including operating companies acting as strategic buyers, may be able to bid for an asset at a higher price due to a lower overall cost of capital or their ability to benefit from a higher amount of cost savings following the acquisition of the asset. In addition, a portion of the indebtedness used to finance private equity investments often includes high-yield debt securities issued in the capital markets. Capital markets are volatile, and there may be times when we might not be able to access those markets at attractive rates, or at all, when completing an investment.

Investments in highly leveraged entities are also inherently more sensitive to declines in revenues, increases in expenses and interest rates and adverse economic, market and industry developments. The incurrence of a significant amount of indebtedness by an entity could, among other things:

- subject the entity to a number of restrictive covenants, terms and conditions, any violation of which would be viewed by creditors as an event of default and could materially impact our ability to realize value from our investment;
- allow even moderate reductions in operating cash flow to render it unable to service its indebtedness;
- give rise to an obligation to make mandatory prepayments of debt using excess cash flow, which might limit the entity's ability to respond to changing industry conditions to the extent additional cash is needed for the response, to make unplanned but necessary capital expenditures or to take advantage of growth opportunities;
- limit the entity's ability to adjust to changing market conditions, thereby placing it at a competitive disadvantage compared to its competitors who have relatively less debt;
- limit the entity's ability to engage in strategic acquisitions that might be necessary to generate attractive returns or further growth; and
- limit the entity's ability to obtain additional financing or increase the cost of obtaining such financing, including for capital expenditures, working capital or other general corporate purposes.

A leveraged company's income and equity also tend to increase or decrease at a greater rate than would otherwise be the case if money had not been borrowed. As a result, the risk of loss associated with a leveraged company is generally greater than for comparable companies with comparatively less debt. For example, leveraged companies could default on their debt obligations due to a decrease in revenues and cash flow precipitated by an economic downturn or by poor relative performance at such a company. Similarly, the leveraged nature of some of our investments in real assets increases the risk that a decline in the fair value of the underlying real asset will result in their abandonment or foreclosure. For example, if the property-level debt on a particular investment has reached its maturity and the underlying asset value has declined below its debt-level, we may, in absence of cooperation by the lender in regards to a partial debt-write-off, be forced to put the investment into liquidation. In addition, the 2017 Tax Act partially limits the deductibility of interest payments. See "Risks Related to Our Business—Additional proposed changes in the U.S. and foreign taxation of businesses could adversely affect us."

When our existing portfolio investments reach the point when debt incurred to finance those investments matures in significant amounts and must be either repaid or refinanced, those investments may materially suffer if they have generated insufficient cash flow to repay maturing debt and there is insufficient capacity and availability in the financing markets to permit them to refinance maturing debt on satisfactory terms, or at all. If the financing for such purposes were to be unavailable or uneconomic when significant amounts of the debt incurred to finance our existing portfolio investments start to come due, these investments could be materially and adversely affected. In the event of default or potential default under applicable financing arrangements, one or more of our portfolio companies may go bankrupt, which could give rise to substantial investment losses, adverse claims or litigation against us or our employees and damage to our reputation.

Among the sectors particularly challenged by downturns in the global credit markets (such as the global financial crisis in 2008 and 2009) are the CLO and leveraged finance markets. We have significant exposure to these markets through our CLO subsidiaries, which we principally acquired in the acquisitions of KFN and Avoca. As of December 31, 2017, we indirectly hold below investment grade corporate loans and securities with a $10.2 billion estimated fair market value through our CLO subsidiaries. Each of these subsidiaries is a special purpose company that issued to us and other investors notes secured by a pool of collateral consisting primarily of corporate leveraged loans. In most cases, our CLO holdings are deeply subordinated, representing the CLO subsidiary's substantial leverage, which increases both the opportunity for higher returns as well as the magnitude of losses when compared to holders or investors that rank more senior to us in right of payment. These loans and bonds also generally involve a higher degree of risk than investment grade rated debt, including the risks described in the paragraphs above. Our CLO subsidiaries have historically experienced an increase in downgrades, depreciations in market value and defaults in respect of leveraged loans in their collateral during downturns in credit markets. The CLOs' portfolio profile tests set limits on the amount of discounted obligations a CLO can hold. During any time that a CLO issuer exceeds such a limit, the ability of the CLO's manager to sell assets and reinvest available principal proceeds into substitute assets is restricted. In such circumstances, CLOs may fail certain over-collateralization tests, which would cause diversions of cash flows away from us as holders of the more junior CLO, which may impact our cash flows. The ability of the CLOs to make interest payments to the holders of the senior notes of those structures is highly dependent upon the performance of the CLO collateral. If the collateral in those structures were to experience a significant decrease in cash flow due to an increased default level, payment of all principal and interest outstanding may be accelerated as a result of an event of default or by holders of the senior notes. There can be no assurance that market conditions giving rise to these types of consequences will not occur, re-occur, subsist or become more acute in the future. Because our CLO structures involve complex collateral and other arrangements, the documentation for such structures is complex, is subject to differing interpretations and involves legal risk. These CLOs have served as long-term, non-recourse financing for debt investments and as a way to minimize refinancing risk, minimize maturity risk and secure a fixed cost of funds over an underlying market interest rate. An inability to continue to utilize CLOs or other similar financing vehicles successfully could limit our ability to fund future investments, grow our business or fully execute our business strategy and our results of operations may be materially and adversely affected.

Our CLO subsidiaries regularly use significant leverage to finance their assets. An inability by such subsidiaries to continue to raise or utilize leverage, to refinance or extend the maturities of their outstanding indebtedness or to maintain adequate levels of collateral under the terms of their CLOs could limit their ability to grow their business, reinvest principal cash, distribute cash to us or fully execute their business strategy, and our results of operations may be materially and adversely affected. If these subsidiaries are unable to maintain their operating results and access to capital resources, they could face substantial liquidity problems and might be required to dispose of material assets or operations to meet debt service and other obligations. These CLO strategies and the value of the assets of such CLO subsidiaries are also sensitive to changes in interest rates because these strategies rely on borrowed money and because the value of the underlying portfolio loans can fall when interest rates rise. If interest rates on CLO borrowings increase and the interest rates on the portfolio loans do not also increase, the CLO strategy is unlikely to achieve its projected returns. Also, if interest rates increase in the future, our CLO portfolio will likely experience a reduction in value because it would hold assets receiving below market rates of interest.

Our credit-oriented funds and CLOs may choose to use leverage as part of their respective investment programs and regularly borrow a substantial amount of their capital. The use of leverage poses a significant degree of risk and enhances the possibility of a significant loss in the value of the investment portfolio. A fund may borrow money from time to time to purchase or carry securities or debt obligations or may enter into derivative transactions (such as total return swaps) with counterparties that have embedded leverage. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the securities purchased or carried and will be lost—and the timing and magnitude of such losses may be accelerated or exacerbated—in the event of a decline in the market value of such securities or debt obligations. Gains realized with borrowed funds may cause the fund's NAV to increase at a faster rate than would be the case without borrowings. However, if investment results fail to cover the cost of borrowings, the fund's NAV could also decrease faster than if there had been no borrowings.

Any of the foregoing circumstances could have a material adverse effect on our results of operations, financial condition and cash flow.

The due diligence process that we undertake in connection with our investments may not reveal all facts that may be relevant in connection with an investment.

Before making our investments, we conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. The objective of the due diligence process is to identify attractive investment opportunities based on the facts and circumstances surrounding an investment, to identify possible risks associated with that investment and, in the case of private equity investments, to prepare a framework that may be used from the date of an acquisition to drive operational achievement and value creation. When conducting due diligence, we typically evaluate a number of important business, financial, tax, accounting, environmental, regulatory and legal issues in determining whether or not to proceed with an investment. Outside consultants, legal advisors, accountants and investment banks are involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, we rely on resources available to us, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence process may at times be subjective with respect to newly organized companies or carve-out transactions for which only limited information is available.

Instances of bribery, fraud, accounting irregularities and other improper, illegal or corrupt practices can be difficult to detect, and fraud and other deceptive practices can be widespread in certain jurisdictions. Several of our funds invest in emerging market countries that may not have established laws and regulations that are as stringent as in more developed nations, or where existing laws and regulations may not be consistently enforced. For example, our funds invest throughout jurisdictions that have material perceptions of corruption according to international rating standards (such as Transparency International's Corruption Perceptions Index) such as China, India, Indonesia, Latin America, the Middle East and Africa. Due diligence on investment opportunities in these jurisdictions is frequently more complicated because consistent and uniform commercial practices in such locations may not have developed. Bribery, fraud, accounting irregularities and corrupt practices can be especially difficult to detect in such locations.

The due diligence conducted for certain of our Public Markets strategies, as well as certain Private Markets investments, is limited to publicly available information. Accordingly, we cannot be certain that the due diligence investigation that we will carry out with respect to any investment opportunity will reveal or highlight all relevant facts (including fraud, bribery and other illegal activities and contingent liabilities) that may be necessary or helpful in evaluating such investment opportunity, including the existence of contingent liabilities. We also cannot be certain that our due diligence investigations will result in investments being successful or that the actual financial performance of an investment will not fall short of the financial projections we used when evaluating that investment.

Our investment management activities involve investments in relatively high-risk, illiquid assets, and we may fail to realize any profits from these activities for a considerable period of time or lose some or all of the capital invested.

Many of our funds and our balance sheet may hold investments in securities that are not publicly traded. In many cases, our funds or we may be prohibited by contract or by applicable securities laws from selling such securities at many points in time. Our funds or we will generally not be able to sell these securities publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration is available, and then only at such times when we do not possess material nonpublic information. The ability of many of our funds or us to dispose of investments is heavily dependent on the capital markets and in particular the public equity markets. For example, the ability to realize any value from an investment may depend upon the ability to complete an initial public offering of the portfolio company in which such investment is made. Even if the securities are publicly traded, large holdings of securities can often be disposed of only over a substantial length of time, exposing our investment returns to risks of downward movement in market prices during the intended disposition period.

Moreover, because the investment strategy of many of our funds, particularly our private equity funds, often entails having representation on our funds' public portfolio company boards, our funds may be restricted in their ability to effect such sales during certain time periods. As many of our funds have a finite term, we could also be forced to dispose of investments sooner than otherwise desirable. Accordingly, under certain conditions, our funds may be forced to either sell securities at lower prices than they had expected to realize or defer sales that they had planned to make, potentially for a considerable period of time. Moreover, we may determine that we may be required to sell our balance sheet assets alongside our funds' investments at such times. We have made and expect to continue to make significant capital investments in our current and future funds and other strategies. Contributing capital to these funds is risky, and we may lose some or all of the principal amount of our investments.

Our investments are subject to a number of inherent risks.

Our results are highly dependent on our continued ability to generate attractive returns from our investments. Investments made by our private equity, credit or other investments involve a number of significant risks inherent to private equity, credit and other investing, including the following:

- companies in which investments are made may have limited financial resources and may be unable to meet their obligations under their securities, which may be accompanied by a deterioration in the value of their equity securities or any collateral or guarantees provided with respect to their debt;

- companies in which investments are made are more likely to depend on the management talents and efforts of a small group of persons and, as a result, the death, disability, resignation or termination of one or more of those persons could have a material adverse impact on their business and prospects;

- companies in which private equity investments are made may be businesses or divisions acquired from larger operating entities that may require a rebuilding or replacement of financial reporting, information technology, operational and other functions;

- companies in which investments are made may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position;

- instances of bribery, fraud and other deceptive practices committed by senior management of portfolio companies in which our funds or we invest may undermine our due diligence efforts with respect to such companies, and if such bribery, fraud or other deceptive practices are discovered, negatively affect the valuation of a fund's investments as well as contribute to overall market volatility that can negatively impact a fund's or our investment program;

- our funds may make investments that they do not advantageously dispose of prior to the date the applicable fund is dissolved, either by expiration of such fund's term or otherwise, resulting in a lower than expected return on the investments and, potentially, on the fund itself;

- our portfolio companies generally have capital structures established on the basis of financial projections based primarily on management's judgments and assumptions, and general economic conditions and other factors may cause actual performance to fall short of these financial projections, which could cause a substantial decrease in the value of our equity holdings in the portfolio company and cause our funds' or our performance to fall short of our expectations;

- executive officers, directors and employees of an equity sponsor may be named as defendants in litigation involving a company in which an investment is made or is being made, and we or our funds may indemnify such executive officers, directors or employees for liability relating to such litigation;

- we advise funds that invest in businesses that operate in a variety of industries that are subject to extensive domestic and foreign regulation (including companies that supply services to governmental agencies), such as the telecommunications industry, the defense and government services industry, the healthcare industry and oil and gas industry, which may involve greater risk due to rapidly changing market and governmental conditions in those sectors;

- our transactions involve complex tax structuring that could be challenged or disregarded, which may result in losing treaty benefits or would otherwise adversely impact our investments; and

- significant failures of our portfolio companies to comply with laws and regulations applicable to them could affect the ability of our funds or us to invest in other companies in certain industries in the future and could harm our reputation.

Our investments in real assets such as real estate, infrastructure and energy may expose us to increased risks and liabilities and may expose our unitholders to adverse tax consequences.

Investments in real assets, which may include real estate, infrastructure, oil and gas properties and other energy assets, may expose us to increased risks and liabilities that are inherent in the ownership of real assets. For example:

- Ownership of real assets in our funds or vehicles may increase our risk of liability under environmental laws that impose, regardless of fault, joint and several liability for the cost of remediating contamination and compensation for damages. In addition, changes in environmental laws or regulations or the environmental condition of an investment may create liabilities that did not exist at the time of acquisition that would not have been foreseen. Even in cases where we are indemnified by a seller with respect to an investment against liabilities arising out of violations of environmental laws and regulations, there can be no assurance as to the financial viability of the seller to satisfy such indemnities or our ability to achieve enforcement of such indemnities;

- Ownership of real assets may also present additional risk of liability for personal and property injury or impose significant operating challenges and costs, for example with respect to compliance with zoning, environmental or other applicable laws;

- Real asset investments may face construction risks, including without limitation: (i) labor disputes, shortages of material and skilled labor, or work stoppages; (ii) slower than projected construction progress and the unavailability or late delivery of necessary equipment; (iii) less than optimal coordination with public utilities in the relocation of their facilities; (iv) adverse weather conditions and unexpected construction conditions; (v) accidents or the breakdown or failure of construction equipment or processes; (vi) catastrophic events such as explosions, fires and terrorist activities, and other similar events and (vii) risks associated with holding direct or indirect interests in undeveloped land or underdeveloped real property. These risks could result in substantial unanticipated delays or expenses (which may exceed expected or forecasted budgets) and, under certain circumstances, could prevent completion of construction activities once undertaken. Certain real asset investments may remain in construction phases for a prolonged period and, accordingly, may not be cash generative for a prolonged period. Recourse against the contractor may be subject to liability caps or may be subject to default or insolvency on the part of the contractor;

- The operation of real assets is exposed to potential unplanned interruptions caused by significant catastrophic or force majeure events. These risks could, among other effects, adversely impact the cash flows available from investments in real assets, cause personal injury or loss of life, damage property, or instigate disruptions of service. In addition, the cost of repairing or replacing damaged assets could be considerable. Repeated or prolonged service interruptions may result in permanent loss of customers, litigation, or penalties for regulatory or contractual non-compliance. Force majeure events that are incapable of, or too costly to, cure may also have a permanent adverse effect on an investment; and

- The management of the business or operations of a real asset may be contracted to a third-party management company unaffiliated with us. Although it would be possible to replace any such operator, the failure of such an operator to adequately perform its duties or to act in ways that are in the best interest of the investment, or the breach by an operator of applicable agreements or laws, rules and regulations, could have an adverse effect on the investment's results of operations and financial condition. Real asset investments may involve the subcontracting of design and construction activities in respect of projects, and as a result our investments are subject to the risk that contractual provisions passing liabilities to a subcontractor could be ineffective, the subcontractor fails to perform services that it has agreed to provide and in cases where a single subcontractor provides services to various investments, the subcontractor becomes insolvent.

Without limiting the foregoing risks, we note that investments that we have made and will continue to make in the oil and gas industries may present specific environmental, safety and other inherent risks. Such investments are subject to stringent and complex foreign, federal, state and local laws, ordinances and regulations specific to oil and gas industries, including, for example, those governing transportation, exploration and production of oil and natural gas. There are also various conservation laws and regulations applicable to oil and natural gas production and related operations, in addition to regulations governing occupational health and safety, the discharge of materials into the environment and other practices relating to environmental protection. Failure to comply with applicable laws, ordinances and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial obligations and the issuance of orders enjoining some or all of our operations in affected areas. These laws, ordinances and regulations may also restrict the rate of oil and natural gas production below the rate that would otherwise be possible and increase the cost of production, thereby reducing profitability. Our oil and gas investments are subject to other risks, such as:

- Volatility in the prices of oil and gas properties may make it difficult to ensure that our acquisition of interest in such properties is at appropriate prices;

- Currently unforeseen environmental incidents may occur or past non-compliance with environmental laws or regulations may be discovered making it difficult to predict the future costs or impact of compliance;

- The oil and gas industries present inherent risk of personal and property injury, for which we may not be fully insured;

- There may be unforeseen or increased regulatory and environmental risks stemming from the use of new technologies, including hydraulic fracturing;

- Our estimated oil, natural gas, and natural gas liquids reserve quantities and future production rates are based on many assumptions that may prove to be inaccurate. Any material inaccuracies in these reserve estimates or the underlying assumptions will materially affect the quantities and value of our reserves;

- The performance of our energy investments depend on the skill, ability and decisions of third-party operators. The success of our investment will depend on their exploitation, development, construction and drilling activities and the timing and cost of drilling, completing and operating wells. Failure of such operators to comply with applicable laws, rules and regulations could result in liabilities to us, reduce the value of our interest in the oil and natural gas properties, and materially and adversely affect our cash flows and results of operations; and

- If commodity prices decline and remain depressed for a prolonged period, a significant portion of our development projects may become uneconomic and cause write-downs of the value of our oil and gas properties, which may reduce the value of our energy investments, have a negative impact on our ability to use these investments as collateral or otherwise have a material adverse effect on our results of operations.

Investments in real estate are subject to the risks inherent in the ownership and operation of real estate and real estate-related businesses and assets. These risks include those associated with the burdens of ownership of real property, general and local economic conditions, changes in supply of and demand for competing properties in an area (as a result, for instance, of overbuilding), fluctuations in the average occupancy, the financial resources of tenants, changes in building, environmental and other laws, energy and supply shortages, various uninsured or uninsurable risks, natural disasters, changes in government regulations (such as rent control), changes in real property tax rates, changes in interest rates, the reduced availability of mortgage funds that may render the sale or refinancing of properties difficult or impracticable, negative developments in the economy that depress travel activity, environmental liabilities, contingent liabilities on disposition of assets, terrorist attacks, war and other factors that are beyond our control.

- The success of certain investments will depend on the ability to restructure and effect improvements in the operations of the applicable properties, and there is no assurance that we will be successful in identifying or implementing such restructuring programs and improvements.

- If we acquire direct or indirect interests in undeveloped land or underdeveloped real property, which may often be non-income producing, they will be subject to the risks normally associated with such assets and development activities, including risks relating to the availability and timely receipt of zoning and other regulatory or environmental approvals, the cost and timely completion of construction (including risks beyond the control of our fund, such as weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms.

- The strategy of our real estate funds may be based, in part, on the availability for purchase of assets at favorable prices followed by the continuation or improvement of market conditions or on the availability of refinancing. No assurance can be given that the real estate businesses or assets can be acquired or disposed of at favorable prices or that refinancing will be available.

- Lenders in commercial real estate financing customarily will require a "bad boy" guarantee, which typically provides that the lender can recover losses from the guarantors for certain bad acts, such as fraud or intentional misrepresentation, intentional waste, willful misconduct, criminal acts, misappropriation of funds, voluntary incurrence of prohibited debt and environmental losses sustained by lender. For our acquisitions, "bad boy" guarantees would generally be extended by our funds, our balance sheet or a combination of both depending on the ownership of the relevant asset. In addition, "bad boy" guarantees typically provide that the loan will be a full personal recourse obligation of the guarantor, for certain actions, such as prohibited transfers of the collateral or changes of control and voluntary bankruptcy of the borrower. It is expected that commercial real estate financing arrangements generally will require "bad boy" guarantees and in the event that such a guarantee is called, a fund's or our assets could be materially and adversely affected. Moreover, "bad boy" guarantees could apply to actions of the joint venture partners associated with the investments, and in certain cases the acts of such joint venture partner could result in liability to our funds or us under such guarantees.

- The acquisition, ownership and disposition of real properties carry certain specific litigation risks. Litigation may be commenced with respect to a property acquired in relation to activities that took place prior to the acquisition of such property. In addition, at the time of disposition, other potential buyers may bring claims related to the asset or for due diligence expenses or other damages. After the sale of a real estate asset, buyers may later sue our funds or us for losses associated with latent defects or other problems not uncovered in due diligence.

- Our funds or we may be subject to certain risks associated with investments in particular assets. REITs may be affected by changes in the value of their underlying properties and by defaults by borrowers or tenants. REITs depend on their ability to generate cash flow to make distributions and may be impacted by changes in tax laws or by a failure to qualify for tax-free pass through income. Investments in real estate debt investments may be unsecured and subordinated to a substantial amount of indebtedness. Such debt investments may not be protected by financial covenants. Non-performing real estate loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial write-down of the principal of such loan. Investments in commercial mortgage loans are subject to risks of delinquency, foreclosure and loss of principal. In the event of any default under a mortgage loan held directly by our fund or us, our fund or we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the loan. Investments in assets or businesses that are distressed may have little or no near-term cash flow and involve a high degree of risk. Such investments subject to bankruptcy or insolvency could be subordinated or disallowed.

Infrastructure investments often involve an ongoing commitment to a municipal, state, federal or foreign government or regulatory agencies. The nature of these obligations exposes the owners of infrastructure investments to a higher level of regulatory control than typically imposed on other businesses. They may also rely on complex government licenses, concessions, leases or contracts, which may be difficult to obtain or maintain. Infrastructure investments may require operators to manage such investments, and such operators' failure to comply with laws, including prohibitions against bribing of government officials, may materially and adversely affect the value of such investments and cause us serious reputational and legal harm. Revenues for such investments may rely on contractual agreements for the provision of services with a limited number of counterparties, and are consequently subject to counterparty default risk. The operations and cash flow of infrastructure investments are also more sensitive to inflation and, in certain cases, commodity price risk. Furthermore, services provided by infrastructure investments may be subject to rate regulations by government entities that determine or limit prices that may be charged. Similarly, users of applicable services, or government entities in response to such users, may react negatively to any adjustments in rates, which may reduce the profitability of such infrastructure investments.

In addition, investments in real assets may cause adverse tax consequences for certain non-U.S. unitholders regarding income effectively connected with the conduct of a U.S. trade or business and the imposition of certain tax withholding. See "—Risks Related to U.S. Taxation—Non-U.S. persons face unique U.S. tax issues from owning our common units that may result in adverse tax consequences to them." Moreover, investments in real assets may also require all our unitholders to file tax returns and pay taxes in various state and local jurisdictions in the United States and abroad where these real assets are located. See "—Risks Related to U.S. Taxation—Holders of our common units may be subject to state, local and foreign taxes and return filing requirements as a result of owning such units."

Our growth equity strategy invests in emerging and less established companies that are heavily dependent on new technologies.

Our growth equity funds may make investments in companies that are in a conceptual or early stage of development. These companies are often characterized by short operating histories, new technologies and products, quickly evolving markets, management teams that may have limited experience working together and in many cases, negative cash flow, all of which enhance the difficulty of evaluating these investment opportunities and the ultimate success of such investments. Other substantial operational risks to which such companies are subject include: uncertain market acceptance of the company's products or services; a high degree of regulatory risk for new or untried or untested business models, products and services; high levels of competition among similarly situated companies; new competing products and technology; lower barriers to entry and downward pricing pressure; lower capitalizations and fewer financial resources; and the potential for rapid organizational or strategic change. In addition, emerging growth companies may be more susceptible to macroeconomic effects and industry downturns, and their valuations may be more volatile depending on the achievement of milestones, such as receiving a governmental license or approval. Growth equity companies also generally depend heavily on intellectual property rights, including patents, trademarks and proprietary products or processes. The ability to effectively enforce patent, trademark and other intellectual property laws in a cost-effective manner will affect the value of many of these companies. The presence of patents or other intellectual property rights belonging to other parties may lead to the termination of the research and development of a portfolio company's particular product. In addition, if a portfolio company infringes on third-party patents or other intellectual property rights, it could be prevented from using certain third-party technologies or forced to acquire licenses in order to obtain access to such technologies at a high cost.

Certain of our funds and CLOs and our firm through our Principal Activities segment hold high-yield, below investment grade or unrated debt, or securities of companies that are experiencing significant financial or business difficulties, which generally entail greater risk, and if those risks are realized, it could materially and adversely affect our results of operations, financial condition and cash flow.

Certain of our funds and CLOs in our Public Markets segment and our firm through our Principal Activities segment invest in high-yield, below investment grade or unrated debt, including corporate loans and bonds, each of which generally involves a higher degree of risk than investment grade rated debt, and may be less liquid. Issuers of high yield, below investment grade or unrated debt may be highly leveraged, and their relatively high debt-to-equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations. As a result, high yield or unrated debt is often less liquid than investment grade rated debt. Also, investments may be made in loans and other forms of debt that are not marketable securities and therefore are not liquid. In the absence of appropriate hedging measures, changes in interest rates generally will also cause the value of debt investments to vary inversely to such changes. The obligor of a debt security or instrument may not be able or willing to pay interest or to repay principal when due in accordance with the terms of the associated agreement and collateral may not be available or sufficient to cover such liabilities. Commercial bank lenders and other creditors may be able to contest payments to the holders of other debt obligations of the same obligor in the event of default under their commercial bank loan agreements. Sub-participation interests in syndicated debt may be subject to certain risks as a result of having no direct contractual relationship with underlying borrowers. Debt securities and instruments may be rated below investment grade by recognized rating agencies or unrated and face ongoing uncertainties and exposure to adverse business, financial or economic conditions and the issuer's failure to make timely interest and principal payments.

Certain of our investment funds, especially in our special situations strategy, and our firm through our Principal Activities segment may hold interests in business enterprises involved in work-outs, liquidations, reorganizations, bankruptcies and similar transactions and may purchase high-risk receivables. An investment in such business enterprises entails the risk that the transaction in which such business enterprise is involved either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the fund of the security or other financial instrument in respect of which such distribution is received. In addition, if an anticipated transaction does not in fact occur, we or the fund may be required to sell the investment at a loss. Investments in troubled companies may also be adversely affected by U.S. federal and state and non-U.S. laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and a bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. Investments in securities and private claims of troubled companies made in connection with an attempt to influence a restructuring proposal or plan of reorganization in a bankruptcy case may also involve substantial litigation, which has the potential to adversely impact us or unrelated funds or portfolio companies. Companies that were not in financial distress at the time we or our funds made investments may in the future require work-outs, liquidations, reorganizations, bankruptcies or similar transactions, and as a result, become subject to the same risks described above. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies, there is a potential risk of loss of the entire investment in such company. Such investments involve a substantial degree of risk, and a decline in value of the assets would have a material adverse effect on our financial performance.

Our investment in Nephila is exposed to natural catastrophe and weather risk.

Our investment in Nephila, an investment manager focused on investing in natural catastrophe and weather risk, is exposed to a risk of reduced revenues resulting from natural disasters. Because catastrophic loss events are by their nature unpredictable, historical results of operations of Nephila may not be indicative of its future results of operations. As a result of the occurrence of one or more major catastrophes in any given period, the expected returns from this investment may fall short of our expectations.

We often pursue investment opportunities that involve business, regulatory, legal or other complexities.

As an element of our investment style, we often pursue complex investment opportunities. This can often take the form of substantial business, regulatory or legal complexity that would deter other investment managers. Our tolerance for complexity presents risks, as such transactions can be more difficult, expensive and time consuming to finance and execute; it can be more difficult to manage or realize value from the assets acquired in such transactions; and such transactions sometimes entail a higher level of regulatory scrutiny, the application of complex tax laws or a greater risk of contingent liabilities. Our transactions involve complex tax structures that are costly to establish, monitor and maintain, and as we pursue a larger number of transactions across multiple assets classes and in multiple jurisdictions, such costs will increase and the risk that a tax matter is overlooked or inadequately or inconsistently addressed will increase. Consequently, we may fail to achieve the desired tax benefit or otherwise decrease the returns of our investments or damage the reputation of our firm. Changes in law and regulation and in the enforcement of existing law and regulation, such as antitrust laws and tax laws, also add complexity and risk to our business. Further, we, directly or through our funds, may acquire an investment that is subject to contingent liabilities, which could be unknown to us at the time of acquisition or, if they are known to us, we may not accurately assess or protect against the risks that they present. Acquired contingent liabilities could thus result in unforeseen losses for us or our funds. In addition, in connection with the disposition of an investment in a portfolio company, we or a fund may be required to make representations about the business and financial affairs of such portfolio company typical of those made in connection with the sale of a business. We or a fund may also be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities by us or a fund, even after the disposition of an investment. Any of these risks could harm the performance of us or our funds.

Our private equity investments are typically among the largest in the industry, which involves certain complexities and risks that are not encountered in small- and medium-sized investments.

Our private equity funds make investments in companies with relatively large capitalizations, which involves certain complexities and risks that are not encountered in small- and medium-sized investments. For example, larger transactions may be more difficult to finance and exiting larger deals may present incremental challenges. In addition, larger transactions may pose greater challenges in implementing changes in the company's management, culture, finances or operations, and may entail greater scrutiny by regulators, interest groups and other third parties. These constituencies may be more active in opposing larger investments by certain private equity firms.

In some transactions, the amount of equity capital that is required to complete a large capitalization private equity transaction may be significant and are required to be structured as a consortium transaction. A consortium transaction involves an equity investment in which two or more private equity firms serve together or collectively as equity sponsors. While we have sought to limit where possible the amount of consortium transactions in which we have been involved, we have participated in a significant number of those transactions. Consortium transactions generally entail a reduced level of control by our firm over the investment because governance rights must be shared with the other consortium investors. Accordingly, we may not be able to control decisions relating to a consortium investment, including decisions relating to the management and operation of the company and the timing and nature of any exit, which could result in the risks described in "—We and our funds have made investments in companies that we do not control, exposing us to the risk of decisions made by others with which we may not agree." Any of these factors could increase the risk that our larger investments could be less successful. The consequences to our investment funds of an unsuccessful larger investment could be more severe given the size of the investment. Moreover, we have significant capital of our own committed in such large investments. For certain large private equity transactions, we may seek to syndicate a portion of our capital commitment to third parties; however, if we are unable to syndicate all or part of such commitment, we may be required to fund the remaining commitment amount from our balance sheet. As a result, the poor performance of any such large investment may have a material adverse impact on our financial results. See "—Risks Related to Our Business—If we are unable to syndicate the securities or indebtedness or realize returns on investments financed with our balance sheet assets, our liquidity, business, results of operations and financial condition could be materially and adversely affected" and "—Our funds and our firm through our Principal Activities segment may make a limited number of investments, or investments that are concentrated in certain issuers, geographic regions or asset types, which could negatively affect our performance or the performance of our funds to the extent those concentrated assets perform poorly."

We and our funds have made investments in companies that we do not control, exposing us to the risk of decisions made by others with which we may not agree.

We and our funds hold investments that include debt instruments and equity securities of companies that we do not control, and such investments may comprise an increasing part of our business. Such instruments and securities may be acquired by our funds through trading activities or through purchases of securities from the issuer or we may purchase such instruments and securities on a principal basis. In addition, our funds may acquire minority equity interests, particularly when making private equity investments in Asia, making growth equity investments or sponsoring investments as part of a large investor consortium or through many of our Public Markets funds. Our funds may also dispose of a portion of their majority equity investments in portfolio companies over time in a manner that results in the funds retaining a minority investment. We and our funds, including our newer private equity funds, have made certain minority investments in publicly traded companies.

We have also increasingly made minority investments in companies including hedge fund managers on our balance sheet. For example, we have investments in Marshall Wace, Nephila, BlackGold and Acion. In addition, on June 1, 2017, KKR Prisma and PAAMCO were combined to create PAAMCO Prisma, a leading liquid alternatives investment firm in which KKR owns a minority interest.

Transactions made by companies we do not control could be viewed as unwanted, damage our reputation, and consequently impair our ability to source transactions in the future. Those investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which we do not agree or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve our interests. These companies may be subject to complex regulatory requirements and instances of non-compliance by them may subject us to reputational harm or in certain cases, liability. We are also reliant on the systems and processes of these companies for, among other, financial information and valuations of our investments in or with them, including hedge fund managers and their funds, but we do not control the decisions and judgments made during such processes. Our investments in hedge fund managers may subject us to additional regulatory complexities or scrutiny if we are deemed to control the company for regulatory purposes, despite our minority interest. These asset managers may also be dependent on their founders and other key persons, and the loss of these key personnel could adversely impact our investment. If any of the foregoing were to occur, the value of the investments held by our funds or by us could decrease and our results of operations, financial condition and cash flow could be materially and adversely affected.

We make investments in companies that are based outside of the United States, which may expose us to additional risks not typically associated with investing in companies that are based in the United States.

Many of our funds invest or have the flexibility to invest a significant portion of their assets in the equity, debt, loans or other securities of issuers that are based outside of the United States. A substantial amount of these investments consist of private equity investments made by our private equity funds. For example, as of December 31, 2017, approximately 51% of the capital invested in those funds was attributable to non-U.S. investments. Investing in companies that are based or have significant operations in countries outside of the United States and, in particular, in emerging markets such as Brazil, China and India, Eastern Europe, South and Southeast Asia, Latin America and Africa, involves risks and considerations that are not typically associated with investments in companies established in the United States. These risks may include the following:

- the possibility of exchange control regulations;
- restrictions on repatriation of profit on investments or of capital invested;
- the imposition of non-U.S. taxes and changes in tax law;
- differences in the legal and regulatory environment, such as the recognition of information barriers, or enhanced legal and regulatory compliance;
- greater levels of corruption and potential exposure to the FCPA and other laws that prohibit improper payments or offers of payments to foreign governments, their officials and other third parties;
- violations of sanctions regimes;
- limitations on borrowings to be used to fund acquisitions or dividends;
- limitations on permissible counterparties in our transactions or consolidation rules that effectively restrict the types of businesses in which we may invest;
- political risks generally, including political and social instability, nationalization, expropriation of assets or political hostility to investments by foreign or private equity investors;
- less liquid markets;

- reliance on a more limited number of commodity inputs, service providers and/or distribution mechanisms;
- adverse fluctuations in currency exchange rates and costs associated with conversion of investment principal and income from one currency into another;
- higher rates of inflation;
- less available current information about an issuer;
- higher transaction costs;
- less government supervision of exchanges, brokers and issuers;
- less developed bankruptcy and other laws;
- greater application of concepts like equitable subordination, which may, in bankruptcy or insolvency, result in the subordination of debt or other senior interests held by our investment funds, vehicles or accounts in companies in which our investment funds, vehicles or accounts also hold equity interests;
- difficulty in enforcing contractual obligations;
- lack of uniform accounting, auditing and financial reporting standards;
- less stringent requirements relating to fiduciary duties;
- fewer investor protections; and
- greater price volatility.

As a result of the complexity of and lack of clear laws, precedent or authority with respect to the application of various income tax laws to our structures, the application of rules governing how transactions and structures should be reported is also subject to differing interpretations. In particular, certain jurisdictions have either proposed or adopted rules that seek to limit the amount of interest that may be deductible where the lender and the borrower are related parties (or where third-party borrowings have been guaranteed by a related party) and in some cases, without regard to whether the lender is a related party, or may seek to interpret existing rules in a more restrictive manner. In addition, the tax authorities of certain countries have sought to disallow tax deductions for transaction and certain other costs at the portfolio company level either on the basis that the entity claiming the deduction does not benefit from the costs incurred or on other grounds. These measures will most likely adversely affect portfolio companies in those jurisdictions in which our investment funds have investments, and limit the benefits of additional investments in those countries. Our business is also subject to the risk that similar measures might be introduced in other countries in which our investment funds currently have investments or plan to invest in the future, or that other legislative or regulatory measures that negatively affect their respective portfolio investments might be promulgated in any of the countries in which they invest.

In addition, certain countries such as Australia, China, India, Japan, Brazil and South Korea, where we have made investments, have sought to tax investment gains derived by nonresident investors, including private equity funds, from the disposition of the equity in companies operating in those countries. In some cases this development is the result of new legislation or changes in the interpretation of existing legislation and local authority assertions that investors have a local taxable presence or are holding companies for trading purposes rather than for capital purposes, or are not otherwise entitled to treaty benefits.

Further, the tax authorities in certain countries, such as Australia, Belgium, China, India, Japan, Denmark, Germany and South Korea have sought to deny the benefits of income tax treaties or EU Directives with respect to withholding taxes on interest and dividends and capital gains of nonresident entities. Benefits of income tax treaties or EU Directives could be denied under each country's general anti-avoidance rules or on the basis that the entity benefiting from such treaty or Directive is not the owner of the income, is a mere conduit inserted primarily to access treaty benefits or Directives, or otherwise lacks substance.

These various proposals and initiatives could result in an increase in taxes paid by our funds and/or increased tax withholding with respect to our investors. See "—Risks Related to Our Business—Additional proposed changes in the U.S. and foreign taxation of businesses could adversely affect us."

As a result of the complexity of our structures, foreign jurisdictions may seek to tax an additional portion of the fee income associated with our management advisory activity. Foreign jurisdictions may assert that an additional amount of fee income is subject to local tax, potentially reducing our profits associated with such income, although this risk may be mitigated by the availability of foreign tax credits. We or our funds may also inadvertently establish a taxable presence in a jurisdiction because of activities conducted there. Compliance with tax laws and structures in these jurisdictions and the costs of adapting to changes in tax policies require significant oversight and cost.

Although we expect that much of the capital commitments of our funds will be denominated in U.S. dollars, our investments and capital commitments that are denominated in a foreign currency, such as euro, will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. A depreciation of foreign currencies against the U.S. dollar, if not adequately hedged, would reduce the value of our investments in the relevant region, which could adversely impact our financial results. Factors that may affect currency values include trade balances, the ability of countries to pay their national debt, levels of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. We may employ hedging techniques to minimize these risks, but we can offer no assurance that such strategies will be effective or even available at all. If we engage in hedging transactions, we may be exposed to additional risks associated with such transactions. See "—Risk management activities may adversely affect the return on our investments." In addition, various countries and regulatory bodies may implement controls on foreign exchange and outbound remittances of currency, which could impact not only the timing and amount of capital contributions that are required to be made to our funds but also the value, in U.S. dollars, of our investments and investment proceeds. See "Risks Related to Our Business—Difficult market and economic conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial prospects and condition" and "—Risks Related to Our Business—Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could materially and adversely affect our business." See also "Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Environment" for a discussion of recent developments in market and business conditions that may affect our business.

Third-party investors in our funds with commitment-based structures may not satisfy their contractual obligation to fund capital calls when requested by us, which could adversely affect a fund's operations and performance.

Investors in certain of our funds make capital commitments to those funds that the funds are entitled to call from those investors at any time during prescribed periods. We depend on fund investors fulfilling their commitments when we call capital from them in order for such funds to consummate investments and otherwise pay their obligations (for example, management fees) when due. Any fund investor that did not fund a capital call would generally be subject to several possible penalties, including having a significant amount of existing investment forfeited in that fund. However, the impact of the penalty is directly correlated to the amount of capital previously invested by the investor in the fund and if an investor has invested little or no capital, for instance early in the life of the fund, then the forfeiture penalty may not be as meaningful. Investors may in the future also negotiate for lesser or reduced penalties at the outset of the fund, thereby inhibiting our ability to enforce the funding of a capital call. If our fund investors were to fail to satisfy a significant amount of capital calls for any particular fund or funds, the operation and performance of those funds could be materially and adversely affected.

Our equity investments and many of our debt investments often rank junior to investments made by others, exposing us to greater risk of losing our investment.

In many cases, the companies in which we or our funds invest have, or are permitted to have, outstanding indebtedness or equity securities that rank senior to our or our fund's investment. By their terms, such instruments may provide that their holders are entitled to receive payments of distributions, interest or principal on or before the dates on which payments are to be made in respect of our or our fund's investment. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a company in which an investment is made, holders of securities ranking senior to our investment would typically be entitled to receive payment in full before distributions could be made in respect of our investment. In addition, debt investments made by us or our funds in our portfolio companies may be equitably subordinated to the debt investments made by third parties in our portfolio companies. After repaying senior security holders, the company may not have any remaining assets to use for repaying amounts owed in respect of our investment. To the extent that any assets remain, holders of claims that rank equally with our investment would be entitled to share on an equal and ratable basis in distributions that are made out of those assets. Also, during periods of financial distress or following insolvency, the ability of us or our funds to influence a company's affairs and to take actions to protect an investment may be substantially less than that of the senior creditors.

Risk management activities may adversely affect the return on our investments.

When managing exposure to market risks, we employ hedging strategies or certain forms of derivative instruments to limit our exposure to changes in the relative values of investments that may result from market developments, including changes in prevailing interest rates and currency exchange rates. The scope of risk management activities undertaken by us is selective and varies based on the level and volatility of interest rates, prevailing foreign currency exchange rates, the types of investments that are made and other changing market conditions. We do not seek to hedge our exposure in all currencies or all investments, which means that our exposure to certain market risks are not limited. Where applicable, we use hedging transactions and other derivative instruments to reduce the effects of a decline in the value of a position, but they do not eliminate the possibility of fluctuations in the value of the position or prevent losses if the value of the position declines. However, such activities can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of the position. Such transactions may also limit the opportunity for gain if the value of a position increases. Moreover, it may not be possible to limit the exposure to a market development that is so generally anticipated that a hedging or other derivative transaction cannot be entered into at an acceptable price.

The success of any hedging or other derivative transactions that we enter into generally will depend on our ability to correctly predict market changes. As a result, while we may enter into such transactions in order to reduce our exposure to market risks, unanticipated market changes may result in poorer overall investment performance than if the hedging or other derivative transaction had not been executed. In addition, the degree of correlation between price movements of the instruments used in connection with hedging activities and price movements in a position being hedged may vary. Moreover, for a variety of reasons, we may not seek or be successful in establishing a perfect correlation between the instruments used in hedging or other derivative transactions and the positions being hedged. An imperfect correlation could prevent us from achieving the intended result and could give rise to a loss. In addition, it may not be possible to fully or perfectly limit our exposure against all changes in the value of its investments, because the value of investments is likely to fluctuate as a result of a number of factors, some of which will be beyond our control or ability to hedge.

While hedging arrangements may reduce certain risks, such arrangements themselves may entail certain other risks. These arrangements may require the posting of cash collateral, including at a time when a fund has insufficient cash or illiquid assets such that the posting of the cash is either impossible or requires the sale of assets at prices that do not reflect their underlying value. Moreover, these hedging arrangements may generate significant transaction costs, including potential tax costs, that reduce the returns generated by a fund. The CFTC has proposed or adopted regulations governing swaps and security-based swaps, which may limit our trading activities and our ability to implement effective hedging strategies or increase the costs of compliance. See "Risks Related to Our Business—Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could materially and adversely affect our business."

Our funds and our firm through our Principal Activities segment may make a limited number of investments, or investments that are concentrated in certain issuers, geographic regions or asset types, which could negatively affect our performance or the performance of our funds to the extent those concentrated assets perform poorly.

The governing agreements of our funds contain only limited investment restrictions and only limited requirements as to diversification of fund investments, either by geographic region or asset type. Our private equity funds generally permit up to 20% of the fund to be invested in a single company. We also advise funds that invest in a single industry such as growth equity, energy, infrastructure or real estate or funds that focus on particular geographic region. During periods of difficult market conditions or slowdowns in these sectors or geographic regions, decreased revenues, difficulty in obtaining access to financing and increased funding costs may be exacerbated by this concentration of investments, which would result in lower investment returns. Because a significant portion of a fund's capital may be invested in a single investment or portfolio company, a loss with respect to such investment or portfolio company could have a material adverse impact on such fund's capital. Accordingly, a lack of diversification on the part of a fund could materially and adversely affect a fund's performance and therefore, our results of operations and financial condition.

Similarly, our Principal Activities segment has significant exposures to certain issuers, industries or asset classes. Because we hold interests in some of our portfolio companies both through our balance sheet investments in our private equity funds and direct co-investments, fluctuation in the fair values of these portfolio companies may have a disproportionate impact on the investment income earned by us as compared to other portfolio companies. In these circumstances, as was the case with energy investments beginning in late 2014 through and into 2017, losses may have an even greater impact on our results of operations and financial condition, as we would directly bear the full extent of such losses. Our Principal Activities segment also has significant exposures to a small group of companies, with our investment in First Data Corporation (NYSE: FDC) representing approximately 14.0% and our top five investments representing approximately 29.2% of the segment's total investments as of December 31, 2017. As a result, our investment income and economic net income are subject to greater volatility depending on such companies' operating results and other idiosyncratic factors specific to such companies, and in the case of publicly traded companies, our operating results would be impacted by volatility in the public markets generally and in the stock price of such companies. See "—Management's Discussion and Analysis of Financial Condition and Results of Operations—Segment Analysis—Segment Balance Sheet" for information on significant investments held in our Principal Activities segment.

Our business activities may give rise to a conflict of interest with our funds.

As we have expanded and as we continue to expand the number and scope of our businesses, we increasingly confront potential conflicts of interest relating to investment activities among our various funds and also our own account. For example:

- In pursuing the interest of our fund investors, we may take actions that could reduce our AUM or our profits that we could otherwise realize in the short term;
- We may be required to allocate investment opportunities among investment vehicles that may have overlapping investment objectives, including vehicles that may have different fee structures, and among KKR co-investment vehicles (including vehicles in which KKR employees may investment) and third-party co-investors;
- We may, on behalf of our funds or KKR itself, buy, sell, hold or otherwise deal with securities or other investments that may be purchased, sold or held by our other funds or that are otherwise issued by a portfolio company in which our funds invest. Conflicts of interest may arise between a fund, on one hand, and KKR on the other or among our funds including but not limited to those relating to the purchase or sale of investments, the structuring of, or exercise of rights with respect to investment transactions and the advice we provide to our funds. For example we may sell an investment at a different time or for different consideration than our funds;
- We may invest on behalf of our fund or for our own account in a portfolio company of one fund that is a competitor, service provider, supplier, customer, or other counterparty with respect to a portfolio company of another fund;
- We may structure an investment in a manner that may be attractive to fund investors or to KKR Holdings from a tax perspective but that may require corporate taxation to unitholders;
- A decision to acquire material non-public information about a company while pursuing an investment opportunity for a particular fund or our own account may result in our having to restrict the ability of other funds to take any action;
- Our fiduciary obligations to our fund investors may preclude us from pursuing attractive proprietary investment opportunities, in particular as we enter into strategic relationships with broad investment mandates similar to the investments we make with our balance sheet. Notwithstanding the foregoing, we also allocate certain investments that we believe are not suitable for our funds to our balance sheet;
- Conflicts may arise in allocating investments, time, services, expenses or resources among the investment activities of our funds, KKR, other KKR-affiliated entities and the employees of KKR;
- Our principals have made personal investments in a variety of our investment funds, which may result in conflicts of interest among investors of our funds or unitholders regarding investment decisions for these funds;
- The general partner's entitlement to receive carried interest from many of our funds may create an incentive for that general partner to make riskier and more speculative investments on behalf of a fund than would be the case in the absence of such an arrangement. In addition, for our funds that pay carried interest based on accrued rather than realized gains, the amount of carried interest to which the general partner is entitled and the timing of its receipt of carried interest will depend on the valuation by the general partner of the fund's investment;
- Under the 2017 Tax Act, investments must be held for more than three years, rather than the prior requirement of more than one year, for carried interest to be treated for U.S. federal income tax purposes as capital gain, which may create a conflict of interest between the limited partner investors (whose investments would receive such capital gain treatment after a holding period of only one year) and the general partner on the execution, closing or timing of sales of a fund's investments in connection with the receipt of carried interest;

- From time to time, one of our funds or other investment vehicles (including CLOs) may seek to effect a purchase or sale of an investment with one or more of our other funds or other investment vehicles in a so-called "cross transaction," or we as a principal may seek to effect a purchase or sale of our investment with one or more of our funds or other investment vehicles in a so-called "principal transaction";

- The investors in our investment vehicles are based in a wide variety of jurisdictions and take a wide variety of forms, and consequently have diverging interests among themselves from a regulatory, tax or legal perspective or with respect to investment policies and target risk/return profiles; and

- We or our affiliates, including our capital markets business, may receive fees or other compensation in connection with specific transactions or different clients that may give rise to conflicts. The decision to take on an opportunity in one of our businesses may, as a practical matter, also limit the ability of one or our other businesses to take advantage of other related opportunities.

In addition, our funds also invest in a broad range of asset classes throughout the corporate capital structure. These investments include investments in corporate loans and debt securities, preferred equity securities and common equity securities. In certain cases, we may manage separate funds that invest in different parts of the same company's capital structure. For example, our credit funds may invest in different classes of the same company's debt and may make debt investments in a company that is owned by one of our private equity funds. In those cases, the interests of our funds may not always be aligned, which could create actual or potential conflicts of interest or the appearance of such conflicts. For example, one of our private equity funds could have an interest in pursuing an acquisition, divestiture or other transaction that, in its judgment, could enhance the value of the private equity investment, even though the proposed transaction would subject one of our credit fund's debt investments to additional or increased risks. Finally, our ability to effectively implement a public securities strategy may be limited to the extent that contractual obligations entered into in the ordinary course of our private equity business impose restrictions on our engaging in transactions that we may be interested in otherwise pursuing.

We may also cause different investment funds to invest in a single portfolio company, for example where the fund that made an initial investment no longer has capital available to invest. Conflicts may also arise where we make balance sheet investments for our own account or permit employees to invest alongside our investment vehicles or our balance sheet for their own account. In certain cases, we may require that a transaction or investment be approved by fund investors or their advisory committees, be approved by an independent valuation expert, be subject to a fairness opinion, be based on arm's-length pricing data or be calculated in accordance with a formula provided for in a fund's governing documents prior to the completion of the relevant transaction or investment to address potential conflicts of interest. Such instances include principal transactions where we or our affiliates warehouse an investment in a portfolio company for the benefit of one or more of our funds pending the contribution of committed capital by the investors in such funds, follow-on investments by a fund other than a fund that made an initial investment in a company, or transactions in which we arrange for one of our funds to buy a security from, or sell a security to, another one of our funds.

Appropriately dealing with conflicts of interest is complex and difficult and we could suffer reputational damage or potential liability if we fail, or appear to fail, to deal appropriately with conflicts as they arise. Regulatory scrutiny of, or litigation in connection with, conflicts of interest could have a material adverse effect on our reputation which could in turn materially and adversely affect our business in a number of ways, including as a result of an inability to raise additional funds and a reluctance of counterparties to do business with us.

Investors in certain of our Public Markets funds may redeem their investments in these funds with minimal notice.

Investors in our funds in certain of our leveraged credit investment vehicles may generally submit redemptions to redeem their investments on a quarterly or monthly basis following the expiration of a specified period of time or in certain cases capital may be withdrawn earlier subject to a fee, in each case subject to the applicable fund's specific redemption provisions. Factors that could result in investors leaving our funds include changes in interest rates that make other investments more attractive, changes in investor perception regarding our focus or alignment of interest, unhappiness with a fund's performance or investment strategy, changes in our reputation, departures or changes in responsibilities of key investment professionals, and performance and liquidity needs of fund investors. In a declining market or period of economic disruption or uncertainty, the pace of redemptions and consequent reduction in our AUM could accelerate. The decrease in revenues that would result from significant redemptions from our funds or other similar investment vehicles could have a material adverse effect on our business, revenues, net income and cash flows.

A portion of assets invested in our Public Markets funds are managed through separately managed accounts or entities structured for investment by one investor or related investors whereby we earn management and incentive fees, and we intend to continue to seek additional separately managed account or single entity mandates. The investment management agreements we enter into in connection with managing separately managed accounts or entities on behalf of certain clients may be terminated by such clients on as little as 30 days' prior written notice, or less in certain prescribed circumstances. In addition, the boards of directors of certain funds we manage could terminate our advisory engagement of those companies, on as little as 30 days' prior written notice. Similarly, we provide sub-advisory services to other investment advisors and managers. Such investment advisors and managers could terminate our sub-advisory agreements on as little as 30 days' prior written notice. In the case of any such terminations, the management and incentive fees we earn in connection with managing such account or company would immediately cease, which could result in a material adverse impact on our revenues.

In addition, certain funds in our Public Markets business are registered under the Investment Company Act as management investment companies. These funds and KKR Credit Advisors (US) LLC, which serves as their investment adviser (or, in the case of CCT II, as its sub-adviser), are subject to the Investment Company Act and the rules thereunder. One of these funds is a NYSE-listed closed-end fund. In addition, the management fees we are paid for managing investment companies will generally be subject to contractual rights the company's board of directors (or, in the case of the business development companies we manage, the investment adviser) has to terminate our management of an account on as short as 60 days' prior notice. Termination of these agreements would reduce the fees we earn from the relevant funds, which could have a material adverse effect on our results of operations.

Our stakes in our strategic manager partnerships subject us to numerous additional risks.

Our stakes in our strategic manager partnerships subject us to numerous additional risks applicable to hedge funds and funds of funds, including the following:

- Generally, there are few limitations on the execution of investment strategies of a hedge fund or fund of funds, which are subject to the sole discretion of the management company or the general partner of such funds;

- A fund of funds is subject to risks related to the limited rights it has to withdraw, redeem, transfer or otherwise liquidate its investments from the underlying hedge funds or other funds in which it invests. It may be impossible or costly for hedge funds or such other funds to liquidate positions rapidly in order to meet margin calls, withdrawal requests, redemption requests or otherwise, particularly if there are other market participants seeking to dispose of similar assets at the same time or the relevant market is otherwise moving against a position or in the event of trading halts or daily price movement limits on the market or otherwise. In addition, terms of the governing documents of the relevant portfolio funds may limit withdrawal, redemption, transfer or liquidation of investments, including restrictions on the redemption of capital for an initial period, restrictions on the amount of redemptions and the frequency with which redemptions can be made and investment minimums that must be maintained. Portfolio funds also typically reserve the right to reduce ("gate") or suspend redemptions, to set aside ("side pocket") capital that cannot be redeemed for so long as an event or circumstance has not occurred or ceased to exist, respectively, and to satisfy redemptions by making distributions in-kind, under certain circumstances. Moreover, these risks may be exacerbated for funds of funds. For example, if a fund of funds were to invest a significant portion of its assets in two or more hedge funds that each had illiquid positions in the same issuer, the illiquidity risk for such fund of funds would be compounded.

- Hedge funds may engage in short selling, which is subject to theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the security necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the prices of the securities to rise further, thereby exacerbating the loss;

- Hedge funds may enter into CDS as investments or hedges. CDS involve greater risks than investing in the reference obligation directly. In addition to general market risks, CDS are subject to risks related to changes in interest rates, credit spreads, credit quality and expected recovery rates of the underlying credit instrument;

- Hedge funds are exposed to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the fund to suffer a loss. Counterparty risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the fund has concentrated its transactions with a single or small group of counterparties. Generally, hedge funds are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. Moreover, the fund's internal consideration of the creditworthiness of their counterparties may prove insufficient. The absence of a regulated market to facilitate settlement may increase the potential for losses;

- The efficacy of investment and trading strategies depends largely on the ability to establish and maintain an overall market position in a combination of financial instruments. A hedge fund's trading orders may not be executed in a timely and efficient manner due to various circumstances, including systems failures or human error. In such event, the funds might only be able to acquire some but not all of the components of the position, or if the overall position were to need adjustment, the funds might not be able to make such adjustment. As a result, the funds would not be able to achieve the market position selected by the management company or general partner of such funds, and might incur a loss in liquidating their position;

- Hedge funds may make investments that they do not advantageously dispose of prior to the date the applicable fund is dissolved, either by expiration of such fund's term or otherwise. Although we generally expect that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, these funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. This would result in a lower than expected return on the investments and, perhaps, on the fund itself;

- Hedge funds may rely on computer programs, internal infrastructure and services, quantitative models (both proprietary models and those supplied by third parties) and information and data provided by third parties to trade, clear and settle securities and other transactions, among other activities, that are critical to the oversight of certain funds' activities. If any such models, information or data prove to be incorrect or incomplete, any decisions made in reliance thereon could expose the funds to potential risks. Any hedging based on faulty models, information or data may prove to be unsuccessful and adversely impact a fund's profits; and

- Hedge fund investments are also subject to risks relating to investments in commodities, futures, options and other derivatives, the prices of which are highly volatile and may be subject to the theoretically unlimited risk of loss in certain circumstances, including if the fund writes a call option. Price movements of commodities, futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the commodities underlying them. In addition, hedge funds' assets are subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouses or counterparties. Most U.S. commodities exchanges limit fluctuations in certain commodity interest prices during a single day by imposing "daily price fluctuation limits" or "daily limits," the existence of which may reduce liquidity or effectively curtail trading in particular markets. Hedge funds and funds of these hedge funds may also be subject to extensive regulations, including those of CFTC.

To the extent the financial condition of PAAMCO Prisma or other third-party hedge fund managers with which we have strategic manager partnerships is adversely affected by these risks, our revenues, AUM and FPAUM may also decline.

Risks Related to Our Common Units

As a limited partnership, we qualify for some exemptions from the corporate governance and other requirements of the NYSE.

We are a limited partnership and, as a result, qualify for exceptions from certain corporate governance and other requirements of the rules of the NYSE. Pursuant to these exceptions, limited partnerships may elect, and we have elected, not to comply with certain corporate governance requirements of the NYSE, including the requirements: (i) that the listed company have a nominating and corporate governance committee that is composed entirely of independent directors; (ii) that the listed company have a compensation committee that is composed entirely of independent directors and (iii) that the compensation committee be required to consider certain independence factors when engaging compensation consultants, legal counsel and other committee advisers. In addition, as a limited partnership, we are not required to obtain unitholder approval for (a) the issuance of common units to certain related parties where the number of common units exceeds one percent of the outstanding common units or voting power, (b) the issuance of common units that equals or exceeds 20% of the outstanding common units or voting power, or (c) a change of control transaction, and we are not required to hold annual unitholder meetings. Accordingly, you do not have the same protections afforded to equity holders of entities that are subject to all of the corporate governance requirements of the NYSE.

Our founders are able to determine or influence the outcome of any matter that may be submitted for a vote of our limited partners.

Very few matters are required to be submitted to a vote of our unitholders, and generally such matters require a majority or more of all the outstanding voting units. KKR Holdings holds special non-economic voting units in our partnership that entitle it to cast, with respect to those limited matters, a number of votes equal to the number of KKR Group Partnership Units that it holds from time to time. As of February 21, 2018 , KKR Holdings owns 335,971,334 KKR Group Partnership Units, or 40.8% of the outstanding KKR Group Partnership Units. Depending upon the number of units actually voted, we believe our senior employees should generally have sufficient voting power to substantially influence matters subject to a majority or more of all outstanding voting units. Matters that require a vote of a majority of all outstanding voting units include a merger or consolidation of our business, a sale of all or substantially all of our assets and amendments to our partnership agreement that may be material to holders of our common units. In addition, our limited partnership agreement contains provisions that require a majority vote of all outstanding voting units to make certain amendments to our partnership agreement that would materially and adversely affect all holders of our common units or a particular class of holders of common units, and since approximately 40.8% of our voting units, as of February 21, 2018 , are controlled by KKR Holdings, we believe KKR Holdings should generally have the ability to substantially influence amendments that could materially and adversely affect the holders of our common units either as a whole or as a particular class.

The voting rights of holders of our common units are further restricted by provisions in our limited partnership agreement stating that any of our common units held by a person that beneficially owns 20% or more of any class of our common units then outstanding (other than our Managing Partner or its affiliates, or a direct or subsequently approved transferee of our Managing Partner or its affiliates) cannot be voted on any matter. Our limited partnership agreement also contains provisions limiting the ability of the holders of our common units to call meetings, to acquire information about our operations and to influence the manner or direction of our management. Our limited partnership agreement does not restrict our Managing Partner's ability to take actions that may result in our partnership being treated as an entity taxable as a corporation for U.S. federal (and applicable state) income tax purposes. Furthermore, holders of our common units would not be entitled to dissenters' rights of appraisal under our limited partnership agreement or applicable Delaware law in the event of a merger or consolidation, a sale of substantially all of our assets or any other transaction or event.

Our limited partnership agreement contains provisions that reduce or eliminate duties (including fiduciary duties) of our Managing Partner and limit remedies available to unitholders for actions that might otherwise constitute a breach of duty. It will be difficult for unitholders to successfully challenge a resolution of a conflict of interest by our Managing Partner or by its conflicts committee.

Our limited partnership agreement contains provisions that require holders of our common units to waive or consent to conduct by our Managing Partner and its affiliates that might otherwise raise issues about compliance with fiduciary duties or applicable law. For example, our limited partnership agreement provides that when our Managing Partner is acting in its individual capacity, as opposed to in its capacity as our Managing Partner, it may act without any fiduciary obligations to holders of our common units, whatsoever. When our Managing Partner, in its capacity as our general partner, or our conflicts committee is permitted to or required to make a decision in its "sole discretion" or "discretion" or that it deems "necessary or appropriate" or "necessary or advisable," then our Managing Partner or the conflicts committee will be entitled to consider only such interests and factors as it desires, including its own interests, and will have no duty or obligation (fiduciary or otherwise) to give any consideration to any interest of or factors affecting us or any holder of our common units and will not be subject to any different standards imposed by our limited partnership agreement, the Delaware Revised Uniform Limited Partnership Act (the "Delaware Limited Partnership Act") or under any other law, rule or regulation or in equity. These standards reduce the obligations to which our Managing Partner would otherwise be held. See "—We are a Delaware limited partnership, and there are certain provisions in our limited partnership agreement regarding exculpation and indemnification of our officers and directors that differ from the Delaware General Corporation Law ('DGCL') in a manner that may be less protective of the interests of our common unitholders."

The above modifications of fiduciary duties are expressly permitted by Delaware law. Hence, we and holders of our common units will only have recourse and be able to seek remedies against our Managing Partner if our Managing Partner breaches its obligations pursuant to our limited partnership agreement. Unless our Managing Partner breaches its obligations pursuant to our limited partnership agreement, we and holders of our common units will not have any recourse against our Managing Partner even if our Managing Partner were to act in a manner that was inconsistent with traditional fiduciary duties. Furthermore, even if there has been a breach of the obligations set forth in our limited partnership agreement, our limited partnership agreement provides that our Managing Partner and its officers and directors will not be liable to us or holders of our common units, for errors of judgment or for any acts or omissions unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that our Managing Partner or its officers and directors acted in bad faith or engaged in fraud or willful misconduct. These provisions are detrimental to the holders of our common units because they restrict the remedies available to unitholders for actions that without such limitations might constitute breaches of duty including fiduciary duties.

Whenever a potential conflict of interest exists between us and our Managing Partner, our Managing Partner may resolve such conflict of interest. If our Managing Partner determines that its resolution of the conflict of interest is on terms no less favorable to us than those generally being provided to or available from unrelated third parties or is fair and reasonable to us, taking into account the totality of the relationships between us and our Managing Partner, then it will be presumed that in making this determination, our Managing Partner acted in good faith. A holder of our common units seeking to challenge this resolution of the conflict of interest would bear the burden of overcoming such presumption. This is different from the situation with a typical Delaware corporation, where a conflict resolution by an interested party would be presumed to be unfair and the interested party would have the burden of demonstrating that the resolution was fair.

Also, if our Managing Partner obtains the approval of the conflicts committee of our Managing Partner, the resolution will be conclusively deemed to be fair and reasonable to us and not a breach by our Managing Partner of any duties it may owe to us or holders of our common units. This is different from the situation with a typical Delaware corporation, where a conflict resolution by a committee consisting solely of independent directors may, in certain circumstances, merely shift the burden of demonstrating unfairness to the plaintiff. If you purchase, receive or otherwise hold a common unit, you will be treated as having consented to the provisions set forth in our limited partnership agreement, including provisions regarding conflicts of interest situations that, in the absence of such provisions, might be considered a breach of fiduciary or other duties under applicable state law. As a result, unitholders will, as a practical matter, not be able to successfully challenge an informed decision by the conflicts committee.

We have also agreed to indemnify our Managing Partner and any of its affiliates and any member, partner, tax matters partner, officer, director, employee agent, fiduciary or trustee of our partnership, our Managing Partner or any of our affiliates and certain other specified persons, to the fullest extent permitted by law, against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts incurred by our Managing Partner or these other persons. We have agreed to provide this indemnification unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that these persons acted in bad faith or engaged in fraud or willful misconduct. We have also agreed to provide this indemnification for criminal proceedings.

Our Managing Partner may exercise its right to call and purchase common units as provided in our limited partnership agreement or assign this right to one of its affiliates or to us. Our Managing Partner may use its own discretion, free of fiduciary duty restrictions, in determining whether to exercise this right. As a result, a unitholder may have his common units purchased from him at an undesirable time or price. For additional information, see our limited partnership agreement incorporated by reference as an exhibit to this report.

Any claims, suits, actions or proceedings concerning the matters described above or any other matter arising out of or relating in any way to the limited partnership agreement may only be brought in the Court of Chancery of the State of Delaware or, if such court does not have subject matter jurisdiction thereof, any other court in the State of Delaware with subject matter jurisdiction.

The market price and trading volume of our common units may be volatile, which could result in rapid and substantial losses for our common unitholders.

The market price of our common units may be highly volatile, could be subject to wide fluctuations and could decline significantly in the future. In addition, the trading volume in our common units may fluctuate and cause significant price variations to occur. If the market price of our common units declines significantly, you may be unable to sell your common units at an attractive price, if at all. Some of the factors that could negatively affect the price of our common units or result in fluctuations in the price or trading volume of our common units include:

- variations in our quarterly operating results, which may be substantial;
- changes in the amount of our distributions or our distribution policy;
- taking a long-term perspective on making investment, operational and strategic decisions, which may result in significant and unpredictable variations in our quarterly returns;
- failure to meet analysts' earnings estimates;
- publication of research reports about us or the investment management industry or the failure of securities analysts to cover our common units sufficiently;
- additions or departures of our key management and investment personnel;
- adverse market reaction to any acquisitions, joint ventures, reorganizations and other transactions, including incurrence of debt or issuance of securities in the future;

- changes in market valuations of similar companies;
- speculation in the press or investment community;
- changes or proposed changes in laws or regulations or differing interpretations thereof affecting our business or enforcement of these laws and regulations, or announcements relating to these matters;
- a concentrated ownership of our common units or ownership of them by short-term investors;
- a lack of liquidity in the trading of our common units;
- adverse publicity about the investment management or private equity industry generally or individual scandals, specifically; and
- general market and economic conditions.

An investment in our common units is not an investment in any of our funds, and the assets and revenues of our funds are not directly available to us.

Our common units are only securities of KKR & Co. L.P., the holding company of the KKR business. While our historical consolidated financial statements include financial information, including assets and revenues, of certain funds on a consolidated basis, and our future financial statements will continue to consolidate certain of these funds, such assets and revenues are available to the fund and not to us except to a limited extent through management fees, carried interest or other incentive income, distributions and other proceeds arising from agreements with funds, as discussed in more detail in this report.

Our common unit price may decline due to the large number of common units eligible for future sale or for exchange, and issuable pursuant to our Equity Incentive Plan or as consideration in acquisitions.

The market price of our common units could decline as a result of sales of a large number of common units in the market or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell common units in the future at a time and at a price that we deem appropriate. As of February 21, 2018 , we have 486,800,395 common units outstanding, which amount excludes common units beneficially owned by KKR Holdings in the form of KKR Group Partnership Units discussed below and common units available for future issuance under our Equity Incentive Plan.

As of February 21, 2018 , KKR Holdings owns 335,971,334 KKR Group Partnership Units that may be exchanged, on a quarterly basis, for our common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. The market price of our common units could decline as a result of the exchange or the perception that an exchange may occur of a large number of KKR Group Partnership Units for our common units. These exchanges, or the possibility that these exchanges may occur, also might make it more difficult for holders of our common units to sell our common units in the future at a time and at a price that they deem appropriate.

In addition, we will continue to issue additional common units pursuant to our Equity Incentive Plan, and such issuances may increase in the future as equity awards granted by KKR Holdings decrease. See "Risks Related to Our Business—If we cannot retain and motivate our employees and other key personnel and recruit, retain and motivate new employees and other key personnel, our business, results of operations and financial condition could be materially and adversely affected." The total number of common units that may be issued under our Equity Incentive Plan is equivalent to 15% of the number of fully exchanged and diluted common units outstanding as of the beginning of the year. The amount may be increased each year to the extent that we issue additional equity. As of February 21, 2018 , we may issue common units registered on our registration statement on Form S-8 for this purpose and may also issue 31.4 million common units under our Equity Incentive Plan that were not registered on our registration statement on Form S-8. In addition previously issued awards that were canceled or are canceled in the future, or in certain cases, withheld in respect of tax withholding obligations, are or will become available for further grant under the terms of our Equity Incentive Plan. See "Executive Compensation—KKR & Co. L.P. Equity Incentive Plan."

In addition, our limited partnership agreement authorizes us to issue an unlimited number of additional partnership securities and options, rights, warrants and appreciation rights relating to partnership securities for the consideration and on the terms and conditions established by our Managing Partner in its sole discretion without the approval of our unitholders. In accordance with the Delaware Limited Partnership Act and the provisions of our limited partnership agreement, we may also issue additional partner interests that have designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to our common units. Similarly, the limited partnership agreements of the KKR Group Partnerships authorize the general partners of the KKR Group Partnerships to issue an unlimited number of additional securities of the KKR Group Partnerships with such designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to the KKR Group Partnerships Units, and which may be exchangeable for KKR Group Partnership Units. For example, in March and June of 2016, KKR issued 13,800,000 Series A Preferred Units and 6,200,000 Series B Preferred Units, respectively, and in connection with such issuances, the KKR Group Partnerships issued preferred units with economic terms designed to mirror KKR's respective preferred units. In the past, we have issued and sold our common units to generate cash proceeds to pay withholding taxes, social benefit payments or similar payments payable by us in respect of awards granted pursuant to our Equity Incentive Plan or the amount of cash delivered in respect of awards granted pursuant to our Equity Incentive Plan that are settled in cash instead of common units. As of February 21, 2018 , we may issue up to 0.8 million common units as registered on our registration statement on Form S-3 (SEC file no. 333-196059) in respect of such withholding taxes and cash-settled equity awards.

We have used and in the future may continue to use common units as consideration in acquisitions and strategic investments. For example, in connection with KKR's acquisition of KFN, we issued approximately 104.3 million common units, in connection with KKR's acquisition of Avoca, we issued securities exchangeable into 4.9 million common units and in connection with KKR's initial acquisition and subsequent increase in ownership of Marshall Wace, we issued an aggregate of approximately 12.1 million common units. In addition, in connection with the Marshall Wace transaction or other investments or acquisitions, we may make certain contingent payments in the form of common units. If our valuations of these transactions are not accurate or if the value of these acquisitions and investments is not realized, our distributions per common unit and the value of our common units may decline.

Risks Related to Our Organizational Structure

Potential conflicts of interest may arise among our Managing Partner, our affiliates and us. Our Managing Partner and our affiliates have limited fiduciary duties to us and the holders of KKR Group Partnership Units, which may permit them to favor their own interests to our detriment and that of the holders of KKR Group Partnership Units.

Our Managing Partner, which is our general partner, will manage the business and affairs of our business, and will be governed by a board of directors that is co-chaired by our founders, who also serve as our Co-Chief Executive Officers. Conflicts of interest may arise among our Managing Partner and its affiliates, on the one hand, and us and our unitholders, on the other hand. As a result of these conflicts, our Managing Partner may favor its own interests and the interests of its affiliates over us and our unitholders. These conflicts include, among others, the following:

- Our Managing Partner indirectly through its holding of controlling entities determines the amount and timing of the KKR Group Partnership's investments and dispositions, cash expenditures, including those relating to compensation, indebtedness, issuances of additional partner interests, tax liabilities and amounts of reserves, each of which can affect the amount of cash that is available for distribution to holders of KKR Group Partnership Units. For example, although annual cash bonuses for certain employees were historically borne by KKR Holdings from its cash reserves, the pro rata distributions received by KKR Holdings for KKR Group Partnership Units underlying any unvested KKR Holdings units are expected to be insufficient to fully fund annual cash bonus compensation. Our Managing Partner has the sole discretion to decide the source of annual cash bonuses, and although KKR Holdings may fund a larger portion of the cash bonus payments from its cash reserves, if any, in future periods, we likely will utilize our own funds for most, if not all, of the cash bonus payments;

- Our Managing Partner is allowed to take into account the interests of parties other than us in resolving conflicts of interest, which has the effect of limiting its duties, including fiduciary duties, to us. For example, our affiliates that serve as the general partners of our funds or as broker-dealers have fiduciary and/or contractual obligations to our fund investors or other third parties. Such obligations may cause such affiliates to regularly take actions with respect to the allocation of investments among our investment funds (including funds that have different fee structures), the purchase or sale of investments in our investment funds, the structuring of investment transactions for those funds and the advice and services we provide that comply with these fiduciary and contractual obligations but that might adversely affect our near-term results of operations or cash flow. Our Managing Partner will have no obligation to intervene in, or to notify us of, such actions by such affiliates;

- Because certain of our principals indirectly hold their KKR Group Partnership Units through KKR Holdings and its subsidiaries, which are not subject to corporate income taxation and we hold some of the KKR Group Partnership

Units through one or more wholly-owned subsidiaries that are taxable as a corporation, conflicts may arise between our principals and us relating to the selection and structuring of investments or transactions, declaring distributions and other matters; without limiting the foregoing, certain investments made by us or through our funds may be determined to be held through KKR Management Holdings L.P., which would result in less taxation to our principals who are limited partners in KKR Holdings as compared to our unitholders;

- Our Managing Partner, including its directors and officers, has limited its and their liability and reduced or eliminated its and their duties, including fiduciary duties, under our limited partnership agreement to the fullest extent permitted by law, while also restricting the remedies available to holders of common units for actions that, without these limitations, might constitute breaches of duty, including fiduciary duties. In addition, we have agreed to indemnify our Managing Partner, including its directors and officers, and our Managing Partner's affiliates to the fullest extent permitted by law, except with respect to conduct involving bad faith, fraud or willful misconduct;

- Our limited partnership agreement does not restrict our Managing Partner from paying us or our affiliates for any services rendered, or from entering into additional contractual arrangements with any of these entities on our behalf, so long as the terms of any such additional contractual arrangements are fair and reasonable to us as determined under our limited partnership agreement. Neither our limited partnership agreement nor any of the other agreements, contracts and arrangements between us on the one hand, and our Managing Partner and its affiliates on the other, are or will be the result of arm's-length negotiations. The conflicts committee will be responsible for, among other things, enforcing our rights and those of our unitholders under certain agreements against KKR Holdings and certain of its subsidiaries and designees, a general partner or limited partner of KKR Holdings, or a person who holds a partnership or equity interest in the foregoing entities;

- Our Managing Partner and its affiliates will have no obligation to permit us to use any facilities or assets of our Managing Partner and its affiliates, except as may be provided in contracts entered into specifically dealing with such use. There will not be any obligation of our Managing Partner and its affiliates to enter into any contracts of this kind;

- Our Managing Partner determines how much debt we incur and whether to issue or redeem preferred securities and those decisions may adversely affect any credit ratings we receive;

- Our Managing Partner determines which costs incurred by it and its affiliates are reimbursable by us;

- Other than as set forth in the confidentiality and restrictive covenant agreements, which in certain cases may only be agreements between our principals and KKR Holdings and which may not be enforceable by us or otherwise waived, modified or amended, affiliates of our Managing Partner and existing and former personnel employed by our Managing Partner are not prohibited from engaging in other businesses or activities, including those that might be in direct competition with us;

- Our Managing Partner controls the enforcement of obligations owed to the KKR Group Partnerships by us and our affiliates; and

- Our Managing Partner or its conflicts committee decides whether to retain separate counsel, accountants or others to perform services for us.

See "Certain Relationships and Related Transactions, and Director Independence."

Certain actions by our Managing Partner's board of directors require the approval of the Class A shares of our Managing Partner, all of which are held by our senior employees.

All of our Managing Partner's outstanding Class A shares are held by our senior employees. Although the affirmative vote of a majority of the directors of our Managing Partner is required for any action to be taken by our Managing Partner's board of directors, certain specified actions approved by our Managing Partner's board of directors will also require the approval of a majority of the Class A shares of our Managing Partner. These actions consist of the following:

- the entry into a debt financing arrangement by us in an amount in excess of 10% of our existing long-term indebtedness (other than the entry into certain intercompany debt financing arrangements);

- the issuance by our partnership or our subsidiaries of any securities that would (i) represent, after such issuance, or upon conversion, exchange or exercise, as the case may be, at least 5% on a fully diluted, as converted, exchanged or exercised basis, of any class of our or their equity securities or (ii) have designations, preferences, rights, priorities or powers that are more favorable than those of KKR Group Partnership Units;

- the adoption by us of a shareholder rights plan;
- the amendment of our limited partnership agreement or the limited partnership agreements of the KKR Group Partnerships;
- the exchange or disposition of all or substantially all of our assets or the assets of any KKR Group Partnership;
- the merger, sale or other combination of our partnership or any KKR Group Partnership with or into any other person;
- the transfer, mortgage, pledge, hypothecation or grant of a security interest in all or substantially all of the assets of the KKR Group Partnerships;
- the appointment or removal of a Chief Executive Officer or a Co-Chief Executive Officer of our Managing Partner or our partnership;
- the termination of our employment of any of our officers or the officers of any of our subsidiaries or the termination of the association of a partner with any of our subsidiaries, in each case, without cause;
- the liquidation or dissolution of the partnership, our Managing Partner or any KKR Group Partnership; and
- the withdrawal, removal or substitution of our Managing Partner as our general partner or any person as the general partner of a KKR Group Partnership, or the transfer of beneficial ownership of all or any part of a general partner interest in our partnership or a KKR Group Partnership to any person other than one of its wholly-owned subsidiaries.

In addition, holders representing a majority of the Class A shares of our Managing Partner have the authority to unilaterally appoint our Managing Partner's directors and also have the ability to appoint the officers of our Managing Partner. Messrs. Kravis and Roberts, as the designated members of our Managing Partner, represent a majority of the total voting power of the outstanding Class A shares, when they act together. However, neither of them controls the voting of the Class A shares, when acting alone.

Our common unitholders do not elect our Managing Partner or vote on our Managing Partner's directors and have limited ability to influence decisions regarding our business.

Our common unitholders do not elect our Managing Partner or its board of directors and, unlike the holders of common stock in a corporation, have only limited voting rights on matters affecting our business and therefore limited ability to influence decisions regarding our business. On such matters that may be submitted to a vote of our common unitholders, the special voting units provide KKR Holdings with a number of votes that is equal to the aggregate number of KKR Group Partnership Units it holds, and entitle it to participate in the vote on the same basis as our common unitholders. As a result, KKR Holdings' vote will likely have a significant influence on the outcome of any matter that requires a vote of our common unitholders, including, for example, a vote to adopt a new equity plan. Furthermore, if our common unitholders are dissatisfied with the performance of our Managing Partner, they have no ability to remove our Managing Partner, with or without cause. See "—Risks Related to Our Common Units—Our founders are able to determine or influence the outcome of any matter that may be submitted for a vote of our limited partners."

The control of our Managing Partner may be transferred to a third party without our consent.

Our Managing Partner may transfer its general partner interest to a third party in a merger or consolidation or in a transfer of all or substantially all of its assets without our consent or the consent of our common unitholders. Furthermore, the members of our Managing Partner may sell or transfer all or part of their limited liability company interests in our Managing Partner without our approval, subject to certain restrictions. A new general partner may not be willing or able to form new funds and could form funds that have investment objectives and governing terms that differ materially from those of our current funds. A new owner could also have a different investment philosophy, employ investment professionals who are less experienced, be unsuccessful in identifying investment opportunities or have a track record that is not as successful as our track record. If any of the foregoing were to occur, we could experience difficulty in making new investments, and the value of our existing investments, our business, our results of operations and our financial condition could materially suffer.

We intend to pay periodic distributions to the holders of our common and preferred units, but our ability to do so may be limited by our holding company structure and contractual restrictions.

We intend to pay cash distributions on a quarterly basis. We are a holding company and have no material assets other than the KKR Group Partnership Units that we hold through wholly-owned subsidiaries and have no independent means of generating income. Accordingly, we intend to cause the KKR Group Partnerships to make distributions on the KKR Group Partnership Units, including KKR Group Partnership Units that we directly or indirectly hold, in order to provide us with sufficient amounts to fund distributions we may declare. If the KKR Group Partnerships make such distributions, other holders of KKR Group Partnership Units, including KKR Holdings, will be entitled to receive equivalent distributions pro rata based on their KKR Group Partnership Units.

The declaration and payment of any future distributions will be at the sole discretion of our Managing Partner, which may change our distribution policy at any time. Our Managing Partner will take into account: general economic and business conditions; our strategic plans and prospects; our business and investment opportunities; our financial condition and operating results; compensation expense; working capital requirements and anticipated cash needs; debt and contractual restrictions and obligations (including payment obligations pursuant to the tax receivable agreement); legal, tax and regulatory restrictions; restrictions or other implications on the payment of distributions by us to the holders of KKR Group Partnership Units or by our subsidiaries to us; and such other factors as our Managing Partner may deem relevant. Under the Delaware Limited Partnership Act, we may not make a distribution to a partner if after the distribution all our liabilities, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of the partnership, would exceed the fair value of our assets. If we were to make such an impermissible distribution, any limited partner who received a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Limited Partnership Act would be liable to us for the amount of the distribution for three years from the date of the applicable distribution. Furthermore, by paying cash distributions rather than investing that cash in our businesses, we risk slowing the pace of our growth, or not having a sufficient amount of cash to fund our operations, new investments or unanticipated capital expenditures, should the need arise.

Our ability to characterize such distributions as capital gains or qualified dividend income may be limited, and you should expect that some or all of such distributions may be regarded as ordinary income.

Our preferred units rank senior to our common units with respect to the payment of distributions. Unless distributions have been declared and paid or declared and set apart for payment on the preferred units for a quarterly distribution period, during the remainder of that distribution period we may not declare or pay or set apart payment for distributions on any units of KKR & Co. L.P. that are junior to the preferred units, including our common units, and we may not repurchase any such junior units.

Distributions on the preferred units are discretionary and non-cumulative. Holders of preferred units will only receive distributions of their preferred units when, as and if declared by the board of directors of our Managing Partner. If distributions on a series of the preferred units have not been declared and paid for the equivalent of six or more quarterly distribution periods, whether or not consecutive, holders of the preferred units, together as a class with holders of any other series of parity units with like voting rights, will be entitled to vote for the election of two additional directors to the board of directors of our Managing Partner. When quarterly distributions have been declared and paid on such series of the preferred units for four consecutive quarters following such a nonpayment event, the right of the holders of the preferred units and such parity units to elect these two additional directors will cease, the terms of office of these two directors will forthwith terminate and the number of directors constituting the board of directors of our Managing Partner will be reduced accordingly. Additional risks related to our Series A Preferred Units and Series B Preferred Units are contained in the prospectus supplement relating to the respective securities.

We will be required to pay our principals for most of the benefits relating to any additional tax depreciation or amortization deductions we may claim as a result of the tax basis step-up we receive in connection with subsequent exchanges of our common units and related transactions.

We and one or more of our intermediate holding companies are required to acquire KKR Group Partnership Units from time to time pursuant to our exchange agreement with KKR Holdings. To the extent this occurs, the exchanges are expected to result in an increase in one of our intermediate holding company's share of the tax basis of the tangible and intangible assets of KKR Management Holdings L.P., primarily attributable to a portion of the goodwill inherent in our business, that would not otherwise have been available. This increase in tax basis may increase (for tax purposes) depreciation and amortization and therefore reduce the amount of income tax our intermediate holding companies would otherwise be required to pay in the future. This increase in tax basis may also decrease gain (or increase loss) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

We are party to a tax receivable agreement with KKR Holdings requiring our intermediate holding company to pay to KKR Holdings or transferees of its KKR Group Partnership Units 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that the intermediate holding companies actually realize as a result of this increase in tax basis, as well as 85% of the amount of any such savings the intermediate holding companies actually realize as a result of increases in tax basis that arise due to future payments under the agreement. A termination of the agreement or a change of control could give rise to similar payments based on tax savings that we would be deemed to realize in connection with such events. This payment obligation will be an obligation of our intermediate holding companies and not of any KKR Group Partnership. In the event that any of our current or future subsidiaries become taxable as corporations and acquire KKR Group Partnership Units in the future, or if we become taxable as a corporation for U.S. federal income tax purposes, either by converting KKR into a corporation or electing to be taxed as a corporation, we expect that each such entity will become subject to a tax receivable agreement with substantially similar terms. The amounts payable to KKR Holdings or transferees of its KKR Group Partnership Units under such agreement may materially increase as a result of KKR becoming taxable as a corporation, because, among other things, significantly less than half of KKR is currently subject to a corporate tax. While the actual increase in tax basis, as well as the amount and timing of any payments under this agreement, will vary depending upon a number of factors, including the timing of exchanges, the price of our common units at the time of the exchange, the extent to which such exchanges are taxable and the amount and timing of our taxable income, we expect that as a result of the size of the increases in the tax basis of the tangible and intangible assets of the KKR Group Partnerships, the payments that we may be required to make to our existing owners will be substantial. The payments under the tax receivable agreement are not conditioned upon our existing owners' continued ownership of us. We may need to incur debt to finance payments under the tax receivable agreement to the extent our cash resources are insufficient to meet our obligations under the tax receivable agreement as a result of timing discrepancies or otherwise. In particular, our intermediate holding companies' obligations under the tax receivable agreement would be effectively accelerated in the event of an early termination of the tax receivable agreement by our intermediate holding companies or in the event of certain mergers, asset sales and other forms of business combinations or other changes of control. In these situations, our obligations under the tax receivable agreement could have a substantial negative impact on our liquidity.

Payments under the tax receivable agreement will be based upon the tax reporting positions that our Managing Partner will determine. We are not aware of any issue that would cause the IRS to challenge a tax basis increase. However, neither KKR Holdings nor its transferees will reimburse us for any payments previously made under the tax receivable agreement if such tax basis increase, or the tax benefits we claim arising from such increase, is successfully challenged by the IRS. As a result, in certain circumstances, payments to KKR Holdings or its transferees under the tax receivable agreement could be in excess of the intermediate holding companies' cash tax savings. The intermediate holding companies' ability to achieve benefits from any tax basis increase, and the payments to be made under the tax receivable agreement, will depend upon a number of factors, as discussed above, including the timing and amount of our future income.

If we were deemed to be an "investment company" subject to regulation under the Investment Company Act, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.

A person will generally be deemed to be an "investment company" for purposes of the Investment Company Act if:

- it is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities; or

- absent an applicable exemption, it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis.

We believe that we are engaged primarily in the business of providing investment management services and not in the business of investing, reinvesting or trading in securities. We regard ourselves as an investment management firm and do not propose to engage primarily in the business of investing, reinvesting or trading in securities. Accordingly, we do not believe that we are an "orthodox" investment company as defined in Section 3(a)(1)(A) of the Investment Company Act and described in the first bullet point above.

With regard to the provision described in the second bullet point above, we have no material assets other than our equity interests in subsidiaries, which in turn have no material assets other than equity interests, directly or indirectly, in the KKR Group Partnerships. Through these interests, we indirectly are the sole general partners of the KKR Group Partnerships and indirectly are vested with all management and control over the KKR Group Partnerships. We do not believe our equity interests in our subsidiaries are investment securities, and we believe that the capital interests of the general partners of our funds in their respective funds are neither securities nor investment securities. Accordingly, based on our determination, less than 40% of the partnership's total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis are comprised of assets that could be considered investment securities. However, our subsidiaries have a significant number of investment securities, and we expect to make investments in other investment securities from time to time. We monitor these holdings regularly to confirm our continued compliance with the 40% test described in the second bullet point above. The need to comply with this 40% test may cause us to restrict our business and subsidiaries with respect to the assets in which we can invest and/or the types of securities we may issue, sell investment securities, including on unfavorable terms, acquire assets or businesses that could change the nature of our business or potentially take other actions that may be viewed as adverse by the holders of our common units, in order to ensure conformity with exceptions provided by, and rules and regulations promulgated under, the Investment Company Act.

The Investment Company Act and the rules and regulations thereunder contain detailed parameters for the organization and operation of investment companies. Among other things, the Investment Company Act and the rules and regulations thereunder limit or prohibit transactions with affiliates, impose limitations on the issuance of debt and equity securities, generally prohibit the issuance of options and impose certain governance requirements. We intend to conduct our operations so that we will not be deemed to be an investment company under the Investment Company Act. If anything were to happen which would cause us to be deemed to be an investment company under the Investment Company Act, requirements imposed by the Investment Company Act, including limitations on our capital structure, ability to transact business with affiliates and ability to compensate key employees, would make it impractical for us to continue our business as currently conducted, impair the agreements and arrangements between and among us, including the KKR Group Partnerships, and KKR Holdings, and materially and adversely affect our business, results of operations and financial condition. In addition, we may be required to limit the amount of investments that we make as a principal, potentially divest of our investments or otherwise conduct our business in a manner that does not subject us to the registration and other requirements of the Investment Company Act.

With respect to our subsidiary KFN, we believe it is not and does not propose to be primarily engaged in the business of investing, reinvesting or trading in securities, and we do not believe that KFN has held itself out as such. KFN conducts its operations primarily through its majority-owned subsidiaries, each of which is either outside of the definition of an investment company as defined in the Investment Company Act or excepted from such definition under the Investment Company Act. KFN monitors its holdings regularly to confirm its continued compliance with the 40% test described in the second bullet point above, and restricts its subsidiaries with respect to the assets in which each of them can invest and/or the types of securities each of them may issue in order to ensure conformity with exceptions provided by, and rules and regulations promulgated under, the Investment Company Act. If the SEC were to disagree with KFN's treatment of one or more of its subsidiaries as being excepted from the Investment Company Act, with its determination that one or more of its other holdings are not investment securities for purposes of the 40% test, or with its determinations as to the nature of its business or the manner in which it holds itself out, KFN and/or one or more of its subsidiaries could be required either (i) to change substantially the manner in which it conducts its operations to avoid being subject to the Investment Company Act or (ii) to register as an investment company. Either of these would likely have a material adverse effect on KFN, its ability to service its indebtedness and to make distributions on its shares, and on the market price of its securities, and could thereby materially and adversely affect our business, results of operations and financial condition.

On August 31, 2011 the SEC published an advance notice of proposed rulemaking regarding Rule 3a-7 and a concept release seeking information on Section 3(c)(5)(C), two provisions with which KKR's subsidiaries, including KFN, must comply under the 40% test described above. Among the issues for which the SEC has requested comment is whether Rule 3a-7 should be modified so that parent companies of subsidiaries that rely on Rule 3a-7 should treat their interests in such subsidiaries as investment securities for purposes of the 40% test. The SEC is also seeking information about the nature of entities that invest in mortgages and mortgage-related pools and how the SEC staff's interpretive positions in connection with Section 3(c)(5)(C) affect these entities. Although no further action has been taken by the SEC, any guidance or action from the SEC or its staff, including changes that the SEC may ultimately propose and adopt to the way Rule 3a-7 applies to entities or new or modified interpretive positions related to Section 3(c)(5)(C), could further inhibit KKR's ability, or the ability of any of its subsidiaries, including KFN, to pursue its current or future operating strategies, which could have a material adverse effect on us.

We are a Delaware limited partnership, and there are certain provisions in our limited partnership agreement regarding exculpation and indemnification of our officers and directors that differ from the Delaware General Corporation Law ("DGCL") in a manner that may be less protective of the interests of our common unitholders.

Our limited partnership agreement provides that to the fullest extent permitted by applicable law our directors or officers will not be liable to us. However, under the DGCL, a director or officer would be liable to us for (i) breach of duty of loyalty to us or our shareholders, (ii) intentional misconduct or knowing violations of the law that are not done in good faith, (iii) improper redemption of shares or declaration of dividend, or (iv) a transaction from which the director derived an improper personal benefit. In addition, our limited partnership agreement provides that we indemnify our directors and officers for acts or omissions to the fullest extent provided by law. However, under the DGCL, a corporation can only indemnify directors and officers for acts or omissions if the director or officer acted in good faith, in a manner he reasonably believed to be in the best interests of the corporation, and, in criminal action, if the officer or director had no reasonable cause to believe his conduct was unlawful. Accordingly, our limited partnership agreement may be less protective of the interests of our common unitholders, when compared to the DGCL, insofar as it relates to the exculpation and indemnification of our officers and directors. See "—Our limited partnership agreement contains provisions that reduce or eliminate duties (including fiduciary duties) of our Managing Partner and limit remedies available to unitholders for actions that might otherwise constitute a breach of duty. It will be difficult for unitholders to successfully challenge a resolution of a conflict of interest by our Managing Partner or by its conflicts committee."

Risks Related to U.S. Taxation

If we were treated as a corporation for U.S. federal income tax or state tax purposes, then our distributions to you may be substantially reduced and the value of our common units could be adversely affected.

We are currently treated as a partnership for U.S. federal income tax purposes, which requires that 90% or more of our gross income for every taxable year consist of qualifying income, as defined in Section 7704 of the Internal Revenue Code of 1986, as amended (the "Code"), and that our partnership not be registered under the Investment Company Act. Qualifying income generally includes dividends, interest, capital gains from the sale or other disposition of stocks and securities, gain from the sale or other disposition of real property, real property rents, income and gains from energy and oil and gas investments and certain other forms of investment income. So long as we are a partnership for U.S. federal income tax purposes, we intend to structure our investments so as to satisfy these requirements, including by generally holding investments that generate non-qualifying income through one or more subsidiaries that are treated as corporations for U.S. federal income tax purposes. Nonetheless, we may not meet these requirements, may not correctly identify investments that should be owned through corporate subsidiaries, or current law may change so as to cause, in any of these events, us to be treated as a corporation for U.S. federal income tax purposes or otherwise subject us to U.S. federal income tax. We have not requested, and do not plan to request, a ruling from the IRS regarding the amount of qualifying income earned by us during any particular period.

If we were treated as a corporation for U.S. federal income tax purposes, we would pay U.S. federal, state and local income tax on our taxable income at the applicable tax rates. Distributions to you would generally be taxed again as corporate distributions, and no income, gains, losses, deductions or credits would otherwise flow through to you. Because a tax would be imposed upon us as a corporation, our distributions to you may be substantially reduced which could cause a reduction in the value of our common units. The same changes will result if our Managing Partner elects to convert KKR into a corporation or cause KKR to be taxed as a corporation for U.S. federal tax purposes. See "Risks Related to Our Business—Our structure implicates complex provisions of U.S. federal income tax laws for which no clear precedent or authority may be available. These structures also are subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis. In addition, we may elect to change our structure at any time."

Comprehensive U.S. federal income tax reform legislation became effective in 2018, which could have a material effect on us.

The 2017 Tax Act has resulted in various changes to the Code. Changes to U.S. tax laws resulting from the 2017 Tax Act, including meaningful reduction to the U.S. federal corporate income tax rate, partial limitation on the deductibility of business interest expense and a longer three-year holding period requirement for carried interest to be treated as capital gain, could have a material effect on our business operations and our funds' investment activities. These and other changes from the 2017 Tax Act, including the changes to the carryback and carryforward of net operating losses, U.S. taxation on earnings from international business operations and certain modifications to the Section 162(m) of the Code, could also have a significant effect on the business of our portfolio companies. The 2017 Tax Act also increases the likelihood that our Managing Partner may elect to convert KKR into, or cause KKR to be taxed as, a corporation. See "Risks Related to Our Business—Our structure implicates complex provisions of U.S. federal income tax laws for which no clear precedent or authority may be available. These structures also are subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis. In addition, we may elect to change our structure at any time" and "Risks Related to Our Organizational Structure—We will be required to pay our principals for most of the benefits relating to any additional tax depreciation or amortization deductions we may claim as a result of the tax basis step-up we receive in connection with subsequent exchanges of our common units and related transactions." Following the 2017 Tax Act, the tax treatment of carried interest may continue to be an area of focus for policymakers and government officials, which could result in a further regulatory action by federal or state governments. Additionally, foreign and state and local governments may enact tax laws in response to the 2017 Tax Act that could result in further changes to foreign and state and local taxation and materially affect our financial position and results of operations. Currently, the exact impact of the 2017 Tax Act in many cases is unclear and difficult to quantify with precision, but any of these changes could have a material adverse effect on our business, results of operations and financial condition. See Note 11 "Income Taxes" to our consolidated financial statements included elsewhere in this report for further information on the impact of the 2017 Tax Act.

Our unitholders may be subject to U.S. federal income tax on their share of our taxable income, regardless of whether they receive any cash distributions, and they may recognize income in excess of cash distributions.

As long as 90% of our gross income for each taxable year constitutes qualifying income as defined in Section 7704 of the Code and we are not registered as an investment company under the Investment Company Act on a continuing basis, and assuming there is no change in law or relevant change in our structure, we will be treated, for U.S. federal income tax purposes, as a partnership and not as an association or a publicly traded partnership taxable as a corporation. Accordingly, each unitholder will be required to take into account its allocable share of our items of income, gain, loss and deduction. Distributions to a unitholder will generally be taxable to the unitholder for U.S. federal income tax purposes only to the extent the amount distributed exceeds the unitholder's tax basis in the unit. That treatment contrasts with the treatment of a shareholder in a corporation. For example, a shareholder in a corporation who receives a distribution of earnings from the corporation will generally report the distribution as dividend income for U.S. federal income tax purposes. In contrast, a holder of our units who receives a distribution of earnings from us will not report the distribution as dividend income (and will treat the distribution as taxable only to the extent the amount distributed exceeds the unitholder's tax basis in the units), but will instead report the holder's allocable share of items of our income for U.S. federal income tax purposes. As a result, a unitholder may be subject to U.S. federal, state, local and possibly, in some cases, foreign income taxation on its allocable share of our items of income, gain, loss, deduction and credit (including its allocable share of those items of any entity in which we invest that is treated as a partnership or is otherwise subject to tax on a flow-through basis) for each of our taxable years ending with or within the unitholder's taxable year, regardless of whether or not such unitholder receives cash distributions.

You should not expect to receive cash distributions equal to your allocable share of our net taxable income, because, among other things, we currently have a fixed distribution policy. In addition, certain of our holdings, including holdings, if any, in controlled foreign corporations ("CFCs"), passive foreign investment companies ("PFICs") or entities treated as partnerships for U.S. federal income tax purposes, may produce taxable income prior to the receipt of cash relating to such income, and holders of our common units that are U.S. taxpayers may be required to take such income into account in determining their taxable income. In the event of an inadvertent termination of the partnership status for which the IRS has granted limited relief, each holder of our common units may be obligated to make such adjustments as the IRS may require to maintain our status as a partnership. Such adjustments may require the holders of our common units to recognize additional amounts in income during the years in which they hold such units. In addition, because of our methods of allocating income and gain among holders of our common units, you may be taxed on amounts that accrued economically before you became a unitholder.

We can make no assurances that our cash distributions to you will be sufficient to cover your tax liability arising from your investment in us in any given year, quarter or other period. We are under no obligation to make any distribution, and we generally do not make annual tax distributions. In addition, in certain circumstances, we may not be able to make any distributions or will only be making distributions in amounts less than your tax liability attributable to your investment in us. To the extent taxable income is allocated to you in excess of the cash distributions made, the excess amount would typically be applied to increase the tax basis of your investment in us under applicable U.S. federal tax laws. Furthermore, when we make cash distributions, we anticipate making cash distributions on a quarterly basis while allocating taxable income on a monthly basis. As a result, if you dispose of your common units, you may be allocated taxable income during the time you held your common units without receiving any cash distributions corresponding to that period. Moreover, when an investment is realized at the end of a fiscal quarter, taxable income allocable to such realization is generally made during the same taxable period, but the distribution, if any, generated by such realization may not be paid until a later period. Accordingly, you should ensure that you have sufficient cash flow from sources other than our cash distributions to pay for all of your tax liabilities.

Our interests in certain of our businesses will be held through intermediate holding companies, which will be treated as corporations for U.S. federal income tax purposes; such corporations may be liable for significant taxes and may create other adverse tax consequences, which could potentially adversely affect the value of our common units.

In light of the publicly traded partnership rules under U.S. federal income tax laws and other requirements, we will hold our interest in certain of our businesses through intermediate holding companies, which will be treated as corporations for U.S. federal income tax purposes. The intermediate holding companies organized in the United States or otherwise subject to regular U.S. federal income taxation will be liable for U.S. federal income taxes at regular rates on all of their taxable income as well as applicable state, local and other taxes. These taxes would reduce the amount of distributions available to be made on our common units. In addition, these taxes could be increased if the IRS were to successfully reallocate deductions or income of the related entities conducting our business. In addition, without the consent of the unitholders, our Managing Partner may also elect to convert KKR into a corporation or be taxed as a corporation for U.S. federal income tax purposes if certain conditions have been met. See "Risks Related to Our Business—Our structure implicates complex provisions of U.S. federal income tax laws for which no clear precedent or authority may be available. These structures also are subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis. In addition, we may elect to change our structure at any time."

Changes in tax information collection and sharing regimes could increase our compliance and withholding tax costs

Under legislation known as the U.S. Foreign Account Tax Compliance Act ("FATCA"), U.S. withholding agents and all entities in a broadly defined class of foreign financial institutions ("FFIs") are required to comply with a complicated and expansive reporting regime or be subject to a 30% U.S. withholding tax on certain U.S. payments (and beginning in 2019, a 30% withholding tax on gross proceeds from the sale of U.S. stocks and securities) and non-U.S. entities that are not FFIs are required to either certify they have no substantial U.S. beneficial ownership or to report certain information with respect to their substantial U.S. beneficial ownership or be subject to a 30% U.S. withholding tax on certain U.S. payments (and beginning in 2019, a 30% withholding tax on gross proceeds from the sale of U.S. stocks and securities). Some countries have implemented regimes similar to that of FATCA and other countries are participating in a multi-jurisdictional tax information regime known as the Common Reporting Standard. Compliance with such regimes could result in increased administrative and compliance costs for our investment entities and, in some cases, could subject our investment entities to increased withholding taxes.

We may hold or acquire certain investments through an entity classified as a PFIC or CFC for U.S. federal income tax purposes.

Certain of our investments may be in foreign corporations or may be acquired through a foreign subsidiary that would be classified as a corporation for U.S. federal income tax purposes. Such an entity may be PFIC for U.S. federal income tax purposes. In addition, we may hold certain investments in foreign corporations that are treated as CFCs. Unitholders may experience adverse U.S. tax consequences as a result of holding an indirect interest in a PFIC or CFC. These investments may produce taxable income prior to the receipt of cash relating to such income, and unitholders that are U.S. taxpayers will be required to take such income into account in determining their gross income subject to tax. In addition, all or a portion of gain on the sale of a CFC may be taxable at ordinary income rates. Further, with respect to gain on the sale of and excess distributions from a PFIC for which an election for current inclusions is not made, such income would be taxable at ordinary income rates and be subject to an additional tax charge equivalent to an interest charge on the deferral of income inclusions from that PFIC.

Tax gain or loss on disposition of our common units could be more or less than expected.

If you sell your common units, you will recognize a gain or loss equal to the difference between the amount realized and your adjusted tax basis allocated to those common units. Prior distributions to you in excess of the total net taxable income allocated to you will have decreased the tax basis in your common units. Therefore, such excess distributions will increase your taxable gain, or decrease your taxable loss, when the common units are sold and may result in a taxable gain even if the sale price is less than the original cost. A portion of the amount realized, whether or not representing gain, may be ordinary income to you.

Unitholders may be allocated taxable gain on the disposition of certain assets, even if they did not share in the economic appreciation inherent in such assets.

We and our intermediate holding companies will be allocated taxable gains and losses recognized by the KKR Group Partnerships based upon our percentage ownership in each KKR Group Partnership. Our share of such taxable gains and losses generally will be allocated pro rata to our unitholders. In some circumstances, under the U.S. federal income tax rules affecting partners and partnerships, the taxable gain or loss allocated to a unitholder may not correspond to that unitholder's share of the economic appreciation or depreciation in the particular asset. This is primarily an issue of the timing of the payment of tax, rather than a net increase in tax liability, because the gain or loss allocation would generally be expected to be offset as a unitholder sells units.

Non-U.S. persons face unique U.S. tax issues from owning our common units that may result in adverse tax consequences to them.

We expect that a portion of our income will be treated as income effectively connected with a U.S. trade or business for U.S. federal income tax purposes ("ECI") with respect to non-U.S. unitholders, including by reason of investments in certain U.S. real property holding corporations, REITs, real estate assets and energy assets. To the extent our income is treated as ECI, non-U.S. unitholders generally would be subject to withholding tax on their allocable share of such income, would be required to file a U.S. federal income tax return for such year reporting their allocable share of income effectively connected with such trade or business and any other income treated as ECI, and would be subject to U.S. federal income tax at regular U.S. tax rates on any such income (state and local income taxes and filings may also apply in that event). Non-U.S. unitholders that are corporations may also be subject to a 30% branch profits tax (potentially reduced under an applicable treaty) on their actual or deemed distributions of such income. In addition, distributions to non-U.S. unitholders that are attributable to profits on the sale of a U.S. real property interest may also be subject to withholding tax at the highest applicable marginal income tax rate. Also, non-U.S. unitholders may be subject to 30% withholding on allocations of our income that are U.S. source fixed or determinable, annual or periodic income under the Code, unless an exemption from or a reduced rate of such withholding applies (under an applicable treaty of the Code) and certain tax status information is provided. Finally, if we are treated as being engaged in a U.S. trade or business, the portion of any gain recognized by non-U.S. unitholders that is deemed to be effectively connected with such U.S. trade or business will be treated for U.S. federal income tax purposes as ECI, and hence such non-U.S. unitholders would be subject to U.S. federal income tax on the sale or exchange of common units. Under the 2017 Tax Act, for dispositions after December 31, 2017, unless an applicable nonforeign affidavit is furnished or other exception applies, if any portion of any gain on a disposition of an interest in us would be treated as effectively connected with the conduct of a U.S. trade or business, the transferee of an interest in us is required to withhold 10% of the amount realized on such disposition (and we would be required to withhold from future distributions to the transferee if the transferee fails to properly withhold). On December 29, 2017, the U.S. Treasury Department and IRS announced a temporary suspension of such withholding tax provisions with respect to any disposition of an interest in a publicly traded partnership until regulations or other guidance have been issued. Such withholding tax provisions, when effective for publicly traded partnerships, could impose material tax and administrative burdens on us and our unitholders.

Tax-exempt entities and tax-exempt or tax-deferred accounts face unique tax issues from owning our common units that may result in adverse tax consequences to them.

Generally, a tax-exempt partner of a partnership would be treated as earning unrelated business taxable income ("UBTI") if the partnership regularly engages in a trade or business that is unrelated to the exempt function of the tax-exempt partner, if the partnership derives income from debt-financed property or if the partner interest itself is debt-financed. As a result of our ownership of real estate assets and energy assets and incurrence of acquisition indebtedness we will derive income that constitutes UBTI. Consequently, a holder of common units that is a tax-exempt entity (including an individual retirement account or a 401(k) plan participant) will likely be subject to unrelated business income tax to the extent that its allocable share of our income consists of UBTI and thus may be subject to U.S. federal income taxes and U.S. federal income tax reporting with respect to such income. In addition, a tax-exempt investor may be subject to unrelated business income tax on a sale of their common units.

We cannot match transferors and transferees of common units, and we will therefore adopt certain income tax accounting conventions that may not conform with all aspects of applicable tax requirements. The IRS may challenge this treatment, which could adversely affect the value of our common units.

Because we cannot match transferors and transferees of common units, we have adopted depreciation, amortization and other tax accounting positions that may not conform with all aspects of existing Treasury regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to our unitholders. It also could affect the timing of these tax benefits or the amount of gain on the sale of common units and could have a negative impact on the value of our common units or result in audits of and adjustments to our unitholders' tax returns.

In addition, our taxable income and losses are determined and apportioned among unitholders using conventions we regard as consistent with applicable law. As a result, if you transfer your common units, you may be allocated income, gain, loss and deduction realized by us after the date of transfer. Similarly, a transferee may be allocated income, gain, loss and deduction realized by us prior to the date of the transferee's acquisition of our common units. A transferee may also bear the cost of withholding tax imposed with respect to income allocated to a transferor through a reduction in the cash distributed to the transferee.

Holders of our common units may be subject to state, local and foreign taxes and return filing requirements as a result of owning such units.

In addition to U.S. federal income taxes, holders of our common units may be subject to other taxes, including state, local and foreign taxes, and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we do business or own property now or in the future, even if the holders of our common units do not reside in any of those jurisdictions. Holders of our common units may be required to file state and local income tax returns and pay state and local income taxes in some or all of these jurisdictions in the United States and abroad. Further, holders of our common units may be subject to penalties for failure to comply with those requirements. It is the responsibility of each unitholder to file all U.S. federal, state, local and foreign tax returns that may be required of such unitholder. In addition our investments in real assets may expose unitholders to additional adverse tax consequences. See "—Risks Related to the Assets We Manage—Our investments in real assets such as real estate, infrastructure and energy may expose us to increased risks and liabilities and may expose our unitholders to adverse tax consequences."

Certain U.S. holders of common units are subject to additional tax on "net investment income."

U.S. holders that are individuals, estates or trusts are subject to a Medicare tax of 3.8% on "net investment income" (or undistributed "net investment income," in the case of estates and trusts) for each taxable year, with such tax applying to the lesser of such income or the excess of such person's adjusted gross income (with certain adjustments) over a specified amount. Net investment income includes net income from interest, dividends, annuities, royalties and rents, and net gain attributable to the disposition of investment property. It is anticipated that net income and gain attributable to an investment in our common units will be included in a U.S. holder's "net investment income" subject to this Medicare tax.

We may not be able to furnish to each unitholder specific tax information within 90 days after the close of each calendar year, which means that holders of common units who are U.S. taxpayers should anticipate the need to file annually a request for an extension of the due date of their income tax return.

As a publicly traded partnership, our operating results, including distributions of income, dividends, gains, losses or deductions, and adjustments to carrying basis, will be reported on Schedule K-1 and distributed to each unitholder annually. It may require longer than 90 days after the end of our fiscal year to obtain the requisite information from all lower-tier entities so that Schedule K-1s may be prepared for the unitholders. For this reason, holders of common units who are U.S. taxpayers should anticipate the need to file annually with the IRS (and certain states) a request for an extension past April 15 or the otherwise applicable due date of their income tax return for the taxable year.

We may be liable for adjustments to our tax returns as a result of partnership audit legislation.

Legislation enacted in 2015 significantly changed the rules for U.S. federal income tax audits of partnerships. Such audits will continue to be conducted at a partnership level, but with respect to tax returns for taxable years beginning after December 31, 2017, unless a partnership qualifies for and affirmatively elects an alternative procedure, any adjustments to the amount of tax due (including interest and penalties) will be payable by the partnership. Under the elective alternative procedure, a partnership would issue information returns to persons who were partners in the audited year, who would then be required to take the adjustments into account in calculating their own tax liability, and the partnership would not be liable for the adjustments. If a partnership elects the alternative procedure for a given adjustment, the amount of taxes for which its partners would be liable would be increased by any applicable penalties and a special interest charge. There can be no assurance that we will be eligible to make such an election or that we will, in fact, make such an election for any given adjustment. If we do not or are not able to make such an elections, then (1) our then-current unitholders, in the aggregate, could indirectly bear income tax liabilities in excess of the aggregate amount of taxes that would have been due had we elected the alternative procedure and (2) a given unitholder may indirectly bear taxes attributable to income allocable to other unitholders or former unitholders, including taxes (as well as interest and penalties) with respect to periods prior to such holder's ownership of common units. Amounts available for distribution to our unitholders may be reduced as a result of our obligation to pay any taxes associated with an adjustment. Many issues and overall effect of this new legislation on us are uncertain, and unitholders should consult their own tax advisors regarding all aspects of this legislation as it affects their particular circumstances.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive offices are located in leased office space at 9 West 57th Street, New York, New York. We also lease space for our other offices. We consider these facilities to be suitable and adequate for the management and operations of our business.

On October 29, 2015, we entered into agreements relating to the construction and development of office space at 30 Hudson Yards in New York, New York to serve as our new corporate headquarters beginning in 2020. Upon the satisfaction of the conditions specified in the development agreement, we will take delivery of the completed office space.

ITEM 3. LEGAL PROCEEDINGS.

The section entitled "Litigation" appearing in Note 17 "Commitments and Contingencies" to our consolidated financial statements included elsewhere in this report is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common units representing limited partner interests began trading on the NYSE on July 15, 2010 and are traded under the symbol "KKR." The following table sets forth the high and low intra-day sales prices per unit of our common units, for the periods indicated, as reported by the NYSE.

	Sales price			
	2017		2016	
	High	Low	High	Low
First Quarter	$ 18.43	$ 15.83	$ 15.97	$ 10.89
Second Quarter	$ 19.11	$ 16.86	$ 15.11	$ 11.90
Third Quarter	$ 20.33	$ 18.03	$ 15.43	$ 11.63
Fourth Quarter	$ 21.18	$ 19.19	$ 17.57	$ 13.58

The number of holders of record of our common units as of February 21, 2018 was 35. This does not include the number of unitholders that hold shares in "street-name" through banks or broker-dealers.

Distribution Policy

The following table presents the distributions paid to holders of our common units at the close of business on the specified record date during fiscal years 2016 and 2017 :

Payment Date	Record Date	Distribution per unit
March 8, 2016	February 22, 2016	$0.16
May 19, 2016	May 5, 2016	$0.16
August 19, 2016	August 5, 2016	$0.16
November 22, 2016	November 4, 2016	$0.16
March 7, 2017	February 21, 2017	$0.16
May 23, 2017	May 8, 2017	$0.17
August 22, 2017	August 7, 2017	$0.17
November 21, 2017	November 6, 2017	$0.17

Under its distribution policy for common units, KKR intends to make equal quarterly distributions to holders of its common units. KKR's regular distribution per common unit of $0.17 was declared on February 8, 2018 for the quarter ended December 31, 2017.

Because we make our investment in our business through a holding company structure and the applicable holding companies do not own any material cash-generating assets other than their direct and indirect holdings in KKR Group Partnership Units, distributions are expected to be funded in the following manner:

- First, the KKR Group Partnerships will make distributions to holders of KKR Group Partnership Units, including the holding companies through which we invest, in proportion to their percentage interests in the KKR Group Partnerships;
- Second, the holding companies through which we invest will distribute to us the amount of any distributions that they receive from the KKR Group Partnerships, after deducting any applicable taxes; and
- Third, we will distribute to holders of our units the amount of distributions declared by the board of directors of our Managing Partner from the distributions that we receive from our holding companies through which we invest.

The limited partnership agreements of the KKR Group Partnerships provide for cash distributions, which are referred to as "tax distributions," to the partners of such partnerships if we determine that the taxable income of the relevant partnership will give rise to taxable income for its partners. However, holders should not expect the KKR Group Partnerships will make any tax distributions, and there can be no assurance that, for any particular holder, our distributions will be sufficient to pay such holder's actual U.S. or non-U.S. tax liability.

The declaration and payment of any distributions are subject to the discretion of the board of directors of our Managing Partner, which may change the distribution policy at any time or from time to time, and the terms of its limited partnership agreement. There can be no assurance that distributions will be made as intended or at all, that unitholders will receive sufficient distributions to satisfy payment of their tax liabilities as limited partners of KKR & Co. L.P. or that any particular distribution policy will be maintained. When KKR & Co. L.P. receives distributions from the KKR Group Partnerships (the holding companies of the KKR business), KKR Holdings receives its pro rata share of such distributions from the KKR Group Partnerships. Furthermore, the declaration and payment of distributions is subject to legal, contractual and regulatory restrictions on the payment of distributions by us or our subsidiaries, including restrictions contained in our debt agreements and the terms of our preferred units, and such other factors as the board of directors of our Managing Partner considers relevant including, among others: our available cash and current and anticipated cash needs, including funding of investment commitments and debt service and future debt repayment obligations; general economic and business conditions; our strategic plans and prospects; our results of operations and financial condition; and our capital requirements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity—Sources of Cash." In addition, under Section 17-607 of the Delaware Limited Partnership Act, we will not be permitted to make a distribution if, after giving effect to the distribution, our liabilities would exceed the fair value of our assets.

Common Unit Repurchases in the Fourth Quarter of 2017

As announced on October 27, 2015 and amended on February 9, 2017, KKR is authorized to repurchase up to $750 million in the aggregate of its outstanding common units. Under this unit repurchase program, units may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing, manner, price and amount of any unit repurchases will be determined by KKR in its discretion and will depend on a variety of factors, including legal requirements, price and economic and market conditions. KKR expects that the program, which has no expiration date, will be in effect until the maximum approved dollar amount has been used to repurchase common units. The program does not require KKR to repurchase any specific number of common units, and the program may be suspended, extended, modified or discontinued at any time.

The table below sets forth the information with respect to repurchases made by or on behalf of KKR & Co. L.P. or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act) of our common units during the fourth quarter of 2017. No common units were repurchased during the fourth quarter of 2017 or from January 1, 2018 to February 21, 2018. From inception of the repurchase program through February 21, 2018, we had repurchased a total of approximately 31.7 million common units under the program at an average price of approximately $14.47 per unit.

Issuer Purchases of Common Units

(amounts in thousands, except unit and per unit amounts)

	Total Number of Units Purchased	Average Price Paid Per Units	Cumulative Number of Units Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Units that May Yet Be Purchased Under the Plans or Programs
Month #1 (October 1, 2017 to October 31, 2017)	—	$ —	31,674,162	$ 291,225
Month #2 (November 1, 2017 to November 30, 2017)	—	$ —	31,674,162	$ 291,225
Month #3 (December 1, 2017 to December 31, 2017)	—	$ —	31,674,162	$ 291,225
Total through December 31, 2017	—			
Purchases subsequent to December 31, 2017:				
(January 1, 2018 to February 21, 2018)	—	$ —	31,674,162	$ 291,225
Total through February 21, 2018	—			

In addition to the repurchases of common units, (1) cash may be used to pay the amount of withholding taxes, social benefit payments or similar payments payable by KKR in respect of awards granted pursuant to our Equity Incentive Plan and (2) cash may be delivered in respect of certain awards granted pursuant to our Equity Incentive Plan and other exchangeable securities issued in connection with the acquisition of Avoca. During 2017, KKR paid $58.0 million in cash in lieu of issuing common units upon the vesting of equity awards representing 3.1 million common units to satisfy tax withholding and cash-settlement obligations. Since October 27, 2015, KKR has paid $137.0 million in cash in lieu of issuing common units upon the vesting of equity awards representing 8.2 million common units to satisfy tax withholding and cash-settlement obligations.

Unregistered Sale of Equity Securities

During the fourth quarter of 2017, 5,562,665 KKR Group Partnership Units were exchanged by (i) KKR Holdings and (ii) holders of other exchangeable securities issued in connection with the acquisition of Avoca for an equal number of our common units. This resulted in an increase in our ownership of the KKR Group Partnerships and a corresponding decrease in the ownership of the KKR Group Partnerships by KKR Holdings and the other exchangeable security holders. From January 1, 2018 to February 21, 2018, an additional 630,578 common units were issued to one or more holders of other exchangeable securities issued in connection with the acquisition of Avoca. These private transactions were exempt from registration in reliance on Section 4(a)(2) of the Securities Act.

On November 30, 2017, KKR acquired an additional 5.0% interest in Marshall Wace after the exercise of one of the options agreed to between Marshall Wace and KKR. As partial consideration, KKR issued 4,727,966 common units to affiliates of Marshall Wace in a private transaction exempt from registration in reliance on Section 4(a)(2) of the Securities Act.

ITEM 6. SELECTED FINANCIAL DATA

The following tables set forth our selected historical consolidated financial data as of and for the years ended December 31, 2017 , 2016, 2015, 2014 and 2013. We derived the selected historical consolidated financial data as of December 31, 2017 and 2016 and for the years ending December 31, 2017 , 2016 and 2015 from the audited consolidated financial statements included elsewhere in this report. We derived the selected historical consolidated financial data as of December 31, 2015, 2014 and 2013 and for the years ended December 31, 2014 and 2013 from our audited consolidated financial statements which are not included in this report. You should read the following data together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this report.

On January 1, 2016, KKR adopted ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis ("ASU 2015-02"), which resulted in the de-consolidation of most of KKR's investment funds that had been consolidated prior to such date. Effective with the adoption of ASU 2015-02, assets, liabilities, and noncontrolling interests from our investment funds that had previously been consolidated are no longer included in the statement of financial condition. Additionally, when an investment fund is consolidated, management fees, fee credits and carried interest earned from consolidated funds are eliminated in consolidation and as such are not recorded in Fees and Other. The economic impact of these management fees, fee credits and carried interests that are eliminated is reflected as an adjustment to noncontrolling interests and has no impact to Net Income Attributable to KKR & Co. L.P. KKR adopted this guidance using the modified retrospective method. As a result, no retrospective adjustment is required and prior periods presented under GAAP have not been impacted.

	For the Years Ended December 31,				
	2017	2016	2015	2014	2013
	(all dollars are in thousands, except unit and per unit data)				
Statements of Operations Data:					
Fees and Other	$ 3,282,265	$ 1,908,093	$ 1,043,768	$ 1,110,008	$ 762,546
Less: Total Expenses	2,336,692	1,695,474	1,871,225	2,196,067	1,767,138
Total Investment Income (Loss)	1,838,795	762,606	6,169,125	6,544,748	8,896,746
Income (Loss) Before Taxes	2,784,368	975,225	5,341,668	5,458,689	7,892,154
Income Taxes	224,326	24,561	66,636	63,669	37,926
Net Income (Loss)	2,560,042	950,664	5,275,032	5,395,020	7,854,228
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	73,972	(8,476)	(4,512)	(3,341)	62,255
Net Income (Loss) Attributable to Noncontrolling Interests and Appropriated Capital	1,467,765	649,833	4,791,062	4,920,750	7,100,747
Net Income (Loss) Attributable to KKR & Co. L.P.	1,018,305	309,307	488,482	477,611	691,226
Net Income Attributable to Series A Preferred Unitholders	23,288	17,337	—	—	—
Net Income Attributable to Series B Preferred Unitholders	10,076	4,898	—	—	—
Net Income (Loss) Attributable to KKR & Co. L.P. Common Unitholders	$ 984,941	$ 287,072	$ 488,482	$ 477,611	$ 691,226
Net Income (Loss) Attributable to KKR & Co. L.P. Per Common Unit					
Basic	$ 2.10	$ 0.64	$ 1.09	$ 1.25	$ 2.51
Diluted	$ 1.95	$ 0.59	$ 1.01	$ 1.16	$ 2.30
Weighted Average Common Units Outstanding					
Basic	468,282,642	448,905,126	448,884,185	381,092,394	274,910,628
Diluted	506,288,971	483,431,048	482,699,194	412,049,275	300,254,090

	As of December 31,				
	2017	2016	2015	2014	2013
	(all dollars are in thousands)				
Statements of Financial Condition Data (period end):					
Total Assets	$ 45,834,719	$ 39,002,897	$ 71,042,339	$ 65,872,745	$ 51,427,201
Total Liabilities	$ 25,171,919	$ 21,884,814	$ 21,574,754	$ 14,168,684	$ 4,842,383
Redeemable Noncontrolling Interests	$ 610,540	$ 632,348	$ 188,629	$ 300,098	$ 627,807
Noncontrolling Interests	$ 12,866,324	$ 10,545,902	$ 43,731,774	$ 46,004,377	$ 43,235,001
Appropriated Capital	$ —	$ —	$ —	$ 16,895	$ —
Total KKR & Co. L.P. Partners' Capital (1)	$ 7,185,936	$ 5,939,833	$ 5,547,182	$ 5,382,691	$ 2,722,010

(1) Total KKR & Co. L.P. partners' capital (including Series A and B preferred partners' capital) reflects only the portion of equity attributable to KKR & Co. L.P. (59.1% interest in the KKR Group Partnerships as of December 31, 2017) and differs from book value reported on a segment basis primarily as a result of the exclusion of the equity impact of KKR Management Holdings Corp. and allocations of equity to KKR Holdings. KKR Holdings' 40.9% interest in the KKR Group Partnerships as of December 31, 2017 is reflected as noncontrolling interests and is not included in total KKR & Co. L.P. partners' capital.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the consolidated financial statements of KKR & Co. L.P. and the related notes included elsewhere in this report. The historical consolidated financial data discussed below reflects the historical results and financial position of KKR. In addition, this discussion and analysis contains forward-looking statements and involves numerous risks and uncertainties, including those described under "Cautionary Note Regarding Forward-looking Statements" and "Risk Factors." Actual results may differ materially from those contained in any forward-looking statements.

Overview of Business

For a discussion about our businesses, business segments and our firm, see "Item 1. Business."

Business Environment

Economic and Market Conditions

Economic Conditions . As a global investment firm, we are affected by financial and economic conditions globally. Global and regional economic conditions have a substantial impact on our financial condition and results of operations, impacting the values of the investments we make, our ability to exit these investments profitably, our ability to raise capital from investors and our ability to make new investments. Financial and economic conditions in the United States, the European Union, Japan, China and other major economies are significant contributors to the global economy.

As of December 31, 2017, the United States appears to be experiencing growth and signs of rising inflation, and the U.S. Federal Reserve is expected to continue to raise its benchmark interest rate and reduce its balance sheet. In the United States, real GDP growth was 2.3% for the full year ended December 31, 2017, compared to 1.5% in the prior year; the U.S. unemployment rate was 4.1% as of December 31, 2017, down from 4.7% as of December 31, 2016; U.S. core consumer price index inflation was 1.8% on a year-over-year basis as of December 31, 2017, down from 2.2% on a year-over-year basis as of December 31, 2016; and the effective federal funds rate set by the U.S. Federal Reserve was 1.3% as of December 31, 2017, up from 0.7% as of December 31, 2016.

As of December 31, 2017, the European Union appears to be experiencing growth with the expectation of rising inflation, and the European Central Bank is expected to taper its quantitative easing program in the near future. In the Euro Area, real GDP growth is estimated to be 2.4% for the year ended December 31, 2017 compared to 1.8% in the prior year; the Euro Area unemployment rate was 8.7% as of December 31, 2017, down from 9.7% as of December 31, 2016; Euro Area core inflation was 0.9% on a year-over-year basis as of December 31, 2017, flat compared to the prior year as of December 31, 2016; and the short-term benchmark interest rate set by the European Central Bank was 0.0% as of December 31, 2017, flat from 0.0% as of December 31, 2016. In addition, in March 2017, the United Kingdom triggered Article 50 to formally begin the process to exit from the European Union, which could, among other outcomes, significantly disrupt trade and the free movement of goods, services and people between the United Kingdom and the European Union.

As of December 31, 2017, the Bank of Japan is expected to continue its quantitative easing program, and the Chinese economy appears to be slowing slightly against the backdrop of certain economic reforms. In Japan, the short-term benchmark interest rate set by the Bank of Japan was -0.1% as of December 31, 2017 as compared to -0.1% as of December 31, 2016; and in China, reported real GDP was 6.9% in the year ended December 31, 2017, above the 6.7% reported for the year ended December 31, 2016.

These and other key issues could have repercussions across regional and global financial markets, which could adversely affect the valuations of our investments. Other key issues include (i) political uncertainty caused by, among other things, populist political parties and economic nationalist sentiments, (ii) regulatory changes regarding, for example, taxation, international trade, cross-border investments, immigration, and austerity programs, and (iii) increased volatility as the U.S. Federal Reserve potentially raises interest rates more frequently and/or in larger increments than in previous years and (iv) technological advancements and innovations that may disrupt marketplaces and businesses. For a further discussion of how market conditions may affect our businesses, see "Risk Factors—Risks Related to Our Business—Difficult market and economic conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial condition."

Equity and Credit Markets . Global equity and credit markets have a substantial effect on our financial condition and results of operations. In general, a climate of reasonable interest rates and high levels of liquidity in the debt and equity capital markets provide a positive environment for us to generate attractive investment returns, which also impacts our ability to generate incentive fees and carried interest. Periods of volatility and dislocation in the capital markets present substantial risks, but also can present us with opportunities to invest at reduced valuations that position us for future growth and investment returns. Low interest rates related to monetary stimulus and economic stagnation may negatively impact expected returns on all types of investments. Higher interest rates in conjunction with slower growth or weaker currencies in some emerging market economies have caused, and may further cause, the default risk of these countries to increase, and this could impact the operations or value of our investments that operate in these regions. Areas such as the Eurozone and Japan, which have ongoing central bank quantitative easing campaigns and comparatively low interest rates relative to the United States, could potentially experience further currency volatility and weakness relative to the U.S. dollar.

Many of our investments are in equities, so a change in global equity prices or in market volatility directly impacts the value of our investments and our profitability as well as our ability to realize investment gains and the receptiveness of fund investors to our investment products. For the year ended December 31, 2017, global equity markets were positive, with the S&P 500 Index up 21.8% and the MSCI World Index up 23.1% on a total return basis including dividends. Equity market volatility as evidenced by the Chicago Board Options Exchange Market Volatility Index (the "VIX"), a measure of volatility, ended at 11.0 as of December 31, 2017, decreasing from 14.0 as of December 31, 2016. For a discussion of our valuation methods, see "Risk Factors—Risks Related to the Assets We Manage—Our investments are impacted by various economic conditions that are difficult to quantify or predict, which may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our results of operations and financial condition" and "—Critical Accounting Policies—Fair Value Measurements—Level III Valuation Methodologies."

Many of our investments are also in non-investment grade credit instruments, and our funds and our portfolio companies also rely on credit financing and the ability to refinance existing debt. Consequently, any decrease in the value of credit instruments that we have invested in or any increase in the cost of credit financing reduces our returns and decreases our net income. In particular due in part to holdings of credit instruments such as CLOs on our balance sheet, the performance of the credit markets has had an amplified impact on our financial results, as we directly bear the full extent of losses from credit instruments on our balance sheet. Credit markets can also impact valuations because a discounted cash flow analysis is generally used as one of the methodologies used to ascertain the fair value of our investments that do not have readily observable market prices. In addition, with respect to our credit instruments, tightening credit spreads are generally expected to lead to an increase, and widening credit spreads are generally expected to lead to a decrease, in the value of these credit investments, if not offset by hedging or other factors. In addition, the significant widening of credit spreads is also typically expected to negatively impact equity markets, which in turn would negatively impact our portfolio and us as noted above. During the year ended December 31, 2017, U.S. investment grade corporate bond spreads (BofA Merrill Lynch US Corporate Index) tightened by 31 basis points and U.S. high-yield corporate bond spreads (BofAML HY Master II Index) tightened by 59 basis points. The non-investment grade credit indices rose during the year ended December 31, 2017, with the S&P/LSTA Leveraged Loan Index up 4.1% and the BofAML HY Master II Index up 7.5%. In addition, during the year ended December 31, 2017, 10-year government bond yields declined 4 basis points in the United States and declined 5 basis points in the United Kingdom, rose 22 basis points in Germany, were flat in Japan and rose 85 basis points in China. For a further discussion of how market conditions may affect our businesses, see "Risk Factors—Risks Related to Our Business—Difficult market and economic conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial condition" and "Risk Factors—Risks Related to the Assets We Manage—Our investments are impacted by various economic conditions that are difficult to quantify or predict, which may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our results of operations and financial condition."

For further discussion of the impact of global credit markets on our financial condition and results of operations, see "Risk Factors—Risks Related to the Assets We Manage—Changes in the debt financing markets may negatively impact the ability of our investment funds, their portfolio companies and strategies pursued with our balance sheet assets to obtain attractive financing for their investments or to refinance existing debt and may increase the cost of such financing or refinancing if it is obtained, which could lead to lower-yielding investments and potentially decrease our net income," "Risk Factors—Risks Related to the Assets We Manage—Our investments are impacted by various economic conditions that are difficult to quantify or predict, which may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our results of operations and financial condition" and "Risk Factors—Risks Related to the Assets We Manage—Our funds and our firm through our Principal Activities segment may make a limited number of investments, or investments that are concentrated in certain issuers, geographic regions or asset types, which could negatively affect our performance or the performance of our funds to the extent those concentrated assets perform poorly." For a further discussion of our valuation methods, see "—Critical Accounting Policies—Fair Value Measurements—Level III Valuation Methodologies."

Foreign Exchange Rates . Foreign exchange rates have a substantial impact on the valuations of our investments that are denominated in currencies other than the U.S. dollar. Currency volatility can also affect our businesses and investments that deal in cross-border trade. The appreciation or depreciation of the U.S. dollar is expected to contribute to a decrease or increase, respectively, in the U.S. dollar value of our non-U.S. investments to the extent unhedged. In addition, an appreciating U.S. dollar would be expected to make the exports of U.S. based companies less competitive, which may lead to a decline in their export revenues, if any, while a depreciating U.S. dollar would be expected to have the opposite effect. Moreover, when selecting investments for our investment funds that are denominated in U.S. dollars, an appreciating U.S. dollar may create opportunities to invest at more attractive U.S. dollar prices in certain countries outside of the United States, while a depreciating U.S. dollar would be expected to have the opposite effect. For our investments denominated in currencies other than the U.S. dollar, the depreciation in such currencies will generally contribute to the decrease in the valuation of such investments, to the extent unhedged, and adversely affect the U.S. dollar equivalent revenues of portfolio companies with substantial revenues denominated in such currencies, while the appreciation in such currencies would be expected to have the opposite effect. For the year ended December 31, 2017, the euro rose 14.1%, the British pound rose 9.5%, the Japanese yen rose 3.7%, and the Chinese renminbi rose 6.3%, respectively, relative to the U.S. dollar. For additional information regarding our foreign exchange rate risk, see "—Quantitative and Qualitative Disclosure About Market Risk—Exchange Rate Risk."

Commodity Markets . Our Private Markets portfolio contains energy real asset investments, and certain of our other Private Markets and Public Markets strategies and products, including private equity, direct lending, special situations and CLOs, also have meaningful investments in the energy sector. The value of these investments is heavily influenced by the price of natural gas and oil. During the year ended December 31, 2017, the long-term price of WTI crude oil decreased approximately 5%, while the long-term price of natural gas was relatively stable. The long-term price of WTI crude oil decreased from approximately $56 per barrel to $53 per barrel, and the long-term price of natural gas decreased from approximately $2.87 per mcf to $2.82 per mcf as of December 31, 2016 and December 31, 2017, respectively. When commodity prices decline or if a decline is not offset by other factors, we would expect the value of our energy real asset investments to be adversely impacted. In addition, because we hold certain energy assets on our balance sheet, which had a fair value of $0.6 billion as of December 31, 2017 , these price movements would have an amplified impact on our financial results, as we would directly bear the full extent of such gains or losses. For additional information regarding our energy real assets, see "—Critical Accounting Policies—Fair Value Measurements—Level III Valuation Methodologies—Real Asset Investments" and "Risk Factors—Risks Related to the Assets We Manage—Our funds and our firm through our Principal Activities segment may make a limited number of investments, or investments that are concentrated in certain issuers, geographic regions or asset types, which could negatively affect our performance or the performance of our funds to the extent those concentrated assets perform poorly."

Business Conditions

Our segment revenues consist of fees, performance income and investment income. Our ability to grow our revenues depends in part on our ability to attract new capital and investors, our successful deployment of capital including from our balance sheet and our ability to realize investments.

Our ability to attract new capital and investors. Our ability to attract new capital and investors in our funds is driven, in part, by the extent to which they continue to see the alternative asset management industry generally, and our investment products specifically, as an attractive vehicle for capital appreciation or income. Since 2010, we have expanded into strategies such as energy, infrastructure, real estate, growth equity, core, credit and, through strategic manager partnerships, hedge funds. In several of these strategies, our first time funds have begun raising successor funds, and we expect the cost of raising such successor funds to be lower. We have also reached out to new clients, including retail and high net worth clients. However, fundraising continues to be competitive. While our Americas Fund XII, Asian Fund III and our Real Estate Partners Americas II fund exceeded the size of their respective predecessor funds, there is no assurance that fundraises for our other flagship private equity funds or for our newer strategies and their successor funds will experience similar success. If we are unable to successfully raise comparably sized or larger funds, our AUM, FPAUM and associated fees attributable to new capital raised in future periods may be lower than in prior years. New capital raised in AUM for the fiscal years ended December 31, 2015, 2016 and 2017 was $19.8 billion, $28.8 billion and $38.7 billion. See "Risk Factors—Risks Related to Our Business—Our inability to raise additional or successor funds (or raise successor funds of a comparable size as our predecessor funds) could have a material adverse impact on our business."

Our ability to successfully deploy capital. Our ability to maintain and grow our revenue base is dependent upon our ability to successfully deploy the capital available to us and participate in capital markets transactions. Greater competition, high valuations, increased overall cost of credit and other general market conditions may impact our ability to identify and execute attractive investments. Additionally, because we seek to make investments that have an ability to achieve our targeted returns while taking on a reasonable level of risk, we may experience periods of reduced investment activity. We have a long-term investment horizon and the capital deployed in any one quarter may vary significantly from the capital deployed in any other quarter or the quarterly average of capital deployed in any given year. Reduced levels of transaction activity also tends to result in reduced potential future investment gains, lower transaction fees and lower fees for our capital markets business, which may earn fees in the syndication of equity or debt. Capital invested for the fiscal years ended December 31, 2015, 2016 and 2017 were $11.5 billion, $11.0 billion and $18.4 billion, and syndicated capital for the fiscal years ended December 31, 2015, 2016 and 2017 were $0.9 billion, $1.2 billion and $4.7 billion.

Our ability to realize investments. Challenging market and economic conditions may adversely affect our ability to exit and realize value from our investments and result in lower-than-expected returns. Although the equity markets are not the only means by which we exit investments, the strength and liquidity of the U.S. and relevant global equity markets generally, and the initial public offering market specifically, affect the valuation of, and our ability to successfully exit, our equity positions in our private equity portfolio companies in a timely manner. We may also realize investments through strategic sales. When financing is not available or becomes too costly, it may be more difficult to find a buyer that can successfully raise sufficient capital to purchase our investments. For the fiscal years ended December 31, 2015, 2016 and 2017, through exit activity in our investments, we realized carried interest of $1.0 billion, $1.3 billion and $1.2 billion.

Basis of Accounting

We consolidate the financial results of the KKR Group Partnerships and their consolidated subsidiaries, which include the accounts of our investment management and capital markets companies, the general partners of unconsolidated funds and vehicles, general partners of certain funds that are consolidated and their respective consolidated funds and certain other entities including certain consolidated CLOs and CMBS. We refer to CLOs and CMBS as collateralized financing entities ("CFEs").

When an entity is consolidated, we reflect the accounts of the consolidated entity, including its assets, liabilities, fees, expenses, investment income, cash flows and other amounts, on a gross basis. While the consolidation of a consolidated fund or entity does not have an effect on the amounts of Net Income Attributable to KKR or KKR's partners' capital that KKR reports, the consolidation does significantly impact the financial statement presentation under GAAP. This is due to the fact that the accounts of the consolidated entities are reflected on a gross basis while the allocable share of those amounts that are attributable to third parties are reflected as single line items. The single line items in which the accounts attributable to third parties are recorded are presented as noncontrolling interests on the consolidated statements of financial condition and net income attributable to noncontrolling interests on the consolidated statements of operations.

For a further discussion of our consolidation policies, see "Item 8. Financial Statements and Supplementary Data—Summary of Significant Accounting Policies."

Key Financial Measures Under GAAP

Fees and Other

Fees and other consist primarily of (i) transaction fees earned in connection with successful investment transactions and from capital markets activities, (ii) management and incentive fees from providing investment management services to unconsolidated funds, CLOs, other vehicles and separately managed accounts, (iii) monitoring fees from providing services to portfolio companies, (iv) carried interest allocations to general partners of unconsolidated funds, (v) revenue earned by oil and gas-producing entities that are consolidated and (vi) consulting fees earned by entities that employ non-employee operating consultants. These fees are based on the contractual terms of the governing agreements and are recognized when earned, which coincides with the period during which the related services are performed and in the case of transaction fees, upon closing of the transaction. Monitoring fees may provide for a termination payment following an initial public offering or change of control. These termination payments are recognized in the period when the related transaction closes. Monitoring fees also include certain expense reimbursements from certain portfolio companies and unconsolidated funds.

For a further discussion of our fee policies, see "Item 8. Financial Statements and Supplementary Data—Summary of Significant Accounting Policies."

Expenses

Compensation and Benefits

Compensation and benefits expense includes cash compensation consisting of salaries, bonuses, and benefits, as well as equity-based compensation consisting of charges associated with the vesting of equity-based awards, carry pool allocations and other performance-based income compensation. All employees and employees of certain consolidated entities receive a base salary that is paid by KKR or its consolidated entities, and is accounted for as compensation and benefits expense. These employees are also eligible to receive discretionary cash bonuses based on performance, overall profitability and other matters. While cash bonuses paid to most employees are borne by KKR and certain consolidated entities and result in customary compensation and benefits expense, in the past cash bonuses that are paid to certain employees have been borne by KKR Holdings. These bonuses have historically been funded with distributions that KKR Holdings receives on KKR Group Partnership Units held by KKR Holdings but are not then passed on to holders of unvested units of KKR Holdings. Because employees are not entitled to receive distributions on units that are unvested, any amounts allocated to employees in excess of an employee's vested equity interests are reflected as employee compensation and benefits expense. These compensation charges are currently recorded based on the amount of cash expected to be paid by KKR Holdings. Because KKR makes only fixed quarterly distributions, the distributions made on KKR Group Partnership Units underlying any unvested KKR Holdings units are generally insufficient to fund annual cash bonus compensation to the same extent as in periods prior to the fourth quarter of 2015. In addition, substantially all units in KKR Holdings have been allocated and while subject to a 5 year vesting period, will become fully vested by 2021, thus decreasing the amount of distributions received by KKR Holdings that are available for annual cash bonus compensation. We, therefore, expect to pay all or substantially all of the cash bonus payments from KKR's cash from operations, the carry pool and other performance-based income compensation as described below, although from time to time, KKR Holdings may contribute to the cash bonus payments in the future. The amount of such annual cash bonus paid by KKR Holdings was $5.5 million for the year ending December 31, 2017. Any other amounts paid were funded from other sources, including cash from our operations and the carry pool. See "Risks Related to Our Business—If we cannot retain and motivate our principals and other key personnel and recruit, retain and motivate new principals and other key personnel, our business, results and financial condition could be adversely affected" regarding the adequacy of such distributions to fund future discretionary cash bonuses.

KKR uses three different methods, which are designed to yield comparable results, to allocate carried interest and other performance income compensation. With respect to KKR's investment funds that provide for carried interest without a preferred return, KKR allocates 40% of the carried interest received from such funds to its carry pool for employees and non-employee operating consultants. In addition, for investment funds that provide for incentive fees rather than carried interest, our carry pool is supplemented by allocating 40% of the incentive fees that do not constitute carried interest that are earned from such funds to performance income compensation. Beginning with the quarter ended September 30, 2016, for investment funds that provide for carried interest with a preferred return and have accrued carried interest as of June 30, 2016, KKR also includes 40% of the management fees that would have been subject to a management fee refund as performance income compensation. Because of the different ways management fees are refunded in preferred return and non-preferred return funds that provide for carried interest, this calculation of 40% of the portion of the management fees subject to refund for funds that have a preferred return is designed to allocate to compensation an amount comparable to the amount that would have been allocated to the carry pool had the fund not had a preferred return. Beginning with the quarter ended September 30, 2017, for then-current and future carry generating funds with no or minimal accrued carried interest as of June 30, 2017, KKR allocates 43% of the carried interest to the carry pool instead of 40% of carried interest. For impacted funds, the incremental 3% replaces the allocation of management fee refunds that would have been calculated for those funds and is designed, based on a historical financial analysis of certain investment funds, to allocate an amount for preferred return funds that is comparable to the management fee refunds that would have been allocated as performance income compensation for those funds. The percentage of carried interest, management fee refunds, and incentive fees allocable to the carry pool or as performance income compensation is subject to change from time to time. For a discussion of how management fees are refunded for preferred return funds and non-preferred funds see "—Fair Value Measurements—Recognition of Carried Interest in the Statement of Operations."

The amounts allocated to the carry pool and other performance-based income compensation are accounted for as compensatory profit-sharing arrangements and recorded as compensation and benefits expense for KKR employees and general, administrative and other expense for certain non-employee consultants and service providers in the consolidated statements of operations prepared in accordance with U.S. GAAP.

General, Administrative and Other

General, administrative and other expense consists primarily of professional fees paid to legal advisors, accountants, advisors and consultants, insurance costs, travel and related expenses, communications and information services, depreciation and amortization charges, changes in fair value of contingent consideration, expenses incurred by oil and gas-producing entities (including impairment charges) that are consolidated and other general and operating expenses which are not borne by fund investors and are not offset by credits attributable to fund investors' noncontrolling interests in consolidated funds. General, administrative and other expense also consists of costs incurred in connection with pursuing potential investments that do not result in completed transactions, a substantial portion of which are borne by fund investors.

Investment Income (Loss)

Net Gains (Losses) from Investment Activities

Net gains (losses) from investment activities consist of realized and unrealized gains and losses arising from our investment activities. A large portion of our net gains (losses) from investment activities are related to our private equity investments. Fluctuations in net gains (losses) from investment activities between reporting periods is driven primarily by changes in the fair value of our investment portfolio as well as the realization of investments. The fair value of, as well as the ability to recognize gains from, our private equity and other investments is significantly impacted by the global financial markets, which, in turn, affects the net gains (losses) from investment activities recognized in any given period. Upon the disposition of an investment, previously recognized unrealized gains and losses are reversed and an offsetting realized gain or loss is recognized in the current period. Since our investments are carried at fair value, fluctuations between periods could be significant due to changes to the inputs to our valuation process over time. For a further discussion of our fair value measurements and fair value of investments, see "—Critical Accounting Policies—Fair Value Measurements."

Dividend Income

Dividend income consists primarily of distributions that we and our consolidated investment funds receive from portfolio companies in which they invest. Dividend income is recognized primarily in connection with (i) dispositions of operations by portfolio companies, (ii) distributions of excess cash generated from operations from portfolio companies and (iii) other significant refinancings undertaken by portfolio companies.

Interest Income

Interest income consists primarily of interest that is received on our credit instruments in which we and our consolidated funds and other entities invest as well as interest on our cash balances and other investments.

Interest Expense

Interest expense is incurred from debt issued by KKR, including debt issued by KFN, credit facilities entered into by KKR, debt securities issued by consolidated CFEs and financing arrangements at our consolidated funds entered into primarily with the objective of managing cash flow. KFN's debt obligations are non-recourse to KKR beyond the assets of KFN. Debt securities issued by consolidated CFEs are supported solely by the investments held at the CFE and are not collateralized by assets of any other KKR entity. Our obligations under financing arrangements at our consolidated funds are generally limited to our pro rata equity interest in such funds. However, in some circumstances, we may provide limited guarantees of the obligations of our general partners in an amount equal to its pro rata equity interest in such funds. Our management companies bear no obligations with respect to financing arrangements at our consolidated funds. We also may provide other kinds of guarantees. See "—Liquidity."

Income Taxes

The KKR Group Partnerships and certain of their subsidiaries operate in the United States as partnerships for U.S. federal income tax purposes and as corporate entities in non-U.S. jurisdictions. Accordingly, these entities, in some cases, are subject to New York City unincorporated business taxes, or non-U.S. income taxes. Furthermore, we hold our interest in one of the KKR Group Partnerships through KKR Management Holdings Corp., which is treated as a corporation for U.S. federal income tax purposes, and certain other subsidiaries of the KKR Group Partnerships are treated as corporations for U.S. federal income tax purposes. Accordingly, certain subsidiaries of KKR, including KKR Management Holdings Corp., are subject to U.S. federal, state and local corporate income taxes at the entity level and the related tax provision attributable to KKR's share of this income is reflected in the financial statements. We also generate certain interest income to our unitholders and interest deductions to KKR Management Holdings Corp.

We use the asset and liability method to account for income taxes in accordance with GAAP. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis using currently enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that all or a portion of the deferred tax assets will not be realized.

The 2017 Tax Act, which was enacted on December 22, 2017, permanently reduces the U.S. federal corporate income tax rate from a maximum of 35% to a 21% rate, effective January 1, 2018. KKR has recognized the provisional tax impacts related to deemed repatriated earnings and the revaluation of deferred tax assets, deferred tax liabilities and the related impact on the tax receivable agreement and included these amounts in its consolidated financial statements for the year ended December 31, 2017. The ultimate impact may differ from these provisional amounts, possibly materially, due to, among other things, additional analysis, changes in interpretations and assumptions KKR has made, additional regulatory guidance that may be issued, and actions KKR may take following the enactment of the 2017 Tax Act. The accounting is expected to be complete when the 2017 U.S. corporate income tax return is filed in 2018. See Item 8. Financial Statements and Supplementary Data—Note 11 "Income Taxes" to the consolidated financial statements for further information on the financial statement impact of the 2017 Tax Act.

Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining tax expense and in evaluating tax positions including evaluating uncertainties. We review our tax positions quarterly and adjust our tax balances as new information becomes available.

Net Income (Loss) Attributable to Noncontrolling Interests

Net income (loss) attributable to noncontrolling interests primarily represents the ownership interests that certain third parties hold in entities that are consolidated in the financial statements as well as the ownership interests in our KKR Group Partnerships that are held by KKR Holdings. The allocable share of income and expense attributable to these interests is accounted for as net income (loss) attributable to noncontrolling interests. Given the consolidation of certain of our investment funds and the significant ownership interests in our KKR Group Partnerships held by KKR Holdings, we expect a portion of net income (loss) will continue to be attributed to noncontrolling interests in our business.

For a further discussion of our noncontrolling interests policies, see "Item 8. Financial Statements and Supplementary Data—Summary of Significant Accounting Policies."

Segment Operating and Performance Measures

The segment key performance measures that follow are used by management in making operating and resource deployment decisions as well as assessing the overall performance of each of KKR's reportable business segments. The reportable segments for KKR's business are presented prior to giving effect to the allocation of income (loss) between KKR & Co. L.P. and KKR Holdings L.P. and as such represent the business in total. In addition, KKR's reportable segments are presented without giving effect to the consolidation of the investment funds and CFEs that KKR manages as well as other consolidated entities that are not subsidiaries of KKR & Co. L.P.

We disclose the following financial measures in this report that are calculated and presented using methodologies other than in accordance with GAAP. We believe that providing these performance measures on a supplemental basis to our GAAP results is helpful to unitholders in assessing the overall performance of KKR's businesses. These financial measures should not be considered as a substitute for similar financial measures calculated in accordance with GAAP, if available. We caution readers that these non-GAAP financial measures may differ from the calculations of other investment managers, and as a result, may not be comparable to similar measures presented by other investment managers. Reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP, where applicable, are included within Item. 8 Financial Statements and Supplementary Data—Note 14 "Segment Reporting" and later in this report under "—Segment Balance Sheet."

Adjusted Units

Adjusted units are used as a measure of the total common equity ownership of KKR that is held by KKR & Co. L.P. (including equity awards issued under the KKR & Co. L.P. 2010 Equity Incentive Plan (the "Equity Incentive Plan"), but excluding preferred units), KKR Holdings and other holders of securities exchangeable into common units of KKR & Co. L.P. and represent the fully diluted common unit count using the if-converted method. We believe this measure is useful to unitholders as it provides an indication of the total common equity ownership of KKR as if all outstanding KKR Holdings units, equity awards issued under the Equity Incentive Plan and other exchangeable securities had been exchanged for common units of KKR & Co. L.P. The Series A and Series B Preferred Units are not exchangeable for common units of KKR & Co. L.P.

Adjusted Units Eligible for Distribution

Adjusted units eligible for distribution represents the portion of total adjusted units that is eligible to receive a distribution. We believe this measure is useful to unitholders as it provides insight into the calculation of amounts available for distribution on a per unit basis. Adjusted units eligible for distribution is used in the calculation of after-tax distributable earnings per unit.

After-Tax Distributable Earnings

After-tax distributable earnings is used by management as an operating measure of the earnings excluding mark-to-market gains (losses) of KKR. KKR believes this measure is useful to unitholders as it provides a supplemental measure to assess performance, excluding the impact of mark-to-market gains (losses). After-tax distributable earnings excludes certain realized investment losses to the extent unrealized losses on these investments were recognized prior to the combination with KKR Private Equity Investors, L.P. on October 1, 2009. After-tax distributable earnings does not represent and is not used to calculate actual distributions under KKR's distribution policy.

The following tables present our calculations of distributable segment revenues, which is our total segment revenues excluding the impact of mark-to-market gains (losses), distributable segment expenses, which is our total segment expenses excluding the impact of mark-to-market gains (losses), and after-tax distributable earnings on common units for the years ended December 31, 2017 , 2016 and 2015. Additionally, the individual components of our calculations of after-tax distributable earnings are reconciled to the most directly comparable GAAP measure in the tables below.

The following table presents our calculation of distributable segment revenues for the years ended December 31, 2017 , 2016 and 2015.

	Year Ended		
($ in thousands)	December 31, 2017	December 31, 2016	December 31, 2015
Distributable Segment Revenues			
Fees and Other, Net			
Management Fees	$ 905,188	$ 797,862	$ 732,033
Monitoring Fees	81,021	64,354	264,643
Transaction Fees	777,247	344,274	364,994
Fee Credits	(261,429)	(131,628)	(219,620)
Total Fees and Other, Net	**1,502,027**	**1,074,862**	**1,142,050**
Realized Performance Income (Loss)			
Incentive Fees	73,395	33,346	19,647
Carried Interest	1,198,981	1,256,208	1,027,154
Total Realized Performance Income (Loss)	**1,272,376**	**1,289,554**	**1,046,801**
Realized Investment Income (Loss)			
Net Realized Gains (Losses)	194,020	371,563	337,023
Interest Income and Dividends	285,696	322,857	411,536
Interest Expense	(181,612)	(188,761)	(203,085)
Total Realized Investment Income (Loss)	**298,104**	**505,659** (1)	**545,474** (2)
Total Distributable Segment Revenues	**$ 3,072,507**	**$ 2,870,075**	**$ 2,734,325**

(1) Amount includes a $253.7 million realized loss relating to Samson Resources which had previously been marked at zero on an unrealized basis. Accordingly, this had no impact on our Economic Net Income during the year ended December 31, 2016.

(2) Amount includes a $100.0 million realized loss on a segment basis relating to the write-off of Energy Future Holdings which had previously been marked at zero on an unrealized basis. Accordingly, this write-off had no impact on our Economic Net Income during the year ended December 31, 2015.

The following table presents our calculation of distributable segment expenses for the years ended December 31, 2017 , 2016 and 2015.

	Year Ended		
($ in thousands)	December 31, 2017	December 31, 2016	December 31, 2015
Distributable Segment Expenses			
Compensation and Benefits			
Cash Compensation and Benefits	$ 544,987	$ 395,016	$ 409,992
Performance Income Compensation	533,450	538,321	418,718
Total Compensation and Benefits	1,078,437	933,337	828,710
Occupancy and Related Charges	56,410	62,400	62,657
Other Operating Expenses	243,772	234,348	233,618
Total Distributable Segment Expenses	**$ 1,378,619**	**$ 1,230,085**	**$ 1,124,985**

The following table presents our calculation of after-tax distributable earnings for the years ended December 31, 2017 , 2016 and 2015.

	Year Ended		
($ in thousands except per unit data)	**December 31, 2017**	**December 31, 2016**	**December 31, 2015**
After-tax Distributable Earnings			
Distributable Segment Revenues	$ 3,072,507	$ 2,870,075	$ 2,734,325
Distributable Segment Expenses	1,378,619	1,230,085	1,124,985
Income (Loss) Attributable to Noncontrolling Interests	6,551	2,336	16,007
Income Taxes Paid	94,065	87,723	140,677
Preferred Distributions	33,364	22,235	—
After-tax Distributable Earnings	**$ 1,559,908**	**$ 1,527,696**	**$ 1,452,656**
Per Adjusted Unit Eligible for Distribution	**$ 1.91**	**$ 1.89**	**$ 1.78**

For a discussion of the components that drove the changes in our after-tax distributable earnings, see discussion of (i) management, monitoring and transaction fees, (ii) realized performance income, (iii) realized gains and net interest and dividends within investment income and (iv) expenses excluding unrealized performance income compensation, within "—Segment Analysis."

The following are reconciliations of the individual components of the calculation of after-tax distributable earnings to the most directly comparable GAAP measure.

	Year Ended		
($ in thousands)	**December 31, 2017**	**December 31, 2016**	**December 31, 2015**
Fees and Other	**$ 3,282,265**	**$ 1,908,093**	**$ 1,043,768**
Plus: Management fees relating to consolidated funds and placement fees	204,943	178,619	531,027
Less: Fee credits relating to consolidated funds	4,028	2,921	202,269
Plus: Net realized and unrealized carried interest - consolidated funds	58,562	32,651	1,190,699
Plus: Total investment income (loss)	693,462	(78,764)	153,512
Less: Revenue earned by oil & gas producing entities	63,460	65,754	112,328
Less: Reimbursable expenses	123,144	81,549	66,144
Less: Other	(19,507)	25,095	32,357
Total Segment Revenues	**$ 4,068,107**	**$ 1,865,280**	**$ 2,505,908**
Less: Unrealized Carried Interest	600,242	(420,372)	163,545
Less: Net Unrealized Gains (Losses)	395,358	(584,423)	(391,962)
Total Distributable Segment Revenues	**$ 3,072,507**	**$ 2,870,075**	**$ 2,734,325**

($ in thousands)	Year Ended December 31, 2017	December 31, 2016	December 31, 2015
Total Expenses	**$ 2,336,692**	**$ 1,695,474**	**$ 1,871,225**
Less: Equity based compensation	334,821	264,890	261,579
Less: Reimbursable expenses and placement fees	181,839	148,483	103,307
Less: Operating expenses relating to consolidated funds, CFEs and other entities	82,888	104,339	65,012
Less: Expenses incurred by oil & gas producing entities	46,411	70,312	153,611
Less: Intangible amortization	17,821	6,647	49,766
Less: Other	46,692	32,228	46,038
Total Segment Expenses	**$ 1,626,220**	**$ 1,068,575**	**$ 1,191,912**
Less: Unrealized Performance Income Compensation	247,601	(161,510)	66,927
Total Distributable Segment Expenses	**$ 1,378,619**	**$ 1,230,085**	**$ 1,124,985**

Assets Under Management ("AUM")

Assets under management represent the assets managed or advised by KKR from which KKR is entitled to receive fees or a carried interest (either currently or upon deployment of capital), general partner capital and assets managed or advised by strategic manager partnerships in which KKR holds a minority ownership interest. We believe this measure is useful to unitholders as it provides additional insight into the capital raising activities of KKR and its strategic manager partnerships and the overall activity in their investment funds and other managed capital. KKR calculates the amount of AUM as of any date as the sum of: (i) the fair value of the investments of KKR's investment funds; (ii) uncalled capital commitments from these funds, including uncalled capital commitments from which KKR is currently not earning management fees or carried interest; (iii) the fair value of investments in KKR's co-investment vehicles; (iv) the par value of outstanding CLOs (excluding CLOs wholly-owned by KKR); (v) KKR's pro rata portion of the AUM of strategic manager partnerships in which KKR holds a minority ownership interest; and (vi) the fair value of other assets managed by KKR. The pro rata portion of the AUM of strategic manager partnerships is calculated based on KKR's percentage ownership interest in such entities multiplied by such entity's respective AUM. KKR's definition of AUM is not based on any definition of AUM that may be set forth in the agreements governing the investment funds, vehicles or accounts that it manages or calculated pursuant to any regulatory definitions.

Book Value

Book value is a measure of the net assets of KKR's reportable segments and is used by management primarily in assessing the unrealized value of KKR's investments and other assets, including carried interest. We believe this measure is useful to unitholders as it provides additional insight into the assets and liabilities of KKR excluding the assets and liabilities that are allocated to noncontrolling interest holders and to the holders of the Series A and Series B Preferred Units.

Capital Invested

Capital invested is the aggregate amount of capital invested by (i) KKR's investment funds, (ii) KKR's Principal Activities segment as a co-investment, if any, alongside KKR's investment funds, and (iii) the Principal Activities segment in connection with a syndication transaction conducted by KKR's Capital Markets segment, if any. Capital invested is used as a measure of investment activity at KKR during a given period. We believe this measure is useful to unitholders as it provides a measure of capital deployment across KKR's business segments. Capital invested includes investments made using investment financing arrangements like credit facilities, as applicable. Capital invested excludes (i) investments in leveraged credit strategies, (ii) capital invested by KKR's Principal Activities segment that is not a co-investment alongside KKR's investment funds, and (iii) capital invested by the Principal Activities segment that is not invested in connection with a syndication transaction by KKR's Capital Markets segment. Capital syndicated by our Capital Markets segment to third parties other than KKR's investment funds or Principal Activities segment is not included in capital invested. See also "—Syndicated Capital."

Economic Net Income (Loss) ("ENI")

Economic net income (loss) is a measure of profitability for KKR's reportable segments and is used by management as an alternative measurement of the operating and investment earnings of KKR and its business segments. We believe this measure is useful to unitholders as it provides additional insight into the overall profitability of KKR's businesses inclusive of carried interest, incentive fees and related carry pool allocations and investment income. ENI is comprised of total segment revenues less total segment expenses and certain economic interests in KKR's segments held by third parties. Pre-tax Economic Net Income (Loss) represents Economic Net Income (Loss) after equity-based compensation. After-tax Economic Net Income (Loss) represents Economic Net Income (Loss) after equity-based compensation, provision for income taxes and preferred distributions.

Fee Paying AUM ("FPAUM")

Fee paying AUM represents only the AUM from which KKR receives management fees. We believe this measure is useful to unitholders as it provides additional insight into the capital base upon which KKR earns management fees. FPAUM is the sum of all of the individual fee bases that are used to calculate KKR's and its strategic manager partnership management fees and differs from AUM in the following respects: (i) assets and commitments from which KKR does not receive a management fee are excluded (e.g., assets and commitments with respect to which it receives only carried interest or is otherwise not currently receiving a management fee) and (ii) certain assets, primarily in its private equity funds, are reflected based on capital commitments and invested capital as opposed to fair value because fees are not impacted by changes in the fair value of underlying investments.

Fee Related Earnings ("FRE")

Fee related earnings is a measure of the operating earnings of KKR and its business segments before performance income, related performance income compensation and investment income. KKR believes this measure may be useful to unitholders as it provides additional insight into the operating profitability of KKR's fee generating management companies and capital markets businesses.

Outstanding Adjusted Units

Outstanding adjusted units represents the portion of total adjusted units that would receive assets of KKR if it were to be liquidated as of a particular date. Outstanding adjusted units is used to calculate book value per outstanding adjusted unit, which we believe is useful to unitholders as it provides a measure of net assets of KKR's reportable segments on a per unit basis.

Syndicated Capital

Syndicated capital is generally the aggregate amount of capital in transactions originated by KKR and its investment funds and carry-yielding co-investment vehicles, which has been distributed to third parties in exchange for a fee. It does not include (i) capital invested in such transactions by KKR investment funds and carry-yielding co-investment vehicles, which is instead reported in capital invested, (ii) debt capital that is arranged as part of the acquisition financing of transactions originated by KKR investment funds and (iii) debt capital that is either underwritten or arranged on a best efforts basis. Syndicated capital is used as a measure of investment activity for KKR during a given period, and we believe that this measure is useful to unitholders as it provides additional insight into levels of syndication activity in KKR's Capital Markets segment and across its investment platfor m .

Uncalled Commitments

Uncalled commitments are used as a measure of unfunded capital commitments that KKR's investment funds and carry-paying co-investment vehicles have received from partners to contribute capital to fund future investments. We believe this measure is useful to unitholders as it provides additional insight into the amount of capital that is available to KKR's investment funds to make future investments. Uncalled commitments are not reduced for investments completed using fund-level investment financing arrangements.

A reconciliation of Net Income (Loss) Attributable to KKR & Co. L.P. Common Unitholders on a GAAP basis to ENI, FRE and After-tax Distributable Earnings is provided below. For a discussion of the components that drove the changes in our FRE, see discussion of (i) management, monitoring and transaction fees and (ii) expenses of our Private Markets, Public Markets and Capital Markets segments excluding unrealized performance income compensation in "—Segment Analysis."

	Year Ended		
($ in thousands)	**December 31, 2017**	**December 31, 2016**	**December 31, 2015**
Net Income (Loss) Attributable to KKR & Co. L.P. Common Unitholders	$ 984,941	$ 287,072	$ 488,482
Plus: Preferred Distributions	33,364	22,235	—
Plus: Net income (loss) attributable to noncontrolling interests held by KKR Holdings L.P.	791,021	212,878	433,693
Plus: Non-cash equity-based charges	346,035	264,890	261,579
Plus: Amortization of intangibles, placement fees and other, net	122,870	(17,267)	47,599
Less: Gain from remeasurement of tax receivable agreement liability [1]	(67,221)	—	—
Plus: Income tax (benefit) [2]	224,326	24,561	66,636
Economic Net Income (Loss)	2,435,336	794,369	1,297,989
Plus: Income attributable to segment noncontrolling interests	6,551	2,336	16,007
Less: Total investment income (loss)	693,462	(78,764)	153,512
Less: Net performance income (loss)	1,091,567	492,371	724,701
Plus: Expenses of Principal Activities Segment	209,748	154,321	174,713
Fee Related Earnings	866,606	537,419	610,496
Plus: Net interest and dividends	104,084	134,096	208,451
Less: Expenses of Principal Activities Segment	209,748	154,321	174,713
Plus: Realized performance income (loss), net	738,926	751,233	628,083
Plus: Net realized gains (losses)	194,020	371,563	337,023
Less: Income taxes paid	94,065	87,723	140,677
Less: Preferred distributions	33,364	22,235	—
Less: Income attributable to segment noncontrolling interests	6,551	2,336	16,007
After-tax Distributable Earnings	$ 1,559,908	$ 1,527,696	$ 1,452,656

[1] Represents the impacts of the remeasurement of the amounts payable under the tax receivable agreement which arises from changes in the associated deferred tax balance, including the impacts related to the 2017 Tax Act.

[2] Includes the impacts of the remeasurement of deferred tax assets and liabilities which arises from changes in the estimated future tax rates related to the 2017 Tax Act. For the year ended December 31, 2017, the provision for income tax includes approximately $97.9 million of income tax expense related to the 2017 Tax Act.

Management believes that excluding the remeasurement of the tax receivable agreement from ENI is meaningful as it increases comparability between periods. Remeasurement of the tax receivable agreement is an estimate and may change due to changes in interpretations and assumptions based on additional guidance that may be issued pertaining to the 2017 Tax Act.

Consolidated Results of Operations

The following is a discussion of our consolidated results of operations for the years ended December 31, 2017 and 2016 . You should read this discussion in conjunction with the consolidated financial statements and related notes included elsewhere in this report. For a more detailed discussion of the factors that affected the results of operations of our four business segments in these periods, see "—Segment Analysis."

Year ended December 31, 2017 compared to year ended December 31, 2016

	Year Ended		
	December 31, 2017	December 31, 2016	Change
		($ in thousands)	
Revenues			
Fees and Other	$ 3,282,265	$ 1,908,093	$ 1,374,172
Expenses			
Compensation and Benefits	1,695,490	1,063,813	631,677
Occupancy and Related Charges	58,722	64,622	(5,900)
General, Administrative and Other	582,480	567,039	15,441
Total Expenses	2,336,692	1,695,474	641,218
Investment Income (Loss)			
Net Gains (Losses) from Investment Activities	1,203,159	342,897	860,262
Dividend Income	202,115	187,853	14,262
Interest Income	1,242,419	1,021,809	220,610
Interest Expense	(808,898)	(789,953)	(18,945)
Total Investment Income (Loss)	1,838,795	762,606	1,076,189
Income (Loss) Before Taxes	2,784,368	975,225	1,809,143
Income Taxes	224,326	24,561	199,765
Net Income (Loss)	2,560,042	950,664	1,609,378
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	73,972	(8,476)	82,448
Net Income (Loss) Attributable to Noncontrolling Interests	1,467,765	649,833	817,932
Net Income (Loss) Attributable to KKR & Co. L.P.	1,018,305	309,307	708,998
Less: Net Income Attributable to Series A Preferred Unitholders	23,288	17,337	5,951
Less: Net Income Attributable to Series B Preferred Unitholders	10,076	4,898	5,178
Net Income (Loss) Attributable to KKR & Co. L.P. Common Unitholders	$ 984,941	$ 287,072	$ 697,869

Fees and Other

For the years ended December 31, 2017 and 2016 , fees and other consisted of the following:

	Year Ended		
	December 31, 2017	December 31, 2016	Change
Management Fees	$ 700,245	$ 619,243	$ 81,002
Transaction Fees	783,952	350,091	433,861
Monitoring Fees	204,165	146,967	57,198
Fee Credits	(257,401)	(128,707)	(128,694)
Carried Interest	1,740,661	803,185	937,476
Incentive Fees	4,601	8,709	(4,108)
Oil and Gas Revenue	63,460	65,754	(2,294)
Consulting Fees	42,582	42,851	(269)
Total Fees and Other	$ 3,282,265	$ 1,908,093	$ 1,374,172

Management fees, transaction fees, monitoring fees and fee credits all increased for the year ended December 31, 2017 compared to the year ended December 31, 2016 . For a more detailed discussion of the factors that affected our management fees, transaction fees, monitoring fees and fee credits during the period, see "—Segment Analysis."

The increase in carried interest earned during the year ended December 31, 2017 was due primarily to increases in carried interest gains primarily reflecting a higher level of appreciation in the value of our private equity portfolio as compared to the prior period and to a lesser extent gains in our private credit portfolio during the current year. For a more detailed discussion of the factors that affected our Private Markets and Public Markets carried interest during the period, see "—Segment Analysis—Private Markets—Segment Revenues—Performance Income" and "—Segment Analysis—Public Markets—Segment Revenues—Performance Income."

Compensation and Benefits Expenses

The increase was primarily due to (i) a higher level of carry pool allocations reflecting higher appreciation in the value of our private equity and credit portfolios, (ii) an increase in cash compensation and benefits and (iii) an increase in equity-based compensation resulting from new equity grants of KKR Holdings units during the year ended December 31, 2017 compared to the year ended December 31, 2016 .

General, Administrative and Other Expenses

The increase was primarily due to (i) a reduction in the fair value of the contingent consideration liability during the year ended December 31, 2016 related to the acquisition of Prisma from $46.6 million to zero since it was determined that it was no longer probable that the sellers of Prisma would be entitled to any future additional payment under the arrangement while no such reversal of expense was incurred during the current period and (ii) an increase in professional fees and other expenses incurred as compared to the prior period. These increases were partially offset by (i) a lower level of financing costs incurred relating to debt at new consolidated CLOs for which the fair value option has been elected, (ii) a decrease in depreciation, depletion and amortization of our consolidated oil and gas-producing entities primarily caused by a lower cost basis due to previously recorded impairments, resulting in a lower unit of production depletion rate compared to the prior period and (iii) the write-off of intangible assets during the year ended December 31, 2016 in connection with the termination of management contracts for certain credit funds that were wound down while no such charge was incurred during the current period.

Net Gains (Losses) from Investment Activities

The following is a summary of net gains (losses) from investment activities:

	Year Ended	
	December 31, 2017	December 31, 2016
	($ in thousands)	
Private Equity Investments	$ 562,288	$ 109,288
Credit & Other Investments	(372,543)	(821,542)
Investments of Consolidated CFEs	(96,777)	185,712
Real Assets Investments	200,006	229,398
Debt Obligations	101,486	14,665
Other Net Gains (Losses) from Investment Activities	808,699	625,376
Net Gains (Losses) from Investment Activities	$ 1,203,159	$ 342,897

The net gains from investment activities for the year ended December 31, 2017 were comprised of net unrealized gains of $1,164.8 million and net realized gains of $38.3 million .

Unrealized Gains from Investment Activities

For the year ended December 31, 2017 , net unrealized gains were driven primarily by (i) mark-to-market gains on alternative credit assets in our consolidated special situations funds and KFN, (ii) mark-to-market gains in certain consolidated entities, the most significant of which were unrealized gains in our growth equity investments, (iii) mark-to-market gains in our private equity portfolio held by KKR's balance sheet, the most significant of which were unrealized gains in our investment in First Data Corporation, (iv) mark-to-market gains in our infrastructure portfolio held by KKR's balance sheet and (v) the reversal of unrealized losses on the sale of our investment in Fortune Creek Partnership (energy sector) and the restructurings of our investment in Aurora Eaglebine (energy sector) which are held by KKR's balance sheet in our energy portfolio. For the year ended December 31, 2017, unrealized gains from investment activities includes a gain of $67.2 million relating to a remeasurement of the tax receivable agreement liability which arises from changes in the associated deferred tax balances related to the 2017 Tax Act.

Unrealized Losses from Investment Activities

Partially offsetting the unrealized gains above were unrealized losses, the most significant of which were unrealized losses relating to (i) the reversal of unrealized gains on the final sale of our investments in US Foods Holding Corp. (NYSE: USFD), HCA Holdings, Inc. (NYSE: HCA) and Galenica AG (VTX: GALN) and (ii) mark-to-market losses in certain consolidated entities, the most significant of which were unrealized losses in our growth equity investments.

Realized Gains from Investment Activities

For the year ended December 31, 2017, realized gains were comprised primarily of realized gains related to (i) the sale of private equity investments held by KKR's balance sheet, including the final sale of our investment in US Foods Holding Corp., HCA Holdings, Inc. and Galenica AG and the partial sale of our investment in First Data Corporation.

Realized Losses from Investment Activities

Partially offsetting these realized gains were realized losses relating to (i) alternative credit assets in our consolidated special situations funds and KFN, (ii) the sale of investments held by our consolidated CLOs and (iii) the sale of our investments in Fortune Creek Partnership and Aurora Eaglebine which are held by KKR's balance sheet in our energy portfolio.

For a discussion of other factors that affected KKR's investment income, see "—Segment Analysis."

Net Gains (Losses) from Investment Activities for the year ended December 31, 2016

The net gains from investment activities for the year ended December 31, 2016 were comprised of net realized gains of $347.1 million and net unrealized losses of $4.2 million. For the year ended December 31, 2016, net realized gains were comprised primarily of the net impact of (i) realized gains on sales of private equity investments held by KKR's balance sheet, including the partial sales of Walgreens Boots Alliance, Inc. (NASDAQ: WBA), Zimmer Biomet Holdings, Inc. (NYSE: ZBH) and HCA Holdings, Inc.; (ii) realized losses in connection with our investment in Samson Resources (energy sector); (iii) realized losses on assets held at consolidated CLOs; and (iv) realized gains on debt held at consolidated CLOs. For the year ended December 31, 2016, net unrealized losses were driven primarily by (i) mark-to-market losses in our private equity portfolio held by KKR's balance sheet including unrealized losses in First Data Corporation; (ii) mark-to-market losses on assets in our consolidated special situations funds; (iii) mark-to-market losses on debt held through consolidated CMBS; and (iv) the reversal of unrealized gains on the partial sales of Walgreens Boots Alliance, Inc., Zimmer Biomet Holdings, Inc. and HCA Holdings, Inc., as well as the reversal of unrealized gains on debt realizations at our consolidated CLOs. Offsetting these unrealized losses were unrealized gains, the most significant of which were unrealized gains relating to (i) the reversal of unrealized losses in connection with our investment in Samson Resources, (ii) reversals of unrealized losses on asset realizations in our consolidated CLOs and (iii) mark-to-market gains on investments held through consolidated CMBS structures. For a discussion of other factors that affected KKR's investment income, see "—Segment Analysis."

Dividend Income

During the year ended December 31, 2017 , the most significant dividends received included $88.5 million from our consolidated special situations funds and $43.5 million from our consolidated real estate funds. During the year ended December 31, 2016 , the most significant dividends received included $51.5 million from our consolidated special situations funds and dividends from US Foods Holding Corp. of $23.4 million, Sedgwick Claims Management Services (financial services sector) of $12.7 million and PRA Health Sciences, Inc. (NASDAQ: PRAH) of $4.1 million. Significant dividends from portfolio companies are generally not recurring quarterly dividends, and while they may occur in the future, their size and frequency are variable. For a discussion of other factors that affected KKR's dividend income, see "—Segment Analysis."

Interest Income

The increase in interest income during the year ended December 31, 2017 was primarily due to a higher level of interest earned related to (i) an increase in the amount of investments in our consolidated special situations funds and other leveraged credit funds, (ii) the impact of the consolidation of three additional CLOs subsequent to the year ended December 31, 2016 , (iii) an increase in the amount of investments held by KREF, our REIT, compared to the prior period and (iv) an increase in the amount of investments held at our India debt financing company. These increases were partially offset by a decrease in interest income at KFN primarily due to a smaller portfolio generating recurring income as well as a decrease associated with the paydown of CLO 2007-01 in the second quarter of 2016. For a discussion of other factors that affected KKR's interest income, see "—Segment Analysis."

Interest Expense

The increase in interest expense during the year ended December 31, 2017 was primarily due to the impact of (i) the consolidation of three additional CLOs subsequent to the year ended December 31, 2016 , (ii) increased borrowings at our India debt financing company, (iii) increased CMBS issuances by KREF and (iv) increased borrowings from asset backed financing vehicles managed by KKR. These increases were partially offset by a decrease in interest expense associated with certain notes issued by consolidated CLOs being called for redemption during the year ended December 31, 2016 , which resulted in an increased level of interest expense during 2016. Specifically, as a result of a paydown made in August 2016, KKR recorded increased interest expense of $59.9 million and an incremental $8.7 million of accelerated accretion of debt discounts during the year ended December 31, 2016 . The paydown of CLO 2007-01 during the year ended December 31, 2016 also contributed to the increased interest expense in the prior period. For a discussion of other factors that affected KKR's interest expense, see "—Segment Analysis."

Income (Loss) Before Taxes

The increase in income (loss) before taxes was due primarily to higher carried interest gains in our private equity portfolio and higher net gains from investment activities, partially offset by an increase in expenses, in each case as described above.

Income Taxes

The increase in income taxes is due primarily to accounting for the impacts of the 2017 Tax Act which was enacted on December 22, 2017. The 2017 Tax Act, among other provisions, reduced the U.S. federal corporate tax rate from 35% to 21%. Certain income tax effects of the 2017 Tax Act, including $97.9 million of tax expense recorded principally due to the remeasurement of our net deferred tax assets, are reflected in our financial results for the year ended December 31, 2017. This net write-down reduces our deferred tax assets and liabilities to a level that reflects the future tax benefit or liability that will be realized at the new U.S. federal corporate tax rate of 21%. See Item. 8 Financial Statements and Supplementary Data—Note 2 "Summary of Significant Accounting Policies" to the consolidated financial statements for further information on the financial statement impact of the 2017 Tax Act.

Taxes also increased as a result of a higher level of fees earned by our management companies and capital markets companies during the year ended December 31, 2017 as compared to the prior period and to a lesser extent a higher level of carried interest gains accrued by certain general partner entities subject to corporate income tax.

Net Income (Loss) Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests for the year ended December 31, 2017 relates primarily to net income attributable to KKR Holdings representing its ownership interests in the KKR Group Partnerships as well as third-party limited partner interests in those investment funds that we consolidate. The increase from the prior period is due primarily to (i) higher amounts attributed to KKR Holdings in connection with higher income recognized for the year ended December 31, 2017 as compared to the prior period, partially offset by a reduction in KKR Holdings' ownership percentage in the KKR Group Partnerships and (ii) a higher level of income recorded by certain consolidated fund entities that is attributable to third-party limited partners.

Net Income (Loss) Attributable to KKR & Co. L.P.

The increase for the year ended December 31, 2017 was primarily due to increased fee income and to a lesser extent, higher carried interest gains and higher net investment gains from investment activities in the current period as compared to the prior period.

Year ended December 31, 2016 compared to year ended December 31, 2015

	Year Ended		
	December 31, 2016	**December 31, 2015**	**Change**
		($ in thousands)	
Revenues			
Fees and Other	$ 1,908,093	$ 1,043,768	$ 864,325
Expenses			
Compensation and Benefits	1,063,813	1,180,591	(116,778)
Occupancy and Related Charges	64,622	65,683	(1,061)
General, Administrative and Other	567,039	624,951	(57,912)
Total Expenses	1,695,474	1,871,225	(175,751)
Investment Income (Loss)			
Net Gains (Losses) from Investment Activities	342,897	4,672,627	(4,329,730)
Dividend Income	187,853	850,527	(662,674)
Interest Income	1,021,809	1,219,197	(197,388)
Interest Expense	(789,953)	(573,226)	(216,727)
Total Investment Income (Loss)	762,606	6,169,125	(5,406,519)
Income (Loss) Before Taxes	975,225	5,341,668	(4,366,443)
Income Taxes	24,561	66,636	(42,075)
Net Income (Loss)	950,664	5,275,032	(4,324,368)
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	(8,476)	(4,512)	(3,964)
Net Income (Loss) Attributable to Noncontrolling Interests	649,833	4,791,062	(4,141,229)
Net Income (Loss) Attributable to KKR & Co. L.P.	309,307	488,482	(179,175)
Less: Net Income Attributable to Series A Preferred Unitholders	17,337	—	17,337
Less: Net Income Attributable to Series B Preferred Unitholders	4,898	—	4,898
Net Income (Loss) Attributable to KKR & Co. L.P. Common Unitholders	$ 287,072	$ 488,482	$ (201,410)

Fees and Other

For the years ended December 31, 2016 and 2015, fees and other consisted of the following:

	Year Ended		
	December 31, 2016	December 31, 2015	Change
Management Fees	$ 619,243	$ 201,006	$ 418,237
Transaction Fees	350,091	354,895	(4,804)
Monitoring Fees	146,967	336,159	(189,192)
Fee Credits	(128,707)	(17,351)	(111,356)
Carried Interest	803,185	—	803,185
Incentive Fees	8,709	16,415	(7,706)
Oil and Gas Revenue	65,754	112,328	(46,574)
Consulting Fees	42,851	40,316	2,535
Total Fees and Other	$ 1,908,093	$ 1,043,768	$ 864,325

On January 1, 2016, KKR adopted ASU 2015-02, which resulted in the de-consolidation of most of KKR's investment funds that had been consolidated prior to such date. When an investment fund is consolidated, management fees, fee credits and carried interest earned from consolidated funds are eliminated in consolidation and as such are not recorded in Fees and Other. The economic impact of these management fees, fee credits and carried interests that are eliminated is reflected as an adjustment to noncontrolling interests and has no impact to Net Income Attributable to KKR & Co. L.P. As a result of the de-consolidation of most of our investment funds, the management fees, fee credits and carried interests associated with funds that had previously been consolidated are included in Fees and Other beginning on January 1, 2016 as such amounts are no longer eliminated. For a discussion of other factors that affected fees and other, see "—Segment Analysis."

The increases in carried interest, management fees and fee credits are primarily due to activity from funds that are no longer consolidated as described above. For a more detailed discussion of the factors that affected our carried interest, management fees and fee credits during the period, see "—Segment Analysis."

The carried interest gains earned during the year ended December 31, 2016 were due primarily to an overall increase in the value of our private equity portfolio. For a more detailed discussion of the factors that affected our Private Markets carried interest during the period, see "—Segment Analysis—Private Markets—Segment Revenues—Performance Income."

These increases were partially offset by a decrease in monitoring fees in our Private Markets business as discussed in greater detail in "—Segment Analysis—Private Markets—Segment Revenues —Management, Monitoring and Transaction Fees, Net."

The decrease in oil and gas revenue was due primarily to lower production volumes and a lower price of oil in the year ended December 31, 2016 compared to the year ended December 31, 2015.

Compensation and Benefits Expenses

The decrease was primarily due to lower carry pool allocations reflecting a lower level of appreciation in the value of our private equity portfolio during the year ended December 31, 2016 compared to the year ended December 31, 2015.

General, Administrative and Other Expenses

The decrease was primarily due to (i) a reduction in the fair value of the contingent consideration liability related to the acquisition of Prisma from $46.6 million to zero since it was determined that it was no longer probable that the sellers (certain of whom are employees of KKR) of Prisma would be entitled to any future additional payment under the arrangement, (ii) a decrease in the expenses of our consolidated oil and gas-producing entities due to (a) a $54.0 million impairment charge incurred during the year ended December 31, 2015 compared to a $6.2 million charge incurred during the year ended December 31, 2016 and (b) a decrease in depreciation, depletion and amortization of our consolidated oil and gas-producing entities caused by a lower cost basis due to previously recorded impairments and lower production volumes compared to the prior period. These decreases were partially offset by (i) an increase in placement fees incurred in connection with capital raising activity, the most significant of which relates to Americas Fund XII and (ii) financing costs incurred relating to debt at new consolidated CLOs for which the fair value option has been elected.

Net Gains (Losses) from Investment Activities

On January 1, 2016, KKR adopted ASU 2015-02, which resulted in the de-consolidation of most of KKR's investment funds that had been consolidated prior to such date. Effective with the adoption of ASU 2015-02, the Net Gains (Losses) from Investment Activities attributed to third-party limited partners in our investment funds that had previously been consolidated are not included in the statement of operations.

The following is a summary of net gains (losses) from investment activities:

	Year Ended December 31,	
	2016	2015
	($ in thousands)	
Private Equity Investments	$ 109,288	$ 5,592,970
Credit & Other Investments	(821,542)	(661,112)
Investments of Consolidated CFE's	185,712	(274,944)
Real Assets Investments	229,398	(444,186)
Debt Obligations	14,665	(60,145)
Other Net Gains (Losses) from Investment Activities	625,376	520,044
Net Gains (Losses) from Investment Activities	$ 342,897	$ 4,672,627

The net gains from investment activities for the year ended December 31, 2016 were comprised of net realized gains of $347.1 million and net unrealized losses of $4.2 million. For the year ended December 31, 2016, net realized gains were comprised primarily of the net impact of (i) realized gains on sales of private equity investments held by KKR's balance sheet, including the partial sales of Walgreens Boots Alliance, Inc., Zimmer Biomet Holdings, Inc. and HCA Holdings, Inc.; (ii) realized losses in connection with our investment in Samson Resources (energy sector); (iii) realized losses on assets held at consolidated CLOs; and (iv) realized gains on debt held at consolidated CLOs. For the year ended December 31, 2016, net unrealized losses were driven primarily by (i) mark-to-market losses in our private equity portfolio held by KKR's balance sheet including unrealized losses in First Data Corporation; (ii) mark-to-market losses on assets in our consolidated special situations funds; (iii) mark-to-market losses on debt held through consolidated CMBS; and (iv) the reversal of unrealized gains on the partial sales of Walgreens Boots Alliance, Inc., Zimmer Biomet Holdings, Inc. and HCA Holdings, Inc., as well as the reversal of unrealized gains on debt realizations at our consolidated CLOs. Offsetting these unrealized losses were unrealized gains, the most significant of which were unrealized gains relating to (i) the reversal of unrealized losses in connection with our investment in Samson Resources, (ii) reversals of unrealized losses on asset realizations in our consolidated CLOs and (iii) mark-to-market gains on investments held through consolidated CMBS structures. For a discussion of other factors that affected KKR's investment income, see "—Segment Analysis."

For the year ended December 31, 2015, the most significant driver of the net investment gains related to gains and losses at KKR's consolidated private equity funds as discussed in greater detail in "—Segment Analysis—Private Markets—Segment Revenues—Performance Income."

Dividend Income

On January 1, 2016, KKR adopted ASU 2015-02, which resulted in the de-consolidation of most of KKR's investment funds that had been consolidated prior to such date. Effective with the adoption of ASU 2015-02, dividends received from our investment funds that had previously been consolidated are not included in the statement of operations.

The decrease was primarily due to a decrease associated with investment funds no longer being consolidated in the 2016 period as a result of the adoption of ASU 2015-02. During the year ended December 31, 2016 significant dividends received included $51.5 million from our consolidated special situations funds and dividends from US Foods Holding Corp. of $23.4 million, Sedgwick Claims Management Services (financial services sector) of $12.7 million and PRA Health Sciences, Inc. of $4.1 million. During the year ended December 31, 2015 we received dividends of $123.7 million from WMF (consumer products sector), $114.9 million from CITIC Envirotech Ltd. (SP: CEL), $86.2 million from MMI Holdings Limited (technology sector), $80.5 million from Academy Ltd. (retail sector), $65.9 million from Aricent Group (technology sector) and an aggregate of $379.3 million of dividends from other investments. Significant dividends from portfolio companies are generally not recurring quarterly dividends, and while they may occur in the future, their size and frequency are variable. For a discussion of other factors that affected KKR's dividend income, see "—Segment Analysis."

Interest Income

On January 1, 2016, KKR adopted ASU 2015-02, which resulted in the de-consolidation of most of KKR's investment funds that had been consolidated prior to such date. Effective with the adoption of ASU 2015-02, interest income received from our investment funds that had previously been consolidated is not included in the statement of operations.

The decrease was primarily due to investment funds (primarily those that are credit-oriented) no longer being consolidated in the 2016 period as a result of the adoption of ASU 2015-02. This decrease was partially offset by the consolidation of CMBS entities beginning in the second quarter of 2015 as well as interest earned on new CMBS loans acquired by KREF. For a discussion of other factors that affected KKR's interest income, see "—Segment Analysis."

Interest Expense

On January 1, 2016, KKR adopted ASU 2015-02, which resulted in the de-consolidation of most of KKR's investment funds that had been consolidated prior to such date. Effective with the adoption of ASU 2015-02, interest expense incurred by our investment funds that had previously been consolidated is not included in the statement of operations.

The increase was primarily due to (i) the consolidation of CMBS entities beginning in the second quarter of 2015, (ii) increased CMBS borrowings by KREF and (iii) interest expense associated with certain notes issued by consolidated CLOs of KFN being called for redemption. Third-party CLO subordinated note holders receive the residual interest after all other payments have been made and as a result of a paydown made in August 2016, KKR recorded interest expense of $59.9 million. In addition, an incremental $8.8 million of accelerated accretion of debt discounts was recorded in connection with the notes of this CLO being called for redemption. These increases were partially offset by a decrease in interest expense associated with financing facilities at investment funds no longer being consolidated in the first half of 2016 as a result of the adoption of ASU 2015-02 and to a lesser extent the redemption of KFN's 8.375% Notes due 2041 in November 2016. For a discussion of other factors that affected KKR's interest expense, see "—Segment Analysis."

Income (Loss) Before Taxes

The decrease for the year ended December 31, 2016, was due primarily to the adoption of ASU 2015-02 which resulted in the de-consolidation of most of KKR's investments funds that had been consolidated prior to such date, as described above.

Income Taxes

The decrease was due primarily to a lower level of fees earned by our management companies and a lower level of unrealized carried interest gains accrued by certain fund entities during the year ended December 31, 2016.

Net Income (Loss) Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests for the year ended December 31, 2016 related primarily to net income attributable to KKR Holdings L.P. representing its ownership interests in the KKR Group Partnerships and to those investment funds that we consolidate. The decrease from the prior period was due primarily to noncontrolling interests attributed to third party limited partners in our investment funds that had previously been consolidated, but which were not included in the statement of operations effective with the adoption of ASU 2015-02 on January 1, 2016.

Net Income (Loss) Attributable to KKR & Co. L.P.

The decrease for the year ended December 31, 2016, was due primarily to a lower level of investment income, carried interest and fee income attributable to KKR & Co. L.P. as compared to the prior year.

Consolidated Statements of Financial Condition

The following table provides the Consolidated Statements of Financial Condition on a GAAP Basis as of December 31, 2017 and December 31, 2016 .

(Amounts in thousands, except common unit and per common unit amounts)

	As of December 31, 2017		As of December 31, 2016	
Assets				
Cash and Cash Equivalents	$	1,876,687	$	2,508,902
Investments		39,013,934		31,409,765
Other		4,944,098		5,084,230
Total Assets		**45,834,719**		**39,002,897**
Liabilities and Equity				
Debt Obligations		21,193,859		18,544,075
Other Liabilities		3,978,060		3,340,739
Total Liabilities		**25,171,919**		**21,884,814**
Redeemable Noncontrolling Interests		610,540		632,348
Equity				
Series A Preferred Units		332,988		332,988
Series B Preferred Units		149,566		149,566
KKR & Co. L.P. Capital - Common Unitholders		6,703,382		5,457,279
Noncontrolling Interests		12,866,324		10,545,902
Total Equity		**20,052,260**		**16,485,735**
Total Liabilities and Equity	**$**	**45,834,719**	**$**	**39,002,897**
KKR & Co. L.P. Capital Per Outstanding Common Unit - Basic	**$**	**13.79**	**$**	**12.06**

Consolidated Statements of Cash Flows

The accompanying consolidated statements of cash flows include the cash flows of our consolidated entities which include certain consolidated investment funds and CFEs notwithstanding the fact that we may hold only a minority economic interest in those funds and CFEs.

On January 1, 2016, KKR adopted ASU 2015-02 which resulted in the de-consolidation of most of KKR's investment funds. KKR adopted this new guidance using the modified retrospective method. As a result, no retrospective adjustment is required and prior periods discussed below have not been impacted.

The assets of our consolidated funds and CFEs, on a gross basis, can be substantially larger than the assets of our business and, accordingly, could have a substantial effect on the cash flows reflected in our consolidated statements of cash flows. The primary cash flow activities of our consolidated funds and CFEs involve: (i) capital contributions from fund investors; (ii) using the capital of fund investors to make investments; (iii) financing certain investments with indebtedness; (iv) generating cash flows through the realization of investments; and (v) distributing cash flows from the realization of investments to fund investors. Because our consolidated funds and CFEs are treated as investment companies for accounting purposes, certain of these cash flow amounts are included in our cash flows from operations.

Net Cash Provided (Used) by Operating Activities

Our net cash provided (used) by operating activities was $(3.6) billion , $(1.6) billion and $0.4 billion during the years ended December 31, 2017 , 2016 and 2015, respectively. These amounts primarily included: (i) proceeds from sales of investments net of purchases of investments of $(4.8) billion , $(1.2) billion and $(0.7) billion during the years ended December 31, 2017 , 2016 and 2015, respectively; (ii) net realized gains (losses) on investments of $38.3 million , $347.1 million and $3,001.9 million during the years ended December 31, 2017 , 2016 and 2015, respectively; (iii) change in unrealized gains (losses) on investments of $1,164.8 million , $(4.2) million and $1,670.7 million during the years ended December 31, 2017 , 2016 and 2015, respectively; and (iv) carried interest allocated as a result of changes in fund fair value of $1,740.7 million , $803.2 million and zero during the years ended December 31, 2017 , 2016 and 2015, respectively. Investment funds are, for GAAP purposes, investment companies and reflect their investments and other financial instruments at fair value.

Net Cash Provided (Used) by Investing Activities

Our net cash provided (used) by investing activities was $57.7 million , $(62.5) million and $(425.2) million during the years ended December 31, 2017 , 2016 and 2015, respectively. Our investing activities included: (i) a change in restricted cash and cash equivalents (that primarily funds collateral requirements) of $155.9 million , $1.4 million and $(164.6) million during the years ended December 31, 2017 , 2016 and 2015, respectively; (ii) the purchase of fixed assets of $(97.1) million , $(62.7) million and $(169.4) million during the years ended December 31, 2017 , 2016 and 2015, respectively; and (iii) development of oil and natural gas properties of $(1.1) million , $(2.1) million and $(96.0) million for the years ended December 31, 2017 , 2016 and 2015, respectively.

Net Cash Provided (Used) by Financing Activities

Our net cash provided (used) by financing activities was $2.9 billion , $3.1 billion and $0.2 billion during the years ended December 31, 2017 , 2016 and 2015, respectively. Our financing activities primarily included: (i) distributions to, net of contributions by, our noncontrolling and redeemable noncontrolling interests of $1.2 billion , $0.9 billion and $(7.0) billion during the years ended December 31, 2017 , 2016 and 2015, respectively; (ii) proceeds received net of repayment of debt obligations of $2.1 billion , $2.4 billion and $8.1 billion during the years ended December 31, 2017 , 2016 and 2015, respectively; (iii) distributions to our partners of $(312.0) million , $(285.4) million and $(706.6) million during the years ended December 31, 2017 , 2016 and 2015, respectively; (iv) unit repurchases of $(296.8) million and $(161.9) million during the years ended December 31, 2016 and 2015; (v) issuance of preferred units of $482.6 million during the year ended December 31, 2016; and (vi) preferred unit distributions of $(33.4) million and $(22.2) million during the years ended December 31, 2017 and 2016.

Segment Analysis

The following is a discussion of the results of our four reportable business segments for the years ended December 31, 2017 , 2016 and 2015. You should read this discussion in conjunction with the information included under "—Basis of Financial Presentation—Segment Operating and Performance Measures" and the consolidated financial statements and related notes included elsewhere in this report.

Expense Allocations

Certain expenses are allocated among our operating segments. Specifically, as described below, (i) a portion of expenses, except for broken deal expenses, originating in our Private Markets, Public Markets and Capital Markets segments are reflected in the Principal Activities segment and (ii) corporate expenses are allocated across all segments.

Expenses Allocated to Principal Activities

KKR allocates certain expenses to its Principal Activities segment. The Principal Activities segments incurs its own direct costs, and an allocation from the other segments is also made to reflect the estimated amount of costs that are necessary to operate our Principal Activities segment, which are incremental to those costs incurred directly by the Principal Activities segment. These allocable expenses consist of a portion of our cash compensation and benefits, occupancy and related charges and other operating expenses that are initially recognized within our Private Markets, Public Markets and Capital Markets segments. Consistent with prior years, the total amount of expenses (other than its direct costs) that is allocated to Principal Activities is based on the proportion of revenue earned by Principal Activities, relative to other operating segments' revenue, over the preceding four calendar years. However, this allocation percentage will not be less than the allocation percentage calculated using the cumulative amount of such revenues since 2009 (the year we completed the KPE transaction). For 2017, KKR determined that this allocation percentage is 25.7%. This allocation percentage is expected to be updated annually or more frequently if there are material changes to our business.

Below is a summary of the allocation to Principal Activities, relative to other operating segments, for the 2017, 2016 and 2015 periods.

- 2017 Allocation: 25.7%, based on cumulative revenues earned since 2009
- 2016 Allocation: 22.6%, based on revenues earned in 2015, 2014, 2013 and 2012
- 2015 Allocation: 25.4%, based on revenues earned in 2014, 2013, 2012 and 2011

The expense allocation expected to be used in 2018 to allocate expense to the Principal Activities segment, based on cumulative revenues earned since 2009 is 24.3%, subject to adjustments if there are material changes to our business.

Once the total amount of expense to be allocated to the Principal Activities segment is estimated for each reporting period, the amount of this expense will be allocated from the Private Markets, Public Markets and Capital Markets segments based on the proportion of headcount in each of these three segments.

The 2016 and 2015 allocations to Principal Activities were based on revenues earned by Principal Activities, relative to other operating segments' revenue, over the preceding four calendar years. Had the allocations for 2016 and 2015 been based on cumulative revenues earned by Principal Activities since 2009, consistent with our allocation methodology adopted in 2017, the expense allocations to Principal Activities would have been 28.7% and 32.1%, respectively, and would have had the following impact on Economic Net Income across each of our reporting segments:

	Year Ended December 31, 2016	Year Ended December 31, 2015
Private Markets	$ 19,123	$ 20,266
Public Markets	13,462	15,753
Capital Markets	2,914	4,860
Principal Activities	(35,499)	(40,879)
Total Economic Net Income	$ —	$ —

Allocations of Corporate Expenses

Corporate expenses are allocated to each of the Private Markets, Public Markets, Capital Markets and Principal Activities segments based on the proportion of revenues earned by each segment over the preceding four calendar years. However, to the extent that expenses allocated to Principal Activities, as described above, is based on the cumulative amount of such revenues since 2009, corporate expenses will also be allocated based on the proportion of revenues earned by each segment since 2009.

Below is a summary of the allocations percentages used for corporate expenses to each of our operating segments for the 2017 and 2016 periods.

	Expense Allocation		
Segment	**2017**	**2016**	**2015**
Private Markets	59.6%	61.6%	58.7%
Public Markets	9.0%	10.1%	9.8%
Capital Markets	5.7%	5.7%	6.1%
Principal Activities	25.7%	22.6%	25.4%
Total Reportable Segments	100.0%	100.0%	100.0%
Allocation basis	Cumulative revenue since 2009	Revenue earned in 2015, 2014, 2013 & 2012	Revenue earned in 2014, 2013, 2012 & 2011

Private Markets Segment

The following tables set forth information regarding the results of operations and certain key operating metrics for our Private Markets segment for the years ended December 31, 2017 and 2016 .

Year ended December 31, 2017 compared to year ended December 31, 2016

	Year Ended		
	December 31, 2017	December 31, 2016	Change
		($ in thousands)	
Segment Revenues			
Management, Monitoring and Transaction Fees, Net			
Management Fees	$ 575,451	$ 466,422	$ 109,029
Monitoring Fees	81,021	64,354	16,667
Transaction Fees	288,879	132,602	156,277
Fee Credits	(220,710)	(103,579)	(117,131)
Total Management, Monitoring and Transaction Fees, Net	724,641	559,799	164,842
Performance Income			
Realized Incentive Fees	—	—	—
Realized Carried Interest	1,198,981	1,252,370	(53,389)
Unrealized Carried Interest	520,807	(416,060)	936,867
Total Performance Income	1,719,788	836,310	883,478
Investment Income (Loss)			
Net Realized Gains (Losses)	—	—	—
Net Unrealized Gains (Losses)	—	—	—
Total Realized and Unrealized	—	—	—
Interest Income and Dividends	—	—	—
Interest Expense	—	—	—
Net Interest and Dividends	—	—	—
Total Investment Income (Loss)	—	—	—
Total Segment Revenues	2,444,429	1,396,109	1,048,320
Segment Expenses			
Compensation and Benefits			
Cash Compensation and Benefits	261,123	194,240	66,883
Realized Performance Income Compensation	504,092	523,448	(19,356)
Unrealized Performance Income Compensation	213,785	(159,786)	373,571
Total Compensation and Benefits	979,000	557,902	421,098
Occupancy and related charges	32,458	35,785	(3,327)
Other operating expenses	137,055	135,425	1,630
Total Segment Expenses	1,148,513	729,112	419,401
Income (Loss) attributable to noncontrolling interests	—	—	—
Economic Net Income (Loss)	$ 1,295,916	$ 666,997	$ 628,919
Assets Under Management	$ 97,527,100	$ 73,815,500	$ 23,711,600
Fee Paying Assets Under Management	$ 61,678,600	$ 52,204,800	$ 9,473,800
Capital Invested	$ 13,342,400	$ 6,344,000	$ 6,998,400
Uncalled Commitments	$ 47,405,100	$ 31,478,700	$ 15,926,400

Segment Revenues

Management, Monitoring and Transaction Fees, Net

The net increase was primarily due to an increase in transaction fees, partially offset by a corresponding increase in fee credits, and an increase in management fees.

The increase in transaction fees was primarily attributable to an increase in both the number and size of transaction fee-generating investments. During the year ended December 31, 2017 , there were 46 transaction fee-generating investments that paid an average fee of $6.3 million compared to 35 transaction fee-generating investments paying an average fee of $3.8 million during the year ended December 31, 2016 . Approximately 44% of these transaction fees were paid by companies located in North America, 32% were paid from companies located in the Asia-Pacific region and 24% were paid from companies in Europe. Transaction fees vary by investment based upon a number of factors, the most significant of which are transaction size, the particular discussions as to the amount of the fees, the complexity of the transaction and KKR's role in the transaction. The increase in fee credits is due primarily to a higher level of transaction fees.

The increase in management fees was primarily due to (i) Americas Fund XII entering its investment period in the first quarter of 2017, in which it earns management fees on a larger pool of capital than its predecessor fund North America Fund XI, which entered its post-investment period, (ii) Asian Fund III entering its investment period in the second quarter of 2017, in which it earns management fees on a larger pool of capital than its predecessor fund Asian Fund II, which entered its post-investment period and (iii) new capital raised in our Health Care Strategic Growth Fund. This net increase was partially offset by decreases due to (i) North America Fund XI and Asian Fund II entering their post-investment periods during 2017, in which they earn fees at a lower rate and based on invested capital rather than committed capital, and (ii) lower invested capital as a result of realizations primarily in our 2006 Fund, China Growth Fund and Asian Fund.

Recurring monitoring fees increased $12.4 million, which was primarily the result of an increase in the number of portfolio companies paying monitoring fees. For the year ended December 31, 2017 , we had 66 portfolio companies that were paying an average monitoring fee of $0.9 million compared with 53 portfolio companies that were paying an average monitoring fee of $0.9 million for the year ended December 31, 2016 . For the year ended December 31, 2017 , we also received termination payments of $19.6 million in connection with the initial public offerings of Gardner Denver Holdings, Inc. (NYSE: GDI) and National Vision Holdings, Inc. (NASDAQ: EYE) compared to $15.3 million of termination payments received in the year ended December 31, 2016 , in connection with the initial public offering of US Foods Holding Corp. These termination payments may occur in the future; however, they are infrequent in nature and are generally correlated with the initial public offering and other realization activity in our private equity portfolio, and are expected to continue to be smaller in size and number compared to prior periods.

Performance Income

The net increase is attributable to a higher level of net carried interest gains in the year ended December 31, 2017 compared to the year ended December 31, 2016 , primarily reflecting a higher level of appreciation in the value of our private equity portfolio in the current period compared to the prior period.

Realized carried interest for the year ended December 31, 2017 , consisted primarily of realized gains from the sale of Capsugel (manufacturing sector) and the partial sales of US Foods Holding Corp. and PRA Health Sciences, Inc.

Realized carried interest for the year ended December 31, 2016 consisted primarily of realized gains from the sale or partial sale of Walgreens Boots Alliance, Inc., Alliance Tire Group B.V. (manufacturing sector) and HCA Holdings, Inc.

The following table presents performance income by investment vehicle for the year ended December 31, 2017 and 2016 :

	Year Ended December 31,					
	2017			2016		
	($ in thousands)					
	Realized Carried Interest	Unrealized Carried Interest	Total Carried Interest	Realized Carried Interest	Unrealized Carried Interest	Total Carried Interest
North America Fund XI	$ 235,927	$ 559,783	$ 795,710	$ 124,797	$ 124,202	$ 248,999
Co-Investment Vehicles and Other	40,156	175,795	215,951	10,381	33,649	44,030
Asian Fund II	65,534	98,274	163,808	—	146,382	146,382
2006 Fund	557,888	(416,159)	141,729	493,195	(315,187)	178,008
European Fund III	182,386	(53,262)	129,124	175,717	(17,602)	158,115
European Fund IV	—	127,643	127,643	—	6,291	6,291
Asian Fund	18,511	25,154	43,665	182,805	(104,797)	78,008
Global Infrastructure Investors II	—	34,337	34,337	—	(272)	(272)
Millennium Fund	28,266	4,994	33,260	60,257	(87,628)	(27,371)
Global Infrastructure Investors	14,772	13,797	28,569	16,845	948	17,793
Real Estate Partners Americas	15,160	(2,135)	13,025	10,020	(2,452)	7,568
Next Generation Technology Growth	—	8,454	8,454	—	599	599
China Growth Fund	20,130	(19,812)	318	2,858	7,668	10,526
European Fund	—	—	—	2,850	(4,395)	(1,545)
E2 Investors	—	(306)	(306)	—	1,453	1,453
European Fund II	20,251	(26,752)	(6,501)	172,645	(191,071)	(18,426)
Management Fee Refunds	—	(8,998)	(8,998)	—	(13,848)	(13,848)
Total [(1)]	$ 1,198,981	$ 520,807	$ 1,719,788	$ 1,252,370	$ (416,060)	$ 836,310

(1) The above table excludes any funds for which there was no carried interest during either of the periods presented.

Unrealized carried interest reflects the difference between total carried interest and realized carried interest. The recognition of realized carried interest results in the reversal of accumulated unrealized carried interest, generally resulting in minimal impact on total performance income. Additionally, because unrealized carried interest can be reversed upon a realization event, in periods where there is significant realized carried interest, unrealized carried interest can be negative even in periods of portfolio appreciation.

For the year ended December 31, 2017 , the value of our private equity investment portfolio increased 23.3%. This was comprised of a 34.6% increase in the share prices of various publicly held or publicly indexed investments and a 16.7% increase in value of our privately held investments. Additionally, our infrastructure investment portfolio, which is comprised predominately of private investments, increased 21.7%.

The most significant increases in share prices of various publicly held or publicly indexed investments were gains in Gardner Denver Holdings, Inc., National Vision Holdings, Inc. and Qingdao Haier Co., Ltd. (CH: 600690) These increases were partially offset by decreased share prices of various publicly held investments, the most significant of which were losses in Fujian Sunner Development Co. Ltd. (SZ: 002299), Laureate Education, Inc. (NASDAQ: LAUR) and Engility Holdings, Inc. (NYSE: EGL).

Our privately held investments contributed the remainder of the change in value, the most significant of which were gains relating to Internet Brands, Inc. (technology sector), Weld North (education sector) and Aricent Group (technology sector). The unrealized gains on our privately held investments were partially offset by unrealized losses relating primarily to Academy Ltd. (retail sector), Toys R Us, Inc. (retail sector) and Santanol Pty Ltd (forestry sector). The increased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) in the case of Weld North and Aricent Group, valuations that reflect agreements to sell all or a portion of these investments, (ii) an increase in the value of market comparables and (iii) individual company performance. The decreased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) individual company performance or, in certain cases, an unfavorable business outlook and (ii) a decrease in the value of market comparables.

Subsequent to December 31, 2017, realization activity such as dividends and agreements to sell, including partial sales and secondary sales, are expected, with respect to certain private equity portfolio companies, the most significant of which are Weld North, Aricent Group and Välinge Innovation AB (manufacturing sector). We expect that these transactions will be consummated subsequent to December 31, 2017, and represent distributable earnings of approximately $175 million. These transactions are generally subject to the satisfaction of closing conditions prior to their completion, and there can be no assurance if or when any of these transactions will be completed.

For the year ended December 31, 2016 , the value of our private equity investment portfolio increased 11.9%. This was comprised of a 3.9% increase in the share prices of various publicly held or publicly indexed investments and an 18.4% increase in value of our privately held investments. The most significant increases in share prices of various publicly held or publicly indexed investments were gains in US Foods Holding Corp., PRA Health Sciences Inc. and HCA Holdings, Inc. These increases were partially offset by decreased share prices of various publicly held investments, the most significant of which were losses in First Data Corporation, Walgreens Boots Alliance, Inc. and Qingdao Haier Co., Ltd. Our privately held investments contributed the remainder of the change in value, the most significant of which were gains relating to Panasonic Healthcare Co. Ltd (healthcare sector), Capsugel (manufacturing) and Sedgwick Claims Management Services. The unrealized gains on our privately held investments were partially offset by unrealized losses relating primarily to Aricent Group (technology sector), OEG Management Partners Limited (energy sector) and Academy Ltd. (retail sector). The increased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) in the case of Panasonic Healthcare Co. Ltd, Capsugel and Sedgwick Claims Management Services, valuations that reflect agreements to sell all or a portion of these investments, (ii) an increase in the value of market comparables and (iii) individual company performance. The decreased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) individual company performance or, in certain cases, an unfavorable business outlook and (ii) a decrease in the value of market comparables.

Segment Expenses

Compensation and Benefits

The net increase for the year ended December 31, 2017 was due primarily to higher performance income compensation resulting from a higher level of gains in our private equity portfolio in the current period compared to the prior period as described above as well as increased cash compensation and benefits. These increases were partially offset by a greater amount of compensation and benefits expense allocated to Principal Activities as a result of an increase in the proportion of revenue earned by Principal Activities relative to other operating segments.

Occupancy and Other Operating Expenses

The net decrease for the year ended December 31, 2017 is primarily due to (i) a decrease in expenses that are creditable to our investment funds, which includes broken-deal expenses, and (ii) a decrease relating to a greater amount of other operating expenses allocated to Principal Activities as a result of an increase in the proportion of revenue earned by Principal Activities relative to other operating segments. These decreases were partially offset by an increase in professional fees.

Economic Net Income (Loss)

The increase was primarily due to a higher level of performance income in the current period compared to the prior period and higher fees partially offset by an increase in compensation and benefits as described above.

Assets Under Management

The following table reflects the changes in our Private Markets AUM from December 31, 2016 to December 31, 2017 :

	($ in thousands)
December 31, 2016	$ 73,815,500
New Capital Raised	25,455,400
Distributions and Other	(12,503,200)
Change in Value	10,759,400
December 31, 2017	$ 97,527,100

AUM for the Private Markets segment was $97.5 billion at December 31, 2017 , an increase of $23.7 billion, compared to $73.8 billion at December 31, 2016 .

The increase was primarily attributable to (i) new capital raised primarily in our Asian Fund III, our core investment vehicles, two new strategic investor partnerships, our Real Estate Partners Americas II fund and our Real Estate Credit Opportunity Partners fund and (ii) to a lesser extent, an increase in the value of our Private Markets portfolio.

These increases were partially offset by (i) distributions to Private Markets fund investors primarily as a result of realizations most notably in our 2006 Fund, European Fund III and North America Fund XI, and (ii) a decrease of $0.8 billion reflecting expired commitments that are no longer eligible to be called for investments. Our flagship private equity funds such as our Asian Fund III which represents $9.0 billion of AUM at December 31, 2017 , are raised only episodically toward the end of the investment period of their predecessor funds or when their predecessor funds' capital becomes largely invested or allocated for investment.

The increase in the value of our Private Markets portfolio was driven primarily by net gains of $4.3 billion in our North America Fund XI, $1.0 billion in each of our European Fund IV and European Fund III, $0.9 billion in our 2006 Fund and $0.8 billion in our Asian Fund II. The drivers of the overall change in value for Private Markets were consistent with those noted in the Performance Income commentary above. See "—Private Markets—Segment Revenues—Performance Income."

Certain investments included in our AUM are denominated in currencies other than the U.S. dollar. Those investments expose our AUM to the risk that the value of the investments will be affected by changes in exchange rates between the currency in which the investments are denominated and the currency in which the investments are made. Our policy is generally to minimize these risks in certain cases by employing hedging techniques, including using foreign currency options and foreign exchange forward contracts to reduce exposure to changes in exchange rates when a meaningful amount of capital has been invested in currencies other than the currencies in which the investments are denominated. We do not, however, hedge our currency exposure in all currencies or for all investments. See "—Quantitative and Qualitative Disclosures about Market Risk—Exchange Rate Risk" and "Risk Factors—Risks Related to the Assets We Manage—We make investments in companies that are based outside of the United States, which may expose us to additional risks not typically associated with investing in companies that are based in the United States."

Fee-Paying Assets Under Management

The following table reflects the changes in our Private Markets FPAUM from December 31, 2016 to December 31, 2017 :

	($ in thousands)
December 31, 2016	$ 52,204,800
New Capital Raised	16,868,600
Distributions and Other	(6,140,400)
Net Changes in Fee Base of Certain Funds	(2,418,800)
Change in Value	1,164,400
December 31, 2017	$ 61,678,600

FPAUM in our Private Markets segment was $61.7 billion at December 31, 2017 , an increase of $9.5 billion, compared to $52.2 billion at December 31, 2016.

The increase was primarily attributable to new capital raised in our Asian Fund III and our Real Estate Partners Americas II fund and capital invested in our Asian Fund II and North America Fund XI. These increases were partially offset by (i) distributions and other activity primarily relating to realizations in our 2006 Fund and European Fund III and (ii) net changes in the fee base of our Asian Fund II as a result of it entering into its post-investment period, during which it earns fees at a lower rate based on invested capital rather than committed capital.

Uncalled capital commitments from investment funds from which KKR is currently not earning management fees amounted to approximately $13.7 billion at December 31, 2017, which includes capital commitments reserved for follow-on investments for funds that have completed their investment periods. This capital will generally begin to earn management fees upon deployment of the capital or upon the commencement of the fund's investment period. The average annual management fee rate associated with this capital is approximately 0.9%. We will not begin earning fees on this capital until it is deployed or the related investment period commences, neither of which is guaranteed. If and when such management fees are earned, which will occur over an extended period of time, a portion of existing FPAUM may cease paying fees or pay lower fees, thus offsetting a portion of any new management fees earned.

Capital Invested

The increase was driven primarily by a $4.5 billion increase in capital invested in our private equity platform, which includes an increase in core equity investments of $1.0 billion consisting of an investment in USI, Inc. (financial services sector), and a $2.5 billion increase in capital invested in our real assets and other platforms. Generally, the portfolio companies acquired through our private equity funds have higher transaction values and result in higher capital invested relative to transactions in our real assets funds. The number of large private equity investments made in any quarter is volatile and consequently, a significant amount of capital invested in one quarter or a few quarters may not be indicative of a similar level of capital deployment in future quarters. During the year ended December 31, 2017 , 41% of capital deployed in private equity, which does not include core investments, was in transactions in North America, 37% was in the Asia-Pacific region and 22% was in Europe. As of February 21, 2018, our Private Markets business had announced transactions that were subject to closing conditions which aggregated approximately $5.0 billion. These transactions are generally subject to the satisfaction of closing conditions prior to their completion, and there can be no assurance if or when any of these transactions will be completed.

Uncalled Commitments

As of December 31, 2017 , our Private Markets segment had $47.4 billion of remaining uncalled capital commitments that could be called for investments in new transactions. The increase from December 31, 2016 is due primarily to new capital raised in our Asian Fund III, our core investment vehicles, two new strategic investor partnerships and Real Estate Partners Americas II, partially offset by capital called from fund investors to fund investments during the period.

The following tables set forth information regarding the results of operations and certain key operating metrics for our Private Markets segment for the years ended December 31, 2016 and 2015.

Year ended December 31, 2016 compared to year ended December 31, 2015

	Year Ended		
	December 31, 2016	**December 31, 2015**	**Change**
		($ in thousands)	
Segment Revenues			
Management, Monitoring and Transaction Fees, Net			
Management Fees	$ 466,422	$ 465,575	$ 847
Monitoring Fees	64,354	264,643	(200,289)
Transaction Fees	132,602	144,652	(12,050)
Fee Credits	(103,579)	(195,025)	91,446
Total Management, Monitoring and Transaction Fees, Net	559,799	679,845	(120,046)
Performance Income			
Realized Incentive Fees	—	—	—
Realized Carried Interest	1,252,370	1,018,201	234,169
Unrealized Carried Interest	(416,060)	182,628	(598,688)
Total Performance Income	836,310	1,200,829	(364,519)
Investment Income (Loss)			
Net Realized Gains (Losses)	—	—	—
Net Unrealized Gains (Losses)	—	—	—
Total Realized and Unrealized	—	—	—
Interest Income and Dividends	—	—	—
Interest Expense	—	—	—
Net Interest and Dividends	—	—	—
Total Investment Income (Loss)	—	—	—
Total Segment Revenues	1,396,109	1,880,674	(484,565)
Segment Expenses			
Compensation and Benefits			
Cash Compensation and Benefits	194,240	193,995	245
Realized Performance Income Compensation	523,448	407,280	116,168
Unrealized Performance Income Compensation	(159,786)	74,560	(234,346)
Total Compensation and Benefits	557,902	675,835	(117,933)
Occupancy and related charges	35,785	33,640	2,145
Other operating expenses	135,425	127,836	7,589
Total Segment Expenses	729,112	837,311	(108,199)
Income (Loss) attributable to noncontrolling interests	—	1,645	(1,645)
Economic Net Income (Loss)	$ 666,997	$ 1,041,718	$ (374,721)
Assets Under Management	$ 73,815,500	$ 66,028,600	$ 7,786,900
Fee Paying Assets Under Management	$ 52,204,800	$ 45,307,400	$ 6,897,400
Capital Invested	$ 6,344,000	$ 6,279,500	$ 64,500
Uncalled Commitments	$ 31,478,700	$ 22,766,300	$ 8,712,400

Segment Revenues

Management, Monitoring and Transaction Fees, Net

The net decrease was primarily due to a decrease in monitoring fees of $200.3 million and a decrease in transaction fees of $12.1 million, partially offset by a corresponding decrease in fee credits of $91.4 million. The decrease in monitoring fees was primarily the result of $198.8 million of fees received during 2015 from the termination of monitoring agreements in connection with the initial public offerings, exits or partial exits of the following investments: (i) Alliance Boots GmbH, which was acquired by Walgreens Co. and renamed Walgreens Boots Alliance, Inc. subsequent to the acquisition, (ii) Big Heart Pet Brands (consumer products sector), (iii) Biomet, Inc., which was acquired by Zimmer Holdings Inc. and renamed Zimmer Biomet Holdings, Inc. subsequent to its acquisition, (iv) the initial public offering of Go Daddy Inc. (NYSE: GDDY) and (v) the initial public offering of First Data Corporation compared to $15.3 million of such termination payments during the year ended December 31, 2016 in connection with the initial public offering of US Foods Holding Corp. The level of termination payments that were realized in 2015 and in certain other historical periods are not expected to recur in future periods, because current monitoring agreements generally provide for smaller termination payments than have been provided for in such historical periods. Termination payments may recur in future periods but are infrequent in nature and are generally correlated with initial public offerings and other realization activity in our private equity portfolio. In addition, recurring monitoring fees decreased $16.8 million as a result of a decrease in the average size of the fee paid by the portfolio companies. For the year ended December 31, 2016, we had 53 portfolio companies that were paying an average monitoring fee of $0.9 million compared with 52 portfolio companies that were paying an average monitoring fee of $1.3 million for the year ended December 31, 2015. The decrease in transaction fees was primarily attributable to a decrease in both the number and size of transaction fee generating investments. During the year ended December 31, 2016, there were 35 investments that paid an average fee of $3.8 million compared to 37 transaction fee-generating investments paying an average fee of $3.9 million during the year ended December 31, 2015. Transaction fees vary by investment based upon a number of factors, the most significant of which are transaction size, the particular discussions as to the amount of the fees, the complexity of the transaction and KKR's role in the transaction. The decrease in fee credits is due primarily to a lower level of monitoring fees. The increase in management fees was primarily due to an increase in capital raised in Global Infrastructure Investors II and Real Estate Partners Europe as well as more capital earning a fee in European Fund IV during 2016 as such fund was continuing its capital raising efforts in 2015. These increases were partially offset by a decrease in management fees attributable to lower invested capital in our 2006 Fund, European Fund II and Asian Fund as a result of realizations. On January 1, 2017, Americas Fund XII commenced its investment period and North America Fund XI entered its post-investment period, the net effect of which is expected to be an increase in management fees by approximately $90 million in 2017 if not offset by other factors. On a segment basis, placement fees incurred in connection with capital raising activity are amortized as a reduction of revenues. See also discussion under "—Assets Under Management" and "—Fee-Paying Assets Under Management."

Performance Income

The net decrease is attributable to a lower level of carried interest primarily reflecting a lower level of net appreciation in value of our private equity portfolio compared to the prior period.

Realized carried interest for the year ended December 31, 2016 consisted primarily of realized gains from the sale or partial sale of Walgreens Boots Alliance, Inc., Alliance Tire Group B.V. (manufacturing sector) and HCA Holdings, Inc.

Realized carried interest for the year ended December 31, 2015 consisted primarily of realized gains from the sales or partial sales of Walgreens Boots Alliance, Inc., Capital Safety Group (industrial sector) and Zimmer Biomet Holdings, Inc.

The following table presents net unrealized carried interest by investment vehicle for the year ended December 31, 2016 and 2015:

	Year Ended December 31,	
	2016	2015
	($ in thousands)	
Asian Fund II	$ 146,382	$ 163,645
North America Fund XI	124,202	209,361
Co-Investment Vehicles and Other	33,976	(39,248)
China Growth Fund	7,668	31,730
Real Estate Partners Americas	(2,452)	14,669
European Fund IV	6,291	3,813
E2 Investors	1,453	(20,564)
Global Infrastructure Investors	948	6,678
European Fund	(4,395)	(3,705)
European Fund III	(17,602)	42,923
Millennium Fund	(87,628)	(26,714)
Asian Fund	(104,797)	(116,185)
European Fund II	(191,071)	30,797
2006 Fund	(315,187)	(111,965)
Management Fee Refunds	(13,848)	(2,607)
Total (1)	$ (416,060)	$ 182,628

(1) The above table excludes any funds for which there was no unrealized carried interest during either of the periods presented.

For the year ended December 31, 2016, the net unrealized carried interest loss of $(416.1) million included $712.2 million representing net increases in the value of various portfolio companies, and net unrealized losses of $(1,128.3) million primarily representing reversals of previously recognized net unrealized gains in connection with the occurrence of realization events such as partial or full sales and management fee refunds.

For the year ended December 31, 2016, the value of our private equity investment portfolio increased 11.9%. This was comprised of a 3.9% increase in the share prices of various publicly held or publicly indexed investments and an 18.4% increase in value of our privately held investments. The most significant increases in share prices of various publicly held or publicly indexed investments were gains in US Foods Holding Corp., PRA Health Sciences Inc. and HCA Holdings, Inc. These increases were partially offset by decreased share prices of various publicly held investments, the most significant of which were losses in First Data Corporation, Walgreens Boots Alliance, Inc. and Qingdao Haier Co., Ltd. Our privately held investments contributed the remainder of the change in value, the most significant of which were gains relating to Panasonic Healthcare Co. Ltd, Capsugel (manufacturing sector) and Sedgwick Claims Management Services. The unrealized gains on our privately held investments were partially offset by unrealized losses relating primarily to Aricent Group (technology sector), OEG Management Partners Limited (energy sector) and Academy Ltd. (retail sector). The increased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) in the case of Panasonic Healthcare Co. Ltd, Capsugel and Sedgwick Claims Management Services, valuations that reflect agreements to sell all or a portion of these investments, (ii) an increase in the value of market comparables and (iii) individual company performance. The decreased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) individual company performance or, in certain cases, an unfavorable business outlook and (ii) a decrease in the value of market comparables.

The reversals of previously recognized net unrealized gains for the year ended December 31, 2016 resulted primarily from the sale or partial sales of Walgreens Boots Alliance, Alliance Tire Group B.V. and HCA Holdings, Inc. During the year ended December 31, 2016, we recognized realized losses on Samson Resources (energy sector). This recognition of realized losses did not have a significant impact on our 2016 net carried interest because this investment had already been written down to zero value in prior periods. See "—Segment Analysis—Principal Activities Segment" and "See "—Segment Analysis—Principal Activities Segment" and "—Segment Operating and Performance Measures—After-Tax Distributable Earnings" for a discussion of how our Samson Resources investment impacted Principal Activities and our distributable earnings.

For the year ended December 31, 2015, the net unrealized carried interest income of $182.6 million included $1,021.5 million representing net increases in the value of various portfolio companies, which were partially offset by unrealized losses of $838.9 million primarily representing reversals of previously recognized net unrealized gains in connection with the occurrence of realization events such as partial or full sales and management fee refunds.

For the year ended December 31, 2015, the value of our private equity investment portfolio increased 14.2%. This was comprised of a 19.5% increase in the share prices of various publicly held or publicly indexed investments and a 9.3% increase in value of our privately held investments. The most significant increases in share prices of various publicly held or publicly indexed investments were gains in Walgreens Boots Alliance, Inc., PRA Health Sciences, Inc. and GoDaddy, Inc. These increases were partially offset by decreased share prices of various publicly held investments, the most significant of which were RigNet (NASDAQ: RNET), HCA Holdings, Inc. and CITIC Envirotech Ltd. Subsequent to December 31, 2015, world equity markets declined sharply with both the S&P 500 and the MSCI World Index down on a total return basis, including dividends, as of February 22, 2016. Our privately held investments contributed the remainder of the change in value, the most significant of which were gains relating to Panasonic Healthcare Co. Ltd (healthcare sector), Capital Safety Group (industrial sector) and Alliant Insurance Services (financial services sector). The unrealized gains on our privately held investments were partially offset by unrealized losses relating primarily to BIS Industries Ltd. (industrial sector), Acteon Group Ltd. (energy sector) and Aceco TI S.A. (technology sector). The increased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) in the case of Capital Safety Group and Alliant Insurance Services, valuations that reflect agreements to sell these investments in whole or in part, (ii) an increase in the value of market comparables and (iii) individual company performance. The decreased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) individual company performance or, in certain cases, an unfavorable business outlook and (ii) a decrease in the value of market comparables.

The reversals of previously recognized net unrealized gains for the year ended December 31, 2015 resulted primarily from the sale or partial sales of Walgreens Boots Alliance, Inc., Capital Safety Group and Zimmer Biomet Holdings, Inc. During the year ended December 31, 2015, we wrote off Energy Future Holdings (energy sector) and recognized realized losses. This write-off did not have a significant impact on our 2015 net carried interest because this investment had already been written down to zero value in prior periods. See "—Segment Analysis—Principal Activities Segment" and "—Segment Operating and Performance Measures—After-Tax Distributable Earnings" for a discussion of how the Energy Future Holdings write-off impacted Principal Activities and our distributable earnings.

Segment Expenses

Compensation and Benefits

The net decrease was due primarily to lower net performance income compensation resulting from a lower level of appreciation in value of our private equity portfolio as described above.

Occupancy and Other Operating Expenses

The increase is due to a higher level of expenses that are creditable to our investment funds and information technology related expenses.

Economic Net Income (Loss)

The decrease was primarily due to the lower levels of performance income and reduction in monitoring fees partially offset by the decrease in segment expenses as described above.

Assets Under Management

The following table reflects the changes in our Private Markets AUM from December 31, 2015 to December 31, 2016:

		($ in thousands)
December 31, 2015	$	66,028,600
New Capital Raised		16,170,200
Distributions and Other		(13,557,100)
Change in Value		5,173,800
December 31, 2016	$	73,815,500

AUM for the Private Markets segment was $73.8 billion at December 31, 2016, an increase of $7.8 billion, compared to $66.0 billion at December 31, 2015. The increase was primarily attributable to new capital raised primarily in our Americas Fund XII, KREF, our Next Generation Technology Growth Fund and, to a lesser extent, an increase in the value of our Private Markets portfolio. These increases were offset by distributions to Private Markets fund investors primarily as a result of realizations most notably in our 2006 Fund, Asian Fund, and European Fund III.

The increase in the value of our Private Markets portfolio was driven primarily by net gains of $1.4 billion in our North American Fund XI, $1.0 billion in our 2006 Fund and $0.9 billion in our European Fund III. The drivers of the overall change in value for Private Markets were a 3.9% increase in the share prices of various publicly held or publicly indexed investments and an 18.4% increase in value of our privately held investments. The most significant increases in share prices of various publicly held or publicly indexed investments were gains in US Foods Holding Corp., PRA Health Sciences Inc. and HCA Holdings, Inc. These increases were partially offset by decreased share prices of various publicly held investments, the most significant of which were losses in First Data Corporation, Walgreens Boots Alliance, Inc. and Qingdao Haier Co., Ltd. Our privately held investments contributed the remainder of the change in value, the most significant of which were gains relating to Panasonic Healthcare Co. Ltd, Capsugel (manufacturing sector) and Sedgwick Claims Management Services. The unrealized gains on our privately held investments were partially offset by unrealized losses relating primarily to Aricent Group (technology sector), OEG Management Partners Limited (energy sector) and Academy Ltd. (retail sector). The increased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) in the case of Panasonic Healthcare Co. Ltd, Capsugel and Sedgwick Claims Management Services, valuations that reflect agreements to sell all or a portion of these investments, (ii) an increase in the value of market comparables and (iii) individual company performance. The decreased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) individual company performance or, in certain cases, an unfavorable business outlook and (ii) a decrease in the value of market comparables.

Certain investments included in our AUM are denominated in currencies other than the U.S. dollar. Those investments expose our AUM to the risk that the value of the investments will be affected by changes in exchange rates between the currency in which the investments are denominated and the currency in which the investments are made. Our policy is generally to minimize these risks in certain cases by employing hedging techniques, including using foreign currency options and foreign exchange forward contracts to reduce exposure to changes in exchange rates when a meaningful amount of capital has been invested in currencies other than the currencies in which the investments are denominated. We do not, however, hedge our currency exposure in all currencies or for all investments. See "—Quantitative and Qualitative Disclosures about Market Risk—Exchange Rate Risk" and "Risk Factors—Risks Related to the Assets We Manage—We make investments in companies that are based outside of the United States, which may expose us to additional risks not typically associated with investing in companies that are based in the United States."

Fee-Paying Assets Under Management

The following table reflects the changes in our Private Markets FPAUM from December 31, 2015 to December 31, 2016:

		($ in thousands)
December 31, 2015	$	45,307,400
New Capital Raised		14,520,900
Distributions and Other		(5,258,000)
Net Changes in Fee Base of Certain Funds		(2,546,200)
Change in Value		180,700
December 31, 2016	$	52,204,800

FPAUM in our Private Markets segment was $52.2 billion at December 31, 2016, an increase of $6.9 billion, compared to $45.3 billion at December 31, 2015. The increase was primarily attributable to new capital raised in our Americas Fund XII, Real Estate Partners Europe, KREF, and Next Generation Technology Growth Fund. These increases were partially offset by distributions and other activity and net changes in the fee base of certain funds. Distributions and other activity primarily related to (i) realizations in our 2006 Fund, Asian Fund and European Fund III and (ii) the termination of a management fee agreement with respect to one client. The decreases related to net changes in fee base primarily relates to our North America Fund XI entering its post-investment period during which it earns fees at a lower rate based on invested capital rather than committed capital. Additionally, upon entering its post-investment period, North America Fund XI has established a reserve on its fund investors' capital commitments on which no fee is paid unless such capital is invested. Uncalled capital commitments from investment funds from which KKR is currently not earning management fees amounted to approximately $6.7 billion at December 31, 2016, which includes capital commitments reserved for follow-on investments for funds that have completed their investment periods. This capital will generally begin to earn management fees upon deployment of the capital or upon the commencement of the fund's investment period. The average annual management fee rate associated with this capital is approximately 0.9%. We will not begin earning fees on this capital until it is deployed or the related investment period commences, neither of which is guaranteed. If and when such management fees are earned, which will occur over an extended period of time, a portion of existing FPAUM may cease paying fees or pay lower fees, thus offsetting a portion of any new management fees earned.

Capital Invested

For the year ended December 31, 2016, capital invested in our private equity platform increased from $4.6 billion in the prior year to $5.1 billion in the current year. This increase was partially offset by a decrease in capital invested in our real assets and other platforms which decreased from $1.7 billion in the prior year to $1.2 billion in the current year. Generally, the portfolio companies acquired through our private equity funds have higher transaction values and result in higher capital invested relative to transactions in our real assets funds. The number of large private equity investments made in any quarter is volatile and consequently, a significant amount of capital invested in one quarter or a few quarters may not be indicative of a similar level of capital deployment in future quarters.

Uncalled Commitments

As of December 31, 2016, our Private Markets segment had $31.5 billion of remaining uncalled capital commitments that could be called for investments in new transactions. The increase is due primarily to new capital raised in Americas Fund XII, partially offset by capital called from fund investors to fund investments during the period.

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Public Markets Segment

The following tables set forth information regarding the results of operations and certain key operating metrics for our Public Markets segment for the years ended December 31, 2017 and 2016 .

Year ended December 31, 2017 compared to year ended December 31, 2016

	Year Ended		
	December 31, 2017	**December 31, 2016**	**Change**
		($ in thousands)	
Segment Revenues			
Management, Monitoring and Transaction Fees, Net			
Management Fees	$ 329,737	$ 331,440	$ (1,703)
Monitoring Fees	—	—	—
Transaction Fees	48,370	30,155	18,215
Fee Credits	(40,719)	(28,049)	(12,670)
Total Management, Monitoring and Transaction Fees, Net	337,388	333,546	3,842
Performance Income			
Realized Incentive Fees	73,395	33,346	40,049
Realized Carried Interest	—	3,838	(3,838)
Unrealized Carried Interest	79,435	(4,312)	83,747
Total Performance Income	152,830	32,872	119,958
Investment Income (Loss)			
Net Realized Gains (Losses)	—	—	—
Net Unrealized Gains (Losses)	—	—	—
Total Realized and Unrealized	—	—	—
Interest Income and Dividends	—	—	—
Interest Expense	—	—	—
Net Interest and Dividends	—	—	—
Total Investment Income (Loss)	—	—	—
Total Segment Revenues	490,218	366,418	123,800
Segment Expenses			
Compensation and Benefits			
Cash Compensation and Benefits	63,637	77,017	(13,380)
Realized Performance Income Compensation	29,358	14,873	14,485
Unrealized Performance Income Compensation	33,816	(1,724)	35,540
Total Compensation and Benefits	126,811	90,166	36,645
Occupancy and related charges	6,478	9,517	(3,039)
Other operating expenses	31,317	38,439	(7,122)
Total Segment Expenses	164,606	138,122	26,484
Income (Loss) attributable to noncontrolling interests	—	—	—
Economic Net Income (Loss)	$ 325,612	$ 228,296	$ 97,316
Assets Under Management	$ 70,943,500	$ 55,740,200	$ 15,203,300
Fee Paying Assets Under Management	$ 55,758,900	$ 49,268,600	$ 6,490,300
Capital Invested	$ 5,017,100	$ 4,642,200	$ 374,900
Uncalled Commitments	$ 9,148,000	$ 6,312,600	$ 2,835,400

Segment Revenues

Management, Monitoring and Transaction Fees, Net

The net increase for the year ended December 31, 2017 was primarily due to an increase in transaction fees, partially offset by a corresponding increase in fee credits and a decrease in management fees. The increase in transaction fees was driven primarily by an $18.5 million breakup fee received in the year ended December 31, 2017 in connection with a terminated transaction, compared to having received no such breakup fees in the year ended December 31, 2016 . The net amount of this fee attributable to us after credits to our fund investors was $4.6 million. The decrease in management fees related primarily to a reduction in management fees from KKR Prisma as a result of the PAAMCO Prisma transaction that closed in the second quarter of 2017. KKR reports its investment in PAAMCO Prisma using the equity method of accounting, and on a segment basis, KKR reflects its allocation of the net income of PAAMCO Prisma as management fees and realized incentive fees. Accordingly, the management fees and other revenues and expenses of KKR Prisma that had been reported on a gross basis prior to the closing of the transaction on June 1, 2017 are reflected on a net basis as part of our allocation of the net income of PAAMCO Prisma after June 1, 2017 resulting in a decrease in our reported gross management fees when compared to the prior period. This decrease was partially offset by capital invested in our Special Situations Fund II, Lending Partners II Fund, and Lending Partners Europe Fund as well as an increase in management fees in certain separately managed accounts and with our strategic manager partnerships.

Performance Income

The net increase for the year ended December 31, 2017 was primarily attributable to higher incentive fees earned in our strategic manager partnerships, which were partially offset by lower incentive fees received from BDCs advised or sub-advised by KKR. Performance income also increased as a result of net carried interest gains in the year ended December 31, 2017 , compared to net carried interest losses in the year ended December 31, 2016 . The carried interest gains in the current period were primarily the result of increases in the value of our private credit portfolio, with the most significant carried interest gains arising in our private opportunistic credit and direct lending strategies. In the prior period, our direct lending strategies experienced a lower level of carried interest gains and net carried interest losses were experienced in our private opportunistic credit strategy.

Segment Expenses

Compensation and Benefits

The increase for the year ended December 31, 2017 was primarily due to higher net performance income compensation in connection with higher incentive fees and net carried interest gains for the year ended December 31, 2017 , as compared to lower incentive fees and net carried interest losses for the year ended December 31, 2016 , as described above. These increases were partially offset by decreased cash compensation and benefits due primarily to (i) a greater amount of compensation and benefits expense allocated to Principal Activities as a result of an increase in the proportion of revenue earned by Principal Activities relative to other operating segments and (ii) the PAAMCO Prisma transaction which closed on June 1, 2017. KKR reports its investment in PAAMCO Prisma using the equity method of accounting. Accordingly, the compensation expenses of KKR Prisma that had been reported on a gross basis prior to the closing of the transaction on June 1, 2017 are reflected as part of our allocation of the net income of PAAMCO Prisma after June 1, 2017 resulting in a decrease in our reported cash compensation and benefits expense when compared to the prior period.

Occupancy and Other Operating Expenses

The decrease for the year ended December 31, 2017 was primarily driven by lower operating expenses as a result of having transferred certain leased office space and other operating expenses as part of the PAAMCO Prisma transaction. See "—Business Segments—Public Markets."

Economic Net Income (Loss)

The increase for the year ended December 31, 2017 is primarily attributable to the increase in performance income, partially offset by an increase in compensation and benefits expense as described above.

Assets Under Management

The following table reflects the changes in our Public Markets AUM from December 31, 2016 to December 31, 2017 :

		($ in thousands)
December 31, 2016	$	55,740,200
New Capital Raised		13,221,600
Acquisitions		1,794,800
Impact of Other Transactions		3,811,400
Distributions		(3,831,800)
Redemptions		(3,653,100)
Change in Value		3,860,400
December 31, 2017	$	70,943,500

AUM in our Public Markets segment totaled $70.9 billion at December 31, 2017 , an increase of $15.2 billion compared to AUM of $55.7 billion at December 31, 2016. The increase for the period was primarily due to new capital raised across multiple strategies most notably $3.5 billion in certain leveraged credit strategies, $2.9 billion with our strategic manager partnerships, $2.4 billion in our CLOs, $1.5 billion in our private opportunistic credit strategy, $1.4 billion in two new strategic investor partnerships and $0.8 billion in our Lending Partners III Fund. The "Impact of Other Transactions" represents the closing of the PAAMCO Prisma transaction. This resulted in a net increase of approximately $3.8 billion reflecting the excess of our pro rata portion of the AUM of PAAMCO Prisma over the historical AUM of KKR Prisma. For the year ended December 31, 2017 , new capital raised offset redemptions with our strategic manager partnerships. The "Acquisitions" activity represents the increase in our pro rata portion of the AUM of Marshall Wace in connection with the acquisition of an additional 5% interest in this strategic manager partnership. The increases due to change in value were driven primarily by our strategic manager partnerships, our domestic private credit strategies and our European CLOs and certain European leveraged credit strategies. Partially offsetting these increases were redemptions and distributions from certain investment vehicles across multiple strategies, primarily with our strategic manager partnerships, our private credit strategies and our CLOs.

Fee-Paying Assets Under Management

The following table reflects the changes in our Public Markets FPAUM from December 31, 2016 to December 31, 2017 :

		($ in thousands)
December 31, 2016	$	49,268,600
New Capital Raised		12,048,200
Acquisitions		1,794,800
Impact of Other Transactions		(1,600,000)
Distributions		(5,012,000)
Redemptions		(3,653,100)
Change in Value		2,912,400
December 31, 2017	$	55,758,900

FPAUM in our Public Markets segment was $55.8 billion at December 31, 2017 , an increase of $6.5 billion compared to FPAUM of $49.3 billion at December 31, 2016. The increase was primarily due to new capital raised across multiple strategies, most notably $2.9 billion with our strategic manager partnerships, $2.7 billion in certain leveraged credit strategies, $2.4 billion in our CLOs, $1.1 billion in our Special Situations Fund II and $1.2 billion in our direct lending strategies. New capital raised includes capital that was raised in previous periods but began earning fees upon deployment of capital. For the year ended December 31, 2017, new capital raised offset redemptions with our strategic manager partnerships. Change in value was driven primarily by $1.1 billion through our strategic manager partnerships, $0.7 billion in certain leveraged credit strategies and $0.6 billion in our European CLOs. Partially offsetting these increases were redemptions and distributions from certain investment vehicles across multiple strategies driven by $2.9 billion from our strategic manager partnerships, $3.2 billion from our private credit strategies and $1.3 billion from our CLOs. The "Impact of Other Transactions" represents the closing of the PAAMCO Prisma transaction. This resulted in a net decrease of approximately $1.6 billion reflecting the excess of our historical FPAUM of KKR Prisma, over our pro rata portion of the FPAUM of PAAMCO Prisma. FPAUM excludes assets under advisement of PAAMCO Prisma. The "Acquisitions" activity represents the increase in our pro rata portion of the AUM of Marshall Wace in connection with the acquisition of an additional 5% interest in this strategic manager partnership.

Uncalled capital commitments from investment funds from which KKR is currently not earning management fees amounted to approximately $6.5 billion. This capital will generally begin to earn management fees upon deployment of the capital or upon the commencement of the fund's investment period. The average annual management fee rate associated with this capital is approximately 1.0%. We will not begin earning fees on this capital until it is deployed or the related investment period commences, neither of which is guaranteed. If and when such management fees are earned, which will occur over an extended period of time, a portion of existing FPAUM may cease paying fees or pay lower fees, thus offsetting a portion of any new management fees earned.

Capital Invested

Capital invested increased for the year ended December 31, 2017 , compared to the year ended December 31, 2016 . The increase is primarily due to a higher level of net capital deployed in our direct lending and special situations strategies.

Uncalled Commitments

As of December 31, 2017 , our Public Markets segment had $9.1 billion of uncalled capital commitments that could be called for investments in new transactions. The increase from December 31, 2016 is due to new capital raised primarily in our private opportunistic credit strategy, two new strategic investor partnerships and Lending Partners III Fund, partially offset by capital called from fund investors to fund investments during the period.

The following tables set forth information regarding the results of operations and certain key operating metrics for our Public Markets segment for the years ended December 31, 2016 and 2015.

Year ended December 31, 2016 compared to year ended December 31, 2015

	Year Ended		
	December 31, 2016	December 31, 2015	Change
	($ in thousands)		
Segment Revenues			
Management, Monitoring and Transaction Fees, Net			
Management Fees	$ 331,440	$ 266,458	$ 64,982
Monitoring Fees	—	—	—
Transaction Fees	30,155	28,872	1,283
Fee Credits	(28,049)	(24,595)	(3,454)
Total Management, Monitoring and Transaction Fees, Net	333,546	270,735	62,811
Performance Income			
Realized Incentive Fees	33,346	19,647	13,699
Realized Carried Interest	3,838	8,953	(5,115)
Unrealized Carried Interest	(4,312)	(19,083)	14,771
Total Performance Income	32,872	9,517	23,355
Investment Income (Loss)			
Net Realized Gains (Losses)	—	—	—
Net Unrealized Gains (Losses)	—	—	—
Total Realized and Unrealized	—	—	—
Interest Income and Dividends	—	—	—
Interest Expense	—	—	—
Net Interest and Dividends	—	—	—
Total Investment Income (Loss)	—	—	—
Total Segment Revenues	366,418	280,252	86,166
Segment Expenses			
Compensation and Benefits			
Cash Compensation and Benefits	77,017	73,863	3,154
Realized Performance Income Compensation	14,873	11,438	3,435
Unrealized Performance Income Compensation	(1,724)	(7,633)	5,909
Total Compensation and Benefits	90,166	77,668	12,498
Occupancy and related charges	9,517	9,808	(291)
Other operating expenses	38,439	40,591	(2,152)
Total Segment Expenses	138,122	128,067	10,055
Income (Loss) attributable to noncontrolling interests	—	1,259	(1,259)
Economic Net Income (Loss)	$ 228,296	$ 150,926	$ 77,370
Assets Under Management	$ 55,740,200	$ 53,515,700	$ 2,224,500
Fee Paying Assets Under Management	$ 49,268,600	$ 46,413,100	$ 2,855,500
Capital Invested	$ 4,642,200	$ 5,244,900	$ (602,700)
Uncalled Commitments	$ 6,312,600	$ 6,690,800	$ (378,200)

Segment Revenues

The net increase for the year ended December 31, 2016 was primarily due to an increase in management fees of $65.0 million which included $40.2 million of increased management fees earned relating to our strategic manager partnership in Marshall Wace, which was completed in the fourth quarter of 2015, and higher management fees relating to an increase in capital invested in our Special Situations Fund II, Lending Partners II Fund, and Lending Partners Europe Fund, as well as new capital raised primarily in CCT (a BDC advised by KKR). This increase was partially offset by a decrease in management fees in our hedge funds solutions business as a result of a reduction in fee paying AUM due to redemptions as well as our Mezzanine Fund entering its post-investment period, when it earns fees at a lower rate and on invested rather than committed capital.

Performance Income

The net increase for the year ended December 31, 2016 was primarily attributable to higher incentive fees and a lower level of net carried interest losses compared to the prior period. Incentive fees increased due primarily to higher incentive fees relating to our strategic manager partnership with Marshall Wace, which was completed in the fourth quarter of 2015, and higher incentive fees at CCT reflecting favorable investment performance. These incentive fee increases were partially offset by a lower level of incentive fees in our hedge funds solutions business driven by less favorable financial performance in 2016. Incentive fees are typically determined for the twelve-month periods ending in either the second or fourth quarters of the calendar year; however, such fees may be determined quarterly or at other points during the year for certain strategies. Whether incentive fees from KKR vehicles or strategic manager partnerships are payable in any given period, and the amount of such incentive fee payments, if any, depends on the investment performance of the vehicle and as a result is expected to vary significantly from period to period. The lower level of net carried interest losses was primarily the result of (i) carried interest losses in the prior year in our Special Situations Fund compared to no carried interest in the current year and (ii) increased carried interest in our Lending Partners II Fund, partially offset by (iii) carried interest losses in our Mezzanine Fund and Lending Partners Fund in 2016.

Segment Expenses

Compensation and Benefits

The increase for the year ended December 31, 2016 was primarily due to higher net performance income compensation in connection with a higher level of realized incentive fees for the year ended December 31, 2016 as compared the year ended December 31, 2015 as described above. To a lesser extent there was an increase in cash compensation and benefits primarily due to a higher level of management fees which generally results in higher compensation expense.

Occupancy and Other Operating Expenses

The decrease for the year ended December 31, 2016 was primarily driven by a reduction reflecting the cost to exit office space during 2015.

Economic Net Income (Loss)

The increase for the year ended December 31, 2016 is primarily attributable to the increase in management fees and performance income partially offset by an increase in compensation and benefits expense as described above.

Assets Under Management

The following table reflects the changes in our Public Markets AUM from December 31, 2015 to December 31, 2016:

	($ in thousands)
December 31, 2015	$ 53,515,700
New Capital Raised	12,623,100
Distributions	(4,720,400)
Redemptions	(6,258,300)
Change in Value	580,100
December 31, 2016	$ 55,740,200

AUM in our Public Markets segment totaled $55.7 billion at December 31, 2016, an increase of $2.2 billion compared to AUM of $53.5 billion at December 31, 2015. The increase for the period was primarily due to new capital raised of $12.6 billion across multiple strategies most notably $3.1 billion in our CLOs, $2.5 billion in our strategic manager partnerships with hedge fund managers, $2.1 billion in certain leveraged credit strategies and $1.7 billion in our hedge fund solutions business. Partially offsetting these increases were redemptions and distributions of $11.0 billion from certain investment vehicles across multiple strategies including our CLOs, our hedge fund solutions business, certain separately managed accounts and our strategic manager partnerships. For the year ended December 31, 2016, within our hedge funds business, new capital raised has outpaced redemptions within our strategic manager partnership platform, while redemptions have outpaced new capital raised in our hedge fund solutions platform.

Fee-Paying Assets Under Management

The following table reflects the changes in our Public Markets FPAUM from December 31, 2015 to December 31, 2016:

		($ in thousands)
December 31, 2015	$	46,413,100
New Capital Raised		13,681,200
Distributions		(4,864,700)
Redemptions		(6,258,300)
Change in Value		297,300
December 31, 2016	$	49,268,600

FPAUM in our Public Markets segment was $49.3 billion at December 31, 2016, an increase of $2.9 billion compared to FPAUM of $46.4 billion at December 31, 2015. The increase was primarily due to new capital raised of $13.7 billion across multiple strategies most notably $3.1 billion in our CLOs, $2.5 billion in our strategic manager partnerships with hedge fund managers, $2.0 billion in certain leveraged credit strategies and $1.7 billion in our hedge fund solutions business. New capital raised includes capital that was raised in previous periods but began earning fees upon deployment of capital. Partially offsetting these increases were redemptions and distributions of $11.1 billion from certain investment vehicles across multiple strategies including our CLOs, hedge fund solutions business, certain separately managed accounts and our strategic manager partnerships. For the year ended December 31, 2016, within our hedge fund business, new capital raised has outpaced redemptions with our strategic manager partnerships with hedge fund managers, while redemptions have outpaced new capital raised in our hedge fund solutions platform. Uncalled capital commitments from investment funds from which KKR was then not earning management fees amounted to approximately $4.2 billion. This capital will generally begin to earn management fees upon deployment of the capital or upon the commencement of the fund's investment period. The average annual management fee rate associated with this capital is approximately 1.2%. We will not begin earnings fees on this capital until it is deployed or the related investment period commences, neither of which is guaranteed. If and when such management fees are earned, which will occur over an extended period of time, a portion of existing FPAUM may cease paying fees or pay lower fees, thus offsetting a portion of any new management fees earned.

Capital Invested

Capital invested decreased in the year ended December 31, 2016 compared to the year ended December 31, 2015. The decrease is primarily due to a lower level of net capital deployed in our special situations strategy partially offset by a higher level of net capital deployed in our private credit opportunities strategy.

Uncalled Commitments

As of December 31, 2016, our Public Markets segment had $6.3 billion of uncalled capital commitments that could be called for investments in new transactions. The decrease from December 31, 2015 is due to capital called from limited partners to fund investments during the period, partially offset by new capital raised primarily in Special Situations Fund II, Private Credit Opportunities Partners II Fund and a co-invest vehicle investing across multiple strategies.

Capital Markets

The following tables set forth information regarding the results of operations and certain key operating metrics for our Capital Markets segment for the years ended December 31, 2017 and 2016 .

Year ended December 31, 2017 compared to year ended December 31, 2016

	Year Ended		
	December 31, 2017	**December 31, 2016**	**Change**
		($ in thousands)	
Segment Revenues			
Management, Monitoring and Transaction Fees, Net			
Management Fees	$ —	$ —	$ —
Monitoring Fees	—	—	—
Transaction Fees	439,998	181,517	258,481
Fee Credits	—	—	—
Total Management, Monitoring and Transaction Fees, Net	439,998	181,517	258,481
Performance Income			
Realized Incentive Fees	—	—	—
Realized Carried Interest	—	—	—
Unrealized Carried Interest	—	—	—
Total Performance Income	—	—	—
Investment Income (Loss)			
Net Realized Gains (Losses)	—	—	—
Net Unrealized Gains (Losses)	—	—	—
Total Realized and Unrealized	—	—	—
Interest Income and Dividends	—	—	—
Interest Expense	—	—	—
Net Interest and Dividends	—	—	—
Total Investment Income (Loss)	—	—	—
Total Segment Revenues	439,998	181,517	258,481
Segment Expenses			
Compensation and Benefits			
Cash Compensation and Benefits	80,093	29,552	50,541
Realized Performance Income Compensation	—	—	—
Unrealized Performance Income Compensation	—	—	—
Total Compensation and Benefits	80,093	29,552	50,541
Occupancy and related charges	2,747	2,474	273
Other operating expenses	20,513	14,994	5,519
Total Segment Expenses	103,353	47,020	56,333
Income (Loss) attributable to noncontrolling interests	6,551	2,336	4,215
Economic Net Income (Loss)	$ 330,094	$ 132,161	$ 197,933
Syndicated Capital	$ 4,685,600	$ 1,213,500	$ 3,472,100

Segment Revenues

Management, Monitoring and Transaction Fees, Net

Transaction fees increased due primarily to an increase in both the size and number of capital markets transactions for the year ended December 31, 2017, compared to the year ended December 31, 2016. Overall, we completed 193 capital markets transactions for the year ended December 31, 2017, of which 26 represented equity offerings and 167 represented debt offerings, as compared to 117 transactions for the year ended December 31, 2016, of which 11 represented equity offerings and 106 represented debt offerings. We earned fees in connection with underwriting, syndication and other capital markets services. While each of the capital markets transactions that we undertake in this segment is separately negotiated, our fee rates are generally higher with respect to underwriting or syndicating equity offerings than with respect to debt offerings, and the amount of fees that we collect for like transactions generally correlates with overall transaction sizes. Our capital markets fees are generated in connection with our Private Markets and Public Markets businesses as well as from third-party companies. For the year ended December 31, 2017, approximately 23% of our transaction fees were earned from unaffiliated third parties as compared to approximately 28% for the year ended December 31, 2016. Our transaction fees are comprised of fees earned from North America, Europe and Asia-Pacific, including India. For the year ended December 31, 2017, approximately 49% of our transaction fees were generated outside of North America as compared to approximately 34% for the year ended December 31, 2016. Our capital markets business is dependent on the overall capital markets environment, which is influenced by equity prices, credit spreads and volatility. Our capital markets business does not generate management or monitoring fees.

Segment Expenses

Compensation and Benefits and Occupancy and Other Operating Expenses

Segment expenses increased for the year ended December 31, 2017 compared to the prior period primarily due to higher compensation and benefits expense that are reserved for payment in connection with a higher level of transaction fees. The increase in other operating expenses as compared to the prior period is primarily attributable to increased professional fees in connection with increased business development activity.

Economic Net Income (Loss)

The increase for the year ended December 31, 2017 is primarily attributable to the increase in transaction fees, partially offset by the increase in compensation and benefits expense as described above.

Syndicated Capital

The increase is primarily due to an increase in the size and number of syndication transactions in the year ended December 31, 2017 as compared to the year ended December 31, 2016 . Overall, we completed 15 syndication transactions for the year ended December 31, 2017 as compared to eight syndications for the year ended December 31, 2016 .

The following tables set forth information regarding the results of operations and certain key operating metrics for our Capital Markets segment for the years ended December 31, 2016 and 2015.

Year ended December 31, 2016 compared to year ended December 31, 2015

	Year Ended		
	December 31, 2016	**December 31, 2015**	**Change**
		($ in thousands)	
Segment Revenues			
Management, Monitoring and Transaction Fees, Net			
Management Fees	$ —	$ —	$ —
Monitoring Fees	—	—	—
Transaction Fees	181,517	191,470	(9,953)
Fee Credits	—	—	—
Total Management, Monitoring and Transaction Fees, Net	181,517	191,470	(9,953)
Performance Income			
Realized Incentive Fees	—	—	—
Realized Carried Interest	—	—	—
Unrealized Carried Interest	—	—	—
Total Performance Income	—	—	—
Investment Income (Loss)			
Net Realized Gains (Losses)	—	—	—
Net Unrealized Gains (Losses)	—	—	—
Total Realized and Unrealized	—	—	—
Interest Income and Dividends	—	—	—
Interest Expense	—	—	—
Net Interest and Dividends	—	—	—
Total Investment Income (Loss)	—	—	—
Total Segment Revenues	181,517	191,470	(9,953)
Segment Expenses			
Compensation and Benefits			
Cash Compensation and Benefits	29,552	34,562	(5,010)
Realized Performance Income Compensation	—	—	—
Unrealized Performance Income Compensation	—	—	—
Total Compensation and Benefits	29,552	34,562	(5,010)
Occupancy and related charges	2,474	2,641	(167)
Other operating expenses	14,994	14,618	376
Total Segment Expenses	47,020	51,821	(4,801)
Income (Loss) attributable to noncontrolling interests	2,336	13,103	(10,767)
Economic Net Income (Loss)	$ 132,161	$ 126,546	$ 5,615
Syndicated Capital	$ 1,213,500	$ 868,900	$ 344,600

Segment Revenues

Management, Monitoring and Transaction Fees, Net

Transaction fees decreased due primarily to smaller transaction sizes for the year ended December 31, 2016 compared to the year ended December 31, 2015. Overall, we completed 117 capital markets transactions for the year ended December 31, 2016 of which 11 represented equity offerings and 106 represented debt offerings, as compared to 116 transactions for the year ended December 31, 2015 of which 16 represented equity offerings and 100 represented debt offerings. We earned fees in connection with underwriting, syndication and other capital markets services. While each of the capital markets transactions that we undertake in this segment is separately negotiated, our fee rates are generally higher with respect to underwriting or syndicating equity offerings than with respect to debt offerings, and the amount of fees that we collect for like transactions generally correlates with overall transaction sizes. Our capital markets fees are generated in connection with our Private Markets and Public Markets businesses as well as third-party companies. For the year ended December 31, 2016 approximately 28% of our transaction fees were earned from third parties as compared to approximately 24% for the year ended December 31, 2015. Our transaction fees are comprised of fees earned from North America, Europe, and Asia-Pacific, including India. For the year ended December 31, 2016 approximately 34% of our transaction fees were generated internationally as compared to approximately 44% for the year ended December 31, 2015. Our capital markets business is dependent on the overall capital markets environment, which is influenced by equity prices, credit spreads and volatility. Our capital markets business does not generate management or monitoring fees.

Segment Expenses

Compensation and Benefits

The decrease for the year ended December 31, 2016 compared to the prior period is primarily related to the reduction in transaction fees noted above.

Occupancy and Other Operating Expenses

The overall increase for the year ended December 31, 2016 was primarily due to a lower amount of expenses allocated from the Capital Markets segment to the Principal Activities segment as a result of a decrease in the proportion of revenue earned by Principal Activities relative to other operating segments as compared to the prior period. This increase was offset by a reduction in the amount of rent expense allocated to the Capital Markets segment.

Economic Net Income (Loss)

The increase for the year ended December 31, 2016 is primarily attributable to lower income attributable to noncontrolling interests and the reduction in compensation and benefits expense, which was partially offset by a decrease in transaction fees as described above.

Syndicated Capital

The increase is primarily due to an increase in the size of syndication transactions in the year ended December 31, 2016 as compared to the year ended December 31, 2015. Overall, we completed 8 syndication transactions for the year ended December 31, 2016 as compared to 10 syndications for the year ended December 31, 2015.

Principal Activities

The following tables set forth information regarding the results of operations and certain key operating metrics for our Principal Activities segment for the years ended December 31, 2017 and 2016 .

Year ended December 31, 2017 compared to year ended December 31, 2016

	Year Ended		
	December 31, 2017	December 31, 2016	Change
	($ in thousands)		
Segment Revenues			
Management, Monitoring and Transaction Fees, Net			
Management Fees	$ —	$ —	$ —
Monitoring Fees	—	—	—
Transaction Fees	—	—	—
Fee Credits	—	—	—
Total Management, Monitoring and Transaction Fees, Net	—	—	—
Performance Income			
Realized Incentive Fees	—	—	—
Realized Carried Interest	—	—	—
Unrealized Carried Interest	—	—	—
Total Performance Income	—	—	—
Investment Income (Loss)			
Net Realized Gains (Losses)	194,020	371,563	(177,543)
Net Unrealized Gains (Losses)	395,358	(584,423)	979,781
Total Realized and Unrealized	589,378	(212,860)	802,238
Interest Income and Dividends	285,696	322,857	(37,161)
Interest Expense	(181,612)	(188,761)	7,149
Net Interest and Dividends	104,084	134,096	(30,012)
Total Investment Income (Loss)	693,462	(78,764)	772,226
Total Segment Revenues	693,462	(78,764)	772,226
Segment Expenses			
Compensation and Benefits			
Cash Compensation and Benefits	140,134	94,207	45,927
Realized Performance Income Compensation	—	—	—
Unrealized Performance Income Compensation	—	—	—
Total Compensation and Benefits	140,134	94,207	45,927
Occupancy and related charges	14,727	14,624	103
Other operating expenses	54,887	45,490	9,397
Total Segment Expenses	209,748	154,321	55,427
Income (Loss) attributable to noncontrolling interests	—	—	—
Economic Net Income (Loss)	$ 483,714	$ (233,085)	$ 716,799

Segment Revenues

Investment Income

The net increase is primarily due to net realized and unrealized gains during the year ended December 31, 2017 , compared to net realized gains and net unrealized losses in the prior period.

For the year ended December 31, 2017 , net realized gains were comprised primarily of gains from the sale of Private Markets investments including the sales or partial sales of HCA Holdings, Inc., Walgreens Boots Alliance, Inc. and Visma AS (technology sector), partially offset by losses on the sale of Fortune Creek Partnership and the restructurings of Algeco Scotsman (industrial sector) and Aurora Eaglebine. Net unrealized gains were primarily attributed to mark-to-market gains on various Private Markets investments including First Data Corporation, an oil field services investment in our special situations strategy and The Hut Group (retail sector). These increases were partially offset primarily by unrealized losses due to the reversal of unrealized gains on the sales of private equity investments mentioned above.

As of December 31, 2017 , $372.0 million of investments in CLOs and our $325.0 million investment in KREF were carried at cost. As of December 31, 2017 , the cumulative net unrealized gain or loss relating to changes in fair value for these investments was a $20.8 million loss for CLOs and a $0.2 million gain for KREF.

For the year ended December 31, 2016, net realized gains were primarily comprised of gains from the sale of private equity investments including the sales or partial sales of Walgreens Boots Alliance, Inc., HCA Holdings, Inc. and Zimmer Biomet Holdings, Inc., offset by our investment in Samson Resources of approximately $254 million, the loss from the redemption of limited partner interests in a fund managed by BlackGold Capital Management, as well as certain CLOs being called. As of December 31, 2016, KKR no longer holds any limited partner interests in BlackGold Capital Management, although we continue to own an interest in its management company and fund general partner. Net unrealized losses were primarily attributable to mark to market losses on various Private Markets investments including First Data Corporation and to a lesser extent WMIH Corp. (NASDAQ: WMIH), Walgreens Boots Alliance, Inc., mark to market losses on various alternative credit investments and unrealized losses on energy investments, and reversals of unrealized gains on the sales of private equity investments. These unrealized losses were partially offset by unrealized gains representing the reversal of unrealized losses primarily in connection with our investment in Samson Resources and the limited partner interests in a fund managed by BlackGold Capital Management as described above.

For the year ended December 31, 2017 , net interest and dividends were comprised of (i) $163.4 million of interest income which consists primarily of interest that is received from our Public Markets investments including CLOs and other credit investments and to a lesser extent our Capital Markets business and our cash balances, (ii) $122.3 million of dividend income from distributions received primarily through our private equity investments and real estate investments including our investment in KREF and (iii) $181.6 million of interest expense primarily relating to the senior notes outstanding for KKR and KFN.

For the year ended December 31, 2016 , net interest and dividends were comprised of (i) $186.7 million of interest income which consists primarily of interest that is received from our Public Markets investments including CLOs and other credit investments and to a lesser extent our cash balances and other assets, (ii) $136.2 million of dividend income from distributions received primarily through our private equity investments, real estate investments including our investment in KREF and Public Markets investments and (iii) $188.8 million of interest expense primarily relating to the senior notes outstanding for KKR and KFN.

The net decrease in net interest and dividends is due primarily to the impact of a lower amount of capital invested in CLOs as well as a lower level of dividends in the 2017 period, partially offset by lower interest expense due to the redemption of KFN's 8.375% senior notes due 2041 and other debt after the third quarter of 2016, a portion of which was replaced with the issuance of KFN's 5.200% senior notes due 2033, which bears a lower rate of interest.

Segment Expenses

Compensation and Benefits

The increase for the year ended December 31, 2017 was primarily due to a greater amount of compensation and benefits expenses allocated from the other operating segments to Principal Activities, as well as a greater amount of corporate compensation allocated to Principal Activities, in each case as a result of an increase in the proportion of revenue earned by Principal Activities relative to other operating segments as well as an increase in the absolute amount of compensation recorded. See "—Segment Analysis" for a discussion of expense allocations among segments.

Occupancy and Other Operating Expenses

The increase for the year ended December 31, 2017 was primarily due to a greater amount of other operating expenses allocated from the other operating segments to Principal Activities, as well as a greater amount of corporate other operating expenses allocated to Principal Activities, in each case as a result of an increase in the proportion of revenue earned by Principal Activities relative to other operating segments.

Economic Net Income (Loss)

The increase in economic net income for the year ended December 31, 2017 was primarily driven by the net investment income in the current period as described above.

The following tables set forth information regarding the results of operations and certain key operating metrics for our Principal Activities segment for the years ended December 31, 2016 and 2015.

Year ended December 31, 2016 compared to year ended December 31, 2015

	Year Ended		
	December 31, 2016	December 31, 2015	Change
		($ in thousands)	
Segment Revenues			
Management, Monitoring and Transaction Fees, Net			
Management Fees	$ —	$ —	$ —
Monitoring Fees	—	—	—
Transaction Fees	—	—	—
Fee Credits	—	—	—
Total Management, Monitoring and Transaction Fees, Net	—	—	—
Performance Income			
Realized Incentive Fees	—	—	—
Realized Carried Interest	—	—	—
Unrealized Carried Interest	—	—	—
Total Performance Income	—	—	—
Investment Income (Loss)			
Net Realized Gains (Losses)	371,563	337,023	34,540
Net Unrealized Gains (Losses)	(584,423)	(391,962)	(192,461)
Total Realized and Unrealized	(212,860)	(54,939)	(157,921)
Interest Income and Dividends	322,857	411,536	(88,679)
Interest Expense	(188,761)	(203,085)	14,324
Net Interest and Dividends	134,096	208,451	(74,355)
Total Investment Income (Loss)	(78,764)	153,512	(232,276)
Total Segment Revenues	(78,764)	153,512	(232,276)
Segment Expenses			
Compensation and Benefits			
Cash Compensation and Benefits	94,207	107,572	(13,365)
Realized Performance Income Compensation	—	—	—
Unrealized Performance Income Compensation	—	—	—
Total Compensation and Benefits	94,207	107,572	(13,365)
Occupancy and related charges	14,624	16,568	(1,944)
Other operating expenses	45,490	50,573	(5,083)
Total Segment Expenses	154,321	174,713	(20,392)
Income (Loss) attributable to noncontrolling interests	—	—	—
Economic Net Income (Loss)	$ (233,085)	$ (21,201)	$ (211,884)

Segment Revenues

Investment Income

The net decrease is primarily due to a higher level of realized and unrealized losses during the year ended December 31, 2016, compared to the prior period and, to a lesser extent, a decrease in net interest and dividends of $74.4 million.

For the year ended December 31, 2016, net realized gains were primarily comprised of gains from the sale of private equity investments including the sales or partial sales of Walgreens Boots Alliance, Inc., HCA Holdings, Inc. and Zimmer Biomet Holdings, Inc., offset by our investment in Samson Resources of approximately $254 million, the loss from the redemption of limited partner interests in a fund managed by BlackGold Capital Management, as well as certain CLOs being called. As of December 31, 2016, KKR no longer holds any limited partner interests in BlackGold Capital Management, although we continue to own an interest in its management company and fund general partner. Net unrealized losses were primarily attributable to mark to market losses on various Private Markets investments including First Data Corporation and to a lesser extent WMIH Corp., Walgreens Boots Alliance, Inc., mark to market losses on various alternative credit investments and unrealized losses on energy investments, and reversals of unrealized gains on the sales of private equity investments. These unrealized losses were partially offset by unrealized gains representing the reversal of unrealized losses primarily in connection with our investment in Samson Resources and the limited partner interests in a fund managed by BlackGold Capital Management as described above.

As of December 31, 2016, $227.4 million of investments in CLOs and our $289.7 million investment in KREF were carried at cost. As of December 31, 2016, the cumulative net unrealized gain or loss relating to changes in fair value for these investments was a $9.1 million gain for CLOs and a $13.0 million gain for the real estate investment trust.

Since April 30, 2014, the date we completed our acquisition of KFN, the amount of invested capital in our CLOs has decreased. As of December 31, 2016, the notes issued by all six legacy CLOs held by KFN have been called for redemption. These legacy CLOs held by KFN, which were issued prior to 2012, were larger in total transaction size relative to those that were issued subsequently. The size of new CLOs and the frequency of CLO issuances will depend on market conditions. CLO issuances typically increase when the spread between the value of CLO assets and liabilities generates an attractive return to KKR and other subordinated note holders, such as KKR. In the case where demand for loans leads to tighter spreads or if interest rates for the liabilities increase, the return to subordinated note holders would be less attractive, and the issuance of CLOs would be expected to generally decline. Consequently, since April 30, 2014, the amount of interest income and dividends from our CLOs has declined.

For the year ended December 31, 2015, net realized gains were comprised primarily of gains from the sale of private equity investments, generally held through or alongside our funds, including the sales or partial sales of Walgreens Boots Alliance, Inc., The Nielsen Company B.V. (NYSE: NLSN), Zimmer Biomet Holdings, Inc. and Kion GmbH (XETRA: KGX). These realized gains were partially offset by realized losses on the sale or write-off of other private equity investments, generally held through or alongside our funds, including the write-off of Energy Future Holdings. Realized investment losses from balance sheet investments that were already written down as of October 1, 2009 that have been excluded from net realized gains (losses) above related to Energy Future Holdings and amounted to approximately $100 million for the year ended December 31, 2015. Net unrealized losses were primarily attributable to (i) the reversal of gains on sales of private equity investments noted in the realized gains commentary above and (ii) overall reductions in value of our investments in CLOs, energy investments in working interests in oil and gas-producing properties and special situations investments. A decrease in the value of our CLO portfolio was experienced in each quarter of 2015 and was due primarily to a decrease in the market value of underlying collateral as well as a reduction in overall market prices for these securities. With respect to our energy portfolio, a decrease in value was experienced in three of four quarters during 2015 and is due primarily to a drop in long-term oil, condensate, natural gas liquids, and natural gas prices during the year ended December 31, 2015. Offsetting these unrealized losses were unrealized gains resulting from increases in value of various investments, most notably First Data Corporation, Walgreens Boots Alliance, Inc. and WMIH Corp., as well as the reversal of unrealized losses related to the write-off of Energy Future Holdings, Corp.

For the year ended December 31, 2016, net interest and dividends were comprised of (i) $186.7 million of interest income which consists primarily of interest that is received from our Public Markets investments including CLOs and other credit investments and to a lesser extent our cash balances and other assets, (ii) $136.2 million of dividend income from distributions received primarily through our private equity investments, real estate investments including our investment in KREF and Public Markets investments and (iii) $188.8 million of interest expense primarily relating to the senior notes outstanding for KKR and KFN.

For the year ended December 31, 2015, net interest and dividends were comprised of (i) $316.5 million of interest income which consists primarily of interest that is received from interest yielding CLOs and credit investments and, to a lesser extent, from our cash balances and other assets, (ii) $95.0 million of dividend income received primarily from distributions received through our investment funds and other assets and (iii) $203.1 million of interest expense primarily relating to the senior notes outstanding for KKR and KFN.

The net decrease in net interest and dividends is due primarily to the lower amount of capital invested in CLOs described above, partially offset by a higher level of dividends in the 2016 period.

Segment Expenses

Compensation and Benefits

The decrease for the year ended December 31, 2016 was primarily due to a lower amount of compensation and benefits expenses allocated from the other operating segments to Principal Activities, as well as a lower amount of corporate compensation allocated to Principal Activities, in each case as a result of a decrease in the proportion of revenue earned by Principal Activities relative to other operating segments. This decrease was partially offset by an increase in the absolute amount of expenses eligible to be allocated from the other operating segments to Principal Activities. See "—Segment Analysis" for a discussion of expense allocations among segments.

Occupancy and Other Operating Expenses

The decrease was primarily driven by a decrease in the amount of occupancy and other operating expenses allocated from the other operating segments primarily as a result of a decrease in the proportion of revenue earned by Principal Activities relative to other operating segments.

Economic Net Income (Loss)

The economic net loss for the year ended December 31, 2016 was primarily driven by the net investment losses as described above. Most notably for the year ended December 31, 2016, the reduction in the stock price of First Data Corporation from $16.02 per share to $14.19 per share that is held directly in the Principal Activities segment reduced ENI by approximately $142 million.

Segment Balance Sheet

Our segment balance sheet is the balance sheet of KKR & Co. L.P. and its subsidiaries on a segment basis which includes, but is not limited to, our investment management companies, broker-dealer companies, general partners of our investment funds and KFN. Our segment balance sheet excludes the assets and liabilities of our investment funds and CFEs and other consolidated entities that are not subsidiaries of KKR & Co. L.P.

Investments

Investments is a term used solely for purposes of financial presentation of a portion of KKR's balance sheet and includes majority ownership of subsidiaries that operate KKR's asset management and other businesses, including the general partner interests of KKR's investment funds.

Cash and Short-Term Investments

Cash and short-term investments represent cash and liquid short-term investments in high-grade, short-duration cash management strategies used by KKR to generate additional yield on our excess liquidity and is used by management in evaluating KKR's liquidity position. We believe this measure is useful to unitholders as it provides additional insight into KKR's available liquidity. Cash and short-term investments differ from cash and cash equivalents on a GAAP basis as a result of the inclusion of liquid short-term investments in cash and short-term investments. The impact that these liquid short-term investments have on cash and cash equivalents on a GAAP basis is reflected in the consolidated statements of cash flows within cash flows from operating activities. Accordingly, the exclusion of these investments from cash and cash equivalents on a GAAP basis has no impact on cash provided (used) by operating activities, investing activities or financing activities.

The following tables present information with respect to our segment balance sheet as of December 31, 2017 and December 31, 2016 :

	As of December 31, 2017	As of December 31, 2016
	($ in thousands, except per unit amounts)	
Cash and Short-term Investments	$ 3,214,794	$ 3,387,673
Investments	8,488,606	6,958,873
Unrealized Carry [1]	1,620,401	1,213,692
Other Assets	2,276,286	1,611,678
Corporate Real Estate	161,225	161,225
Total Assets	$ 15,761,312	$ 13,333,141
Debt Obligations - KKR (ex-KFN)	$ 2,000,000	$ 2,000,000
Debt Obligations - KFN	764,767	398,560
Preferred Shares - KFN	373,750	373,750
Other Liabilities	426,699	244,676
Total Liabilities	3,565,216	3,016,986
Noncontrolling Interests	22,187	19,564
Preferred Units	500,000	500,000
Book Value	$ 11,673,909	$ 9,796,591
Book Value Per Outstanding Adjusted Unit	$ 14.20	$ 12.15
(1) **Unrealized Carry**		
Private Markets	$ 1,480,142	$ 1,141,610
Public Markets	140,259	72,082
Total	$ 1,620,401	$ 1,213,692

The following table presents the holdings of our segment balance sheet by asset class as of December 31, 2017 . To the extent investments on our segment balance sheet, for example in energy, direct lending, CLOs and specialty finance, are realized at values below their cost in future periods, after-tax distributable earnings would be adversely affected by the amount of such loss, if any, during the period in which the realization event occurs.

	As of December 31, 2017		
Investments	**Cost**	**Carrying Value**	**Carrying Value as a Percentage of Total Investments**
Private Equity Co-Investments, Core Investments and Other Equity	$ 2,288,691	$ 2,649,445	31.2%
Private Equity Funds	1,067,988	1,408,092	16.6%
Private Equity and Other Equity Total	**3,356,679**	**4,057,537**	**47.8%**
Energy	1,008,260	621,925	7.3%
Real Estate (1)	753,155	799,622	9.4%
Infrastructure	324,032	409,588	4.8%
Real Assets Total	**2,085,447**	**1,831,135**	**21.5%**
Special Situations	774,758	775,569	9.1%
Direct Lending	105,385	100,771	1.2%
Mezzanine	23,701	25,777	0.3%
Alternative Credit Total	**903,844**	**902,117**	**10.6%**
CLOs (1)	1,032,707	659,207	7.8%
Other Leveraged Credit	119,412	132,855	1.6%
Specialty Finance	279,095	197,219	2.3%
Credit Total	**2,335,058**	**1,891,398**	**22.3%**
Other	641,598	708,536	8.4%
Total Investments	**$ 8,418,782**	**$ 8,488,606**	**100.0%**

	As of December 31, 2017		
Significant Investments: (2)	**Cost**	**Carrying Value**	**Carrying Value as a Percentage of Total Investments**
First Data Corporation (NYSE: FDC)	$ 956,454	$ 1,187,496	14.0%
USI, Inc. (financial services sector)	500,000	500,000	5.9%
KKR Real Estate Finance Trust Inc. (NYSE: KREF)	325,000	325,000	3.8%
PortAventura Entertainment S.A. (hotels/leisure sector)	233,132	259,596	3.1%
WMIH Corp. (NASDAQ: WMIH)	221,250	203,805	2.4%
Total Significant Investments	**2,235,836**	**2,475,897**	**29.2%**
Other Investments	6,182,946	6,012,709	70.8%
Total Investments	**$ 8,418,782**	**$ 8,488,606**	**100.0%**

(1) Includes our ownership of $325.0 million in KREF and $372.0 million of CLOs which are not held for investment purposes and held at cost .

(2) The significant investments include the top five investments (other than investments expected to be syndicated or transferred in connection with new fundraising) based on their carrying values as of December 31, 2017. The carrying value figures include the co-investment and the limited partner and/or general partner interests held by KKR in the underlying investment, if applicable.

The following tables provide reconciliations of KKR's GAAP Consolidated Statements of Financial Condition to Total Reportable Segments Balance Sheet as of December 31, 2017 and December 31, 2016.

As of December 31, 2017
(Amounts in thousands)

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (GAAP BASIS)		1	2	3	4	5	TOTAL REPORTABLE SEGMENTS BALANCE SHEET	
Assets								
Cash and Cash Equivalents	$ 1,876,687	—	—	1,338,107	—	—	$ 3,214,794	Cash and Short-term Investments
Investments	39,013,934	(27,684,368)	(1,220,559)	(1,620,401)	—	—	8,488,606	Investments
		—	—	1,620,401	—	—	1,620,401	Unrealized Carry
Other Assets	4,944,098	(974,710)	—	(1,499,332)	—	(193,770)	2,276,286	Other Assets
		—	—	161,225	—	—	161,225	Corporate Real Estate
Total Assets	**$ 45,834,719**	**(28,659,078)**	**(1,220,559)**	**—**	**—**	**(193,770)**	**$ 15,761,312**	
Liabilities and Equity								
Debt Obligations	21,193,859	(18,429,092)	—	(764,767)	—	—	2,000,000	Debt Obligations - KKR (ex-KFN)
		—	—	764,767	—	—	764,767	Debt Obligations - KFN
		—	—	373,750	—	—	373,750	Preferred Shares - KFN
Other Liabilities	3,978,060	(2,207,518)	(1,220,559)	—	—	(123,284)	426,699	Other Liabilities
Total Liabilities	**25,171,919**	**(20,636,610)**	**(1,220,559)**	**373,750**	**—**	**(123,284)**	**3,565,216**	
Redeemable Noncontrolling Interests	610,540	(610,540)	—	—	—	—	—	
Equity								
Series A Preferred Units	332,988	—	—	(332,988)	—	—	—	
Series B Preferred Units	149,566	—	—	(149,566)	—	—	—	
KKR & Co. L.P. Capital - Common Unitholders	6,703,382	214,188	—	(17,446)	4,844,271	(70,486)	11,673,909	Book Value
Noncontrolling Interests	12,866,324	(7,626,116)	—	(373,750)	(4,844,271)	—	22,187	Noncontrolling Interests
		—	—	500,000	—	—	500,000	Preferred Units
Total Liabilities and Equity	**$ 45,834,719**	**(28,659,078)**	**(1,220,559)**	**—**	**—**	**(193,770)**	**$ 15,761,312**	

1	IMPACT OF CONSOLIDATION OF INVESTMENT VEHICLES AND OTHER ENTITIES
2	CARRY POOL RECLASSIFICATION
3	OTHER RECLASSIFICATIONS
4	NONCONTROLLING INTERESTS HELD BY KKR HOLDINGS L.P. AND OTHER
5	EQUITY IMPACT OF KKR MANAGEMENT HOLDINGS CORP.

As of December 31, 2016
(Amounts in thousands)

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (GAAP BASIS)		1	2	3	4	5		TOTAL REPORTABLE SEGMENTS BALANCE SHEET
Assets								
Cash and Cash Equivalents	$	2,508,902	—	—	878,771	—	—	$ 3,387,673	Cash and Short-term Investments
Investments		31,409,765	(22,249,206)	(987,994)	(1,213,692)	—	—	6,958,873	Investments
			—	—	1,213,692	—	—	1,213,692	Unrealized Carry
Other Assets		5,084,230	(2,118,364)	—	(1,039,996)	—	(314,192)	1,611,678	Other Assets
			—	—	161,225	—	—	161,225	Corporate Real Estate
Total Assets	**$**	**39,002,897**	**(24,367,570)**	**(987,994)**	**—**	**—**	**(314,192)**	**$ 13,333,141**	
Liabilities and Equity									
Debt Obligations		18,544,075	(16,145,515)	—	(398,560)	—	—	2,000,000	Debt Obligations - KKR (ex-KFN)
			—	—	398,560	—	—	398,560	Debt Obligations - KFN
			—	—	373,750	—	—	373,750	Preferred Shares - KFN
Other Liabilities		3,340,739	(1,945,039)	(987,994)	—	—	(163,030)	244,676	Other Liabilities
Total Liabilities		**21,884,814**	**(18,090,554)**	**(987,994)**	**373,750**	**—**	**(163,030)**	**3,016,986**	
Redeemable Noncontrolling Interests		632,348	(632,348)	—	—	—	—		
Equity									
Series A Preferred Units		332,988	—	—	(332,988)	—	—		
Series B Preferred Units		149,566	—	—	(149,566)	—	—		
KKR & Co. L.P. Capital - Common Unitholders		5,457,279	118,635	—	(17,446)	4,389,285	(151,162)	9,796,591	Book Value
Noncontrolling Interests		10,545,902	(5,763,303)	—	(373,750)	(4,389,285)	—	19,564	Noncontrolling Interests
			—	—	500,000	—	—	500,000	Preferred Units
Total Liabilities and Equity	**$**	**39,002,897**	**(24,367,570)**	**(987,994)**	**—**	**—**	**(314,192)**	**$ 13,333,141**	

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The following tables provide reconciliations of KKR's GAAP Common Units Outstanding to Adjusted Units, Adjusted Units Eligible for Distribution and Outstanding Adjusted Units:

	As of December 31, 2017	As of December 31, 2016
GAAP Common Units Outstanding - Basic	486,174,736	452,380,335
Adjustments:		
Unvested Common Units (1)	46,475,176	37,519,436
Other Exchangeable Securities (2)	2,299,421	4,600,320
GAAP Common Units Outstanding - Diluted	534,949,333	494,500,091
Adjustments:		
KKR Holdings Units (3)	335,971,334	353,757,398
Adjusted Units	870,920,667	848,257,489
Adjustments:		
Unvested Common Units	(46,475,176)	(37,519,436)
Adjusted Units Eligible for Distribution	824,445,491	810,738,053
Adjustments:		
Vested Other Exchangeable Securities (2)	(2,299,421)	(4,600,320)
Outstanding Adjusted Units	822,146,070	806,137,733

(1) Represents equity awards granted under the Equity Incentive Plan. The issuance of common units of KKR & Co. L.P. pursuant to awards under the Equity Incentive Plan dilutes KKR common unitholders and KKR Holdings pro rata in accordance with their respective percentage interests in the KKR business. Excludes the award of 2,500,000 restricted equity units granted to each of our Co-Presidents/Co-Chief Operating Officers during 2017 that have not met their market-price based vesting condition as of December 31, 2017. See "Item 8. Financial Statements and Supplementary Data—Equity Based Compensation."

(2) Represents securities in a subsidiary of a KKR Group Partnership and of KKR & Co. L.P. that are exchangeable into KKR & Co. L.P. common units issued in connection with the acquisition of Avoca.

(3) Common units that may be issued by KKR & Co. L.P. upon exchange of units in KKR Holdings L.P. for KKR common units.

Liquidity

We manage our liquidity and capital requirements by focusing on our cash flows before the consolidation of our funds and CFEs and the effect of changes in short term assets and liabilities, which we anticipate will be settled for cash within one year. Our primary cash flow activities on a segment basis typically involve: (i) generating cash flow from operations; (ii) generating income from investment activities, by investing in investments that generate yield (namely interest and dividends) as well as the sale of investments and other assets; (iii) funding capital commitments that we have made to, and advancing capital to, our funds and CLOs; (iv) developing and funding new investment strategies, investment products and other growth initiatives, including acquisitions of other investments, assets and businesses; (v) underwriting and funding commitments in our capital markets business; (vi) distributing cash flow to our unitholders, certain holders of certain exchangeable securities and holders of our Series A and Series B Preferred Units; and (vii) paying borrowings, interest payments and repayments under credit agreements, our senior notes and other borrowing arrangements. See "—Liquidity—Liquidity Needs—Distributions."

Sources of Liquidity

Our primary sources of liquidity consist of amounts received from: (i) our operating activities, including the fees earned from our funds, portfolio companies, and capital markets transactions; (ii) realizations on carried interest from our investment funds; (iii) interest and dividends from investments that generate yield, including our investments in CLOs; (iv) realizations on and sales of investments and other assets, including the transfers of investments for fund formations, and (v) borrowings under our credit facilities, debt offerings and other borrowing arrangements. In addition, we may generate cash proceeds from sales of equity securities.

Many of our investment funds provide carried interest. With respect to our private equity funds, carried interest is distributed to the general partner of a private equity fund with a clawback provision only after all of the following are met: (i) a realization event has occurred (e.g., sale of a portfolio company, dividend, etc.); (ii) the vehicle has achieved positive overall investment returns since its inception, in excess of performance hurdles where applicable; and (iii) with respect to investments with a fair value below cost, cost has been returned to fund investors in an amount sufficient to reduce remaining cost to the investments' fair value. As of December 31, 2017 , certain of our funds had met the first and second criteria, as described above, but did not meet the third criteria. In these cases, carried interest accrues on the consolidated statement of operations, but will not be distributed in cash to us as the general partner of an investment fund upon a realization event. For a fund that has a fair value above cost, overall, but has one or more investments where fair value is below cost, the shortfall between cost and fair value for such investments is referred to as a "netting hole." When netting holes are present, realized gains on individual investments that would otherwise allow the general partner to receive carried interest distributions are instead used to return invested capital to our funds' limited partners in an amount equal to the netting hole. Once netting holes have been filled with either (a) return of capital equal to the netting hole for those investments where fair value is below cost, or (b) increases in the fair value of those investments where fair value is below cost, then realized carried interest will be distributed to the general partner upon a realization event. A fund that is in a position to pay cash carry refers to a fund for which carried interest is expected to be paid to the general partner upon the next material realization event, which includes funds with no netting holes as well as funds with a netting hole that is sufficiently small in size such that the next material realization event would be expected to result in the payment of carried interest. Strategic investor partnerships with fund investors may require netting across the various funds in which they invest, which may reduce the carried interest we otherwise would have earned if such fund investors were to have invested in our funds without the existence of the strategic investor partnership. See "Risk Factors—Risks Related to Our Business—Strategic investor partnerships have longer investment periods and invest in multiple strategies, which may increase the possibility of a 'netting hole,' which will result in less carried interest for us, as well as clawback liabilities."

As of December 31, 2017 , netting holes in excess of $50 million existed at two of our private equity funds, which were our European Fund IV and Millennium Fund which had netting holes of approximately $148 million and $82 million, respectively. In accordance with the criteria set forth above, other funds currently have and may in the future develop netting holes, and netting holes for those and other funds may otherwise increase or decrease in the future.

We have access to funding under various credit facilities, other borrowing arrangements and other sources of liquidity that we have entered into with major financial institutions or which we receive from the capital markets. The following describes these sources of liquidity.

Revolving Credit Agreements, Senior Notes, KFN Debt Obligations & KFN Securities

For a discussion of KKR's debt obligations, including our revolving credit agreements, senior notes, KFN debt obligations and KFN securities, see Item 8. Financial Statements and Supplementary Data—Note 10 "Debt Obligations" to the consolidated financial statements included elsewhere in this report. The information presented below supplements and updates, and should be read in conjunction with, such information.

KFN Issued 5.500% Senior Notes Due 2032

On March 30, 2017, KFN issued $375.0 million aggregate principal amount of 5.500% Senior Notes due 2032 (the "KFN 2032 Senior Notes"). On November 17, 2017, KFN issued an additional $125.0 million aggregate principal amount of the same KFN 2032 Senior Notes initially issued on March 30, 2017.

KFN Redemption

On April 24, 2017 KFN redeemed all of its outstanding 7.500% Senior Notes due 2042 for approximately $115 million in cash in accordance with the optional redemption provisions provided in the indenture governing such notes.

KCM Short-Term Credit Agreement

On June 29, 2017, KKR Capital Markets entered into a 364-day revolving credit agreement with a major financial institution for use in KKR's capital markets business. This financial institution also provides the existing KCM Credit Agreement.

KFN Issued 5.200% Notes Due 2033

On February 12, 2018, KFN issued $120.0 million aggregate principal amount of 5.200% Senior Notes due 2033 (the "KFN 2033 Senior Notes"). The KFN 2033 Senior Notes are unsecured and unsubordinated obligations of KFN and will mature on February 12, 2033, unless earlier redeemed or repurchased. The KFN 2033 Senior Notes bear interest at a rate of

5.200% per annum, accruing from February 12, 2018. Interest is payable semi-annually in arrears on February 12 and August 12 of each year.

Preferred Units

On March 17, 2016, KKR & Co. L.P. issued 13,800,000 units of 6.75% Series A Preferred Units and on June 20, 2016, KKR issued 6,200,000 units of 6.50% Series B Preferred Units, in each case, in an underwritten public offering. The Series A Preferred Units and Series B Preferred Units trade on the NYSE under the symbols "KKR PRA" and "KKR PRB", respectively. The terms of the preferred units are set forth in the limited partnership agreement of KKR & Co. L.P. For a discussion of KKR's equity, including our preferred units, see Item 8. Financial Statements and Supplementary Data—Note 15 "Equity" to the consolidated financial statements included elsewhere in this report.

Common Units

On May 16, 2014, KKR & Co. L.P. filed a registration statement with the SEC for the sale by us from time to time of up to 5,000,000 common units of KKR & Co. L.P. to generate cash proceeds (a) up to (1) the amount of withholding taxes, social benefit payments or similar payments payable by us in respect of awards granted pursuant to the Equity Incentive Plan, and (2) the amount of cash delivered in respect of awards granted pursuant to the Equity Incentive Plan that are settled in cash instead of common units; and (b) to the extent the net proceeds from the sale of common units exceeds the amounts due under clause (a), for general corporate purposes. This registration statement expired on June 4, 2017 with 4,173,039 common units issued and sold.

Liquidity Needs

We expect that our primary liquidity needs will consist of cash required to:

- continue to grow our business, including seeding new strategies, funding our capital commitments made to existing and future funds, co-investments and any net capital requirements of our capital markets companies and otherwise supporting investment vehicles which we sponsor;
- warehouse investments in portfolio companies or other investments for the benefit of one or more of our funds, vehicles, accounts or CLOs pending the contribution of committed capital by the investors in such vehicles, and advancing capital to them for operational or other needs;
- service debt obligations including the payment of obligations upon maturity or redemption, as well as any contingent liabilities that may give rise to future cash payments;
- fund cash operating expenses and contingencies, including litigation matters;
- pay amounts that may become due under our tax receivable agreement with KKR Holdings;
- make cash distributions in accordance with our distribution policy for our common units or the terms of our preferred units;
- underwrite commitments, advance loan proceeds and fund syndication commitments within our capital markets business;
- make future purchase price payments in connection with our proprietary investments, such as our strategic manager partnership with Marshall Wace, to the extent not paid by newly issued common units;
- acquire other assets for our Principal Activities segment, including other businesses, investments and assets, some of which may be required to satisfy regulatory requirements for our capital markets business or risk retention requirements for CLOs (to the extent it continues to apply); and
- repurchase KKR's common units pursuant to the unit repurchase program or other securities issued by KKR.

KKR & Co. L.P. Unit Repurchase Program

On October 27, 2015, KKR announced the authorization of a program providing for the repurchase by KKR of up to $500 million in the aggregate of its outstanding common units. On February 9, 2017, KKR announced the authorization for KKR to repurchase an incremental $250 million under this unit repurchase program. Under this unit repurchase program, units may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing, manner, price and amount of any unit repurchases will be determined by KKR in its discretion and will depend on a variety of factors, including legal requirements, price and economic and market conditions. KKR expects that the program, which has no expiration date, will be in effect until the maximum approved dollar amount has been used to repurchase common units. The program does not require KKR to repurchase any specific number of common units, and the program may be suspended, extended, modified or discontinued at any time. Since inception of the unit repurchase program through February 21, 2018, KKR has repurchased and canceled approximately 31.7 million outstanding common units for approximately $459 million. There is $291 million remaining as of February 21, 2018 under the current repurchase program. No units were repurchased during 2017.

In addition to the purchases of common units above, (1) cash may be used to pay the amount of withholding taxes, social benefit payments or similar payments payable by KKR in respect of awards granted pursuant to the Equity Incentive Plan and (2) cash may be delivered in respect of certain awards granted pursuant to the Equity Incentive Plan and Other Exchangeable Securities. During 2017, KKR paid $58.0 million of cash in lieu of issuing equity for vested equity awards representing 3.1 million common units to satisfy tax withholding and cash-settlement obligations. Since October 27, 2015, KKR paid $137.0 million in cash in lieu of issuing common units in connection with their vesting bringing cumulative cancellations of equity awards representing 8.2 million common units to satisfy tax withholding and cash-settlement obligations. See "Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities."

Capital Commitments

The agreements governing our active investment funds generally require the general partners of the funds to make minimum capital commitments to such funds, which usually range from 2% to 8% of a fund's total capital commitments at final closing; however, the size of our general partner commitment to certain funds pursuing newer strategies may exceed this range. The following table presents our uncalled commitments to our active investment funds as of December 31, 2017 :

		Uncalled Commitments
Private Markets		($ in thousands)
Core Investment Vehicles	$	3,000,000
Americas Fund XII		791,300
Asian Fund III		500,000
Health Care Strategic Growth		150,000
Real Estate Partners Americas II		150,000
Next Generation Technology Growth		93,300
Energy Income and Growth		75,300
European Fund IV		70,000
Real Estate Partners Europe		52,100
Real Estate Credit Opportunity Partners		30,400
Global Infrastructure Investors II		29,600
Other Private Markets Vehicles		403,500
Total Private Markets Commitments		5,345,500
Public Markets		
Special Situations Fund II		143,700
Private Credit Opportunities Partners II		40,000
Lending Partners III		24,700
Lending Partners Europe		23,200
Other Public Markets Vehicles		119,900
Total Public Markets Commitments		351,500
Total Uncalled Commitments	$	5,697,000

Other Commitments

In addition to the uncalled commitments to our investment funds as shown above, KKR has entered into contractual commitments with respect to (i) the purchase of investments and other assets in our Principal Activities segment, and (ii) underwriting transactions, debt financing, and syndications in our Capital Markets segment. As of December 31, 2017 , these commitments amounted to $750.7 million and $731.8 million , respectively. Whether these amounts are actually funded, in whole or in part, depends on the contractual terms of such commitments, including the satisfaction or waiver of any conditions to closing or funding. The unfunded commitments shown for our Capital Markets segment are shown without reflecting arrangements that may reduce the actual amount of contractual commitments shown. Our capital markets business has an arrangement with a third party, which reduces our risk when underwriting certain debt transactions. In the case of purchases of investments or assets in our Principal Activities segment, the amount to be funded includes amounts that are intended to be syndicated to third parties, and the actual amounts to be funded may be less than shown.

Prisma Capital Partners

As of December 31, 2017 , no amounts were due under the contingent consideration arrangement in connection with the acquisition of the equity interests of KKR Prisma on October 1, 2012. The final measurement date for such contingent consideration was June 30, 2017. On June 1, 2017, KKR completed the transaction to combine PAAMCO with KKR Prisma. See "Item 1. Business—Our Segments—Public Markets."

Investment in Marshall Wace

On November 2, 2015, KKR entered into a strategic manager partnership with Marshall Wace and acquired a 24.9% interest in Marshall Wace through a combination of cash and common units. Subject to the exercise of a put option by Marshall Wace or a call option by KKR, at subsequent closings to occur in the second, third and fourth years following the initial closing described above, and subject to satisfaction or waiver of certain closing conditions, including regulatory approvals, KKR may at each such closing subscribe (or be required to subscribe) for an incremental 5% equity interest, for ultimate aggregate ownership of up to 39.9% of Marshall Wace. The exercise of such options would require the use of cash and/or KKR common units. KKR's investment in Marshall Wace is accounted for using the equity method of accounting.

On November 30, 2017, KKR acquired an additional 5.0% interest in Marshall Wace after the exercise of one of the options agreed to between Marshall Wace and KKR. This acquisition was funded through a combination of cash and 4,727,966 common units.

Corporate Capital Trust

During 2017, CCT shareholders approved, among other things, a proposal for KKR Credit Advisors (US) LLC to become CCT's sole investment adviser subject to the listing of CCT's common stock on a national securities exchange, which occurred during the fourth quarter of 2017. Following the listing of CCT on the NYSE, KKR Credit Advisors may purchase up to $50 million of CCT's common stock in the aggregate in open-market transactions.

Strategic BDC Partnership with FS Investments Corporation

On December 11, 2017, KKR announced a definitive agreement to form a new strategic BDC partnership with FS Investment Corporation. This transaction would be completed through a combination of cash and other assets and is anticipated to close during 2018, subject to stockholder approvals and the satisfaction of certain other closing conditions.

Tax Receivable Agreement

We and certain intermediate holding companies that are taxable corporations for U.S. federal, state and local income tax purposes, may be required to acquire KKR Group Partnership Units from time to time pursuant to our exchange agreement with KKR Holdings. KKR Management Holdings L.P. made an election under Section 754 of the Code that will remain in effect for each taxable year in which an exchange of KKR Group Partnership Units for common units occurs, which may result in an increase in our intermediate holding companies' share of the tax basis of the assets of the KKR Group Partnerships at the time of an exchange of KKR Group Partnership Units. Certain of these exchanges are expected to result in an increase in our intermediate holding companies' share of the tax basis of the tangible and intangible assets of the KKR Group Partnerships, primarily attributable to a portion of the goodwill inherent in our business that would not otherwise have been available. This increase in tax basis may increase depreciation and amortization deductions for tax purposes and therefore reduce the amount of income tax our intermediate holding companies would otherwise be required to pay in the future. This increase in tax basis may also decrease gain (or increase loss) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

We have entered into a tax receivable agreement with KKR Holdings, which requires our intermediate holding companies to pay to KKR Holdings, or to current and former principals who have exchanged KKR Holdings units for KKR common units as transferees of KKR Group Partnership Units, 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that the intermediate holding companies realize as a result of the increase in tax basis described above, as well as 85% of the amount of any such savings the intermediate holding companies realize as a result of increases in tax basis that arise due to future payments under the agreement. We expect our intermediate holding companies to benefit from the remaining 15% of cash savings, if any, in income tax that they realize. A termination of the agreement or a change of control could give rise to similar payments based on tax savings that we would be deemed to realize in connection with such events. In the event that other of our current or future subsidiaries become taxable as corporations and acquire KKR Group Partnership Units in the future, or if we become taxable as a corporation for U.S. federal income tax purposes, we expect that each will become subject to a tax receivable agreement with substantially similar terms.

These payment obligations are obligations of our intermediate holding companies and not the KKR Group Partnerships. As such, cash payments received by common unitholders may vary from those received by holders of KKR Group Partnership Units held by KKR Holdings and its current and former principals to the extent payments are made to those parties under the tax receivable agreement. Payments made under the tax receivable agreement are required to be made within 90 days of the filing of the tax returns of our intermediate holding companies, which may result in a timing difference between the tax savings received by KKR's intermediate holdings companies and the cash payments made to the selling holders of KKR Group Partnership Units.

For the year ended December 31, 2017, no cash payments were made under the tax receivable agreement. For the years ended December 31, 2016 and 2015, cash payments that have been made under the tax receivable agreement were $5.0 million and $5.7 million, respectively. As of December 31, 2017 , $4.2 million of cumulative income tax savings have been realized. See "—Liquidity—Other Liquidity Needs—Contractual Obligations, Commitments and Contingencies" for a discussion of amounts payable and cumulative cash payments made under this agreement.

Distributions

A distribution of $0.17 per common unit has been declared, which will be paid on March 6, 2018 to holders of record of common units as of the close of business on February 20, 2018 . Under KKR's current distribution policy for its common units, KKR intends to make equal quarterly distributions to holders of common units in an amount of $0.17 per common unit per quarter.

A distribution of $0.421875 per Series A Preferred Unit has been declared and set aside for payment on March 15, 2018 to holders of record of Series A Preferred Units as of the close of business on March 1, 2018. A distribution of $0.406250 per Series B Preferred Unit has been declared and set aside for payment on March 15, 2018 to holders of record of Series B Preferred Units as of the close of business on March 1, 2018.

The declaration and payment of any future distributions on preferred or common units are subject to the discretion of the board of directors of the general partner of KKR & Co. L.P. and the terms of its limited partnership agreement. There can be no assurance that future distributions will be made as intended or at all, that unitholders will receive sufficient distributions to satisfy payment of their tax liabilities as limited partners of KKR & Co. L.P. or that any particular distribution policy for common units will be maintained. Furthermore, the declaration and payment of distributions by the KKR Group Partnerships and our other subsidiaries may also be subject to legal, contractual and regulatory restrictions, including restrictions contained in our debt agreements and the terms of the preferred units of the KKR Group Partnerships.

When KKR & Co. L.P. receives distributions from the KKR Group Partnerships (the holding companies of the KKR business), KKR Holdings receives its pro rata share of such distributions from the KKR Group Partnerships.

Other Liquidity Needs

We may also be required to fund various underwriting, syndications and fronting commitments in our capital markets business in connection with the underwriting of loans, securities or other financial instruments, which has increased in significance in 2017 and may continue to be significant in future periods. We generally expect that these commitments will be syndicated to third parties or otherwise fulfilled or terminated, although we may in some instances elect to retain a portion of the commitments for our own investment.

Contractual Obligations, Commitments and Contingencies

In the ordinary course of business, we and our consolidated funds and CFEs enter into contractual arrangements that may require future cash payments. The following table sets forth information relating to anticipated future cash payments as of December 31, 2017 excluding consolidated funds and CFEs with a reconciliation of such amounts to the anticipated future cash payments of KKR including consolidated funds and CFEs.

	Payments due by Period				
Types of Contractual Obligations	**<1 Year**	**1-3 Years**	**3-5 Years**	**>5 Years**	**Total**
			($ in millions)		
Uncalled commitments to investment funds (1)	$ 5,697.0	$ —	$ —	$ —	$ 5,697.0
Debt payment obligations (2)	—	500.0	—	2,264.8	2,764.8
Interest obligations on debt (3)	157.2	296.4	232.8	2,059.9	2,746.3
Underwriting commitments (4)	584.3	—	—	—	584.3
Lending commitments (5)	147.5	—	—	—	147.5
Purchase commitments (6)	730.9	19.8	—	—	750.7
Lease obligations	51.2	94.8	23.0	14.4	183.4
Corporate real estate (7)	—	292.5	—	—	292.5
Total Contractual Obligations of KKR	7,368.1	1,203.5	255.8	4,339.1	13,166.5
Plus: Uncalled commitments of consolidated funds (8)	9,743.0	—	—	—	9,743.0
Plus: Debt payment obligations of consolidated funds and CFEs (9)	962.9	1,881.7	476.3	15,056.5	18,377.4
Plus: Interest obligations of consolidated funds and CFEs (10)	587.3	1,175.4	1,070.7	2,366.0	5,199.4
Total Consolidated Contractual Obligations	$ 18,661.3	$ 4,260.6	$ 1,802.8	$ 21,761.6	$ 46,486.3

(1) These uncalled commitments represent amounts committed by us to fund a portion of the purchase price paid for each investment made by our investment funds which are actively investing. Because capital contributions are due on demand, the above commitments have been presented as falling due within one year. However, given the size of such commitments and the pace at which our investment funds make investments, we expect that the capital commitments presented above will be called over a period of several years. See "—Liquidity—Liquidity Needs."

(2) Amounts include (i) $500 million aggregate principal amount of 6.375% Senior Notes due 2020 issued by KKR Group Finance Co. LLC, $500 million aggregate principal amount of 5.500% Senior Notes due 2043 issued by KKR Group Finance Co. II LLC and $1,000 million aggregate principal amount of 5.125% Senior Notes due 2044 issued by KKR Group Finance Co. III LLC, gross of unamortized discount, (ii) $0.5 billion aggregate principal amount of KFN 2032 Senior Notes, gross of unamortized discount and (iii) $0.3 billion aggregate principal amount of KFN junior subordinated notes, gross of unamortized discount. KFN's debt obligations are non-recourse to KKR beyond the assets of KFN.

(3) These interest obligations on debt represent estimated interest to be paid over the maturity of the related debt obligation, which has been calculated assuming the debt outstanding at December 31, 2017 is not repaid until its maturity. Future interest rates are assumed to be those in effect as of December 31, 2017 , including both variable and fixed rates, as applicable, provided for by the relevant debt agreements. The amounts presented above include accrued interest on outstanding indebtedness.

(4) Represents various commitments in our capital markets business in connection with the underwriting of loans, securities and other financial instruments. These commitments are shown net of amounts syndicated.

(5) Represents obligations in our capital markets business to lend under various revolving credit facilities.

(6) Represents commitments of KKR and KFN to fund the purchase of various investments.

(7) Represents the purchase price due upon delivery of a new KKR office being constructed, all or a portion of which represents construction financing obtained by the developer and may be refinanced upon delivery of the completed office.

(8) Represents uncalled commitments of our consolidated funds excluding KKR's portion of uncalled commitments as the general partner of the respective funds.

(9) Amounts include (i) financing arrangements entered into by our consolidated funds with the objective of providing liquidity to the funds of $3.0 billion , (ii) debt securities issued by our consolidated CLOs of $10.6 billion and (iii) debt securities issued by our consolidated CMBS entities of $5.0 billion . Debt securities issued by consolidated CLOs and CMBS entities are supported solely by the investments held at the CLO and CMBS vehicles and are not collateralized by assets of any other KKR entity. Obligations under financing arrangements entered into by our consolidated funds are generally limited to our pro rata equity interest in such funds. Our management companies bear no obligations to repay any financing arrangements at our consolidated funds.

(10) The interest obligations on debt of our consolidated funds and CFEs represent estimated interest to be paid over the maturity of the related debt obligation, which has been calculated assuming the debt outstanding at December 31, 2017 is not repaid until its maturity. Future interest rates are assumed to be those in effect as of December 31, 2017 , including both variable and fixed rates, as applicable, provided for by the relevant debt agreements. The amounts presented above include accrued interest on outstanding indebtedness.

The commitment table above excludes contractual amounts owed under the tax receivable agreement because the ultimate amount and timing of the amounts due are not presently known. As of December 31, 2017 , a payable of $84.0 million has been recorded in due to affiliates in the consolidated financial statements representing management's best estimate of the amounts currently expected to be owed under the tax receivable agreement. For the year ended December 31, 2017, unrealized gains from investment activities includes a gain of $67.2 million relating to a remeasurement of the tax receivable agreement liability which arises from changes in the associated deferred tax balances related to the 2017 Tax Act. As of December 31, 2017 , approximately $24.0 million of cumulative cash payments have been made under the tax receivable agreement. See "—Liquidity Needs—Tax Receivable Agreement."

We may incur contingent liabilities for claims that may be made against us in the future. We enter into contracts that contain a variety of representations, warranties and covenants, including indemnifications. For example, certain of our investment funds and KFN have provided certain indemnities relating to environmental and other matters and have provided nonrecourse carve-out guarantees for fraud, willful misconduct and other customary wrongful acts, each in connection with the financing of certain real estate investments that we have made. KKR has also provided certain guarantees for fraud, willful misconduct, bankruptcy and other customary wrongful acts in connection with certain investment vehicles. KKR has also guaranteed certain of our employees' (other than our named executive officers) and consultants' personal loans obtained in connection with certain fund investments. We have also indemnified employees and non-employees against potential liabilities, in connection with their service as described under “Item 13. Certain Relationships and Related Transactions, and Director Independence-Indemnification of Directors, Officers and Others.” In addition, we have also provided credit support to certain of our subsidiaries' obligations in connection with certain investment vehicles or partnerships that we manage. For example, KKR has guaranteed the obligations of a general partner to post collateral on behalf of its investment vehicle in connection with such vehicle's derivative transactions, and we have also agreed to be liable for certain investment losses and/or for providing liquidity in the events specified in the governing documents of certain investment vehicles. Our maximum exposure under these arrangements is currently unknown as our liabilities for these matters would require a claim to be made against us in the future.

The partnership documents governing our carry-paying funds, including funds and vehicles relating to private equity, mezzanine, infrastructure, energy, direct lending and special situations investments, generally include a "clawback" provision that, if triggered, may give rise to a contingent obligation requiring the general partner to return amounts to the fund for distribution to the fund investors at the end of the life of the fund. Under a clawback obligation, upon the liquidation of a fund, the general partner is required to return, typically on an after-tax basis, previously distributed carry to the extent that, due to the diminished performance of later investments, the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, including the effects of any performance thresholds. Excluding carried interest received by the general partners of funds that were not contributed to us in the KPE Transaction, as of December 31, 2017 , $19.2 million of carried interest was subject to this clawback obligation, assuming that all applicable carry paying funds were liquidated at their December 31, 2017 fair values. Had the investments in such funds been liquidated at zero value, the clawback obligation would have been $1,920.9 million . Carried interest is recognized in the statement of operations based on the contractual conditions set forth in the agreements governing the fund as if the fund were terminated and liquidated at the reporting date and the fund's investments were realized at the then estimated fair values. Amounts earned pursuant to carried interest are earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment amounts earned decrease or turn negative in subsequent periods, recognized carried interest will be reversed and to the extent that the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, a clawback obligation would be recorded. For funds that are consolidated, this clawback obligation, if any, is reflected as an increase in noncontrolling interests in the consolidated statements of financial condition. For funds that are not consolidated, this clawback obligation, if any, is reflected as a reduction of our investment balance as this is where carried interest is initially recorded.

Prior to the KPE Transaction in 2009, certain principals who received carried interest distributions with respect to certain private equity funds contributed to us had personally guaranteed, on a several basis and subject to a cap, the contingent obligations of the general partners of such private equity funds to repay amounts to fund investors pursuant to the general partners' clawback obligations. The terms of the KPE Transaction require that principals remain responsible for any clawback obligations relating to carry distributions received prior to the KPE Transaction, up to a maximum of $223.6 million . Through investment realizations made to date, however, it is no longer possible for the principals to be required to pay any such clawback obligation. Carry distributions arising subsequent to the KPE Transaction may give rise to clawback obligations that may be allocated generally to us and to persons who participate in the carry pool. In addition, guarantees of or similar arrangements relating to clawback obligations in favor of third party investors in an individual investment partnership by entities we own may limit distributions of carried interest more generally.

Off Balance Sheet Arrangements

Other than contractual commitments and other legal contingencies incurred in the normal course of our business, we do not have any off-balance sheet financings or liabilities.

Critical Accounting Policies

The preparation of our consolidated financial statements in accordance with GAAP requires our management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of fees, expenses and investment income. Our management bases these estimates and judgments on available information, historical experience and other assumptions that we believe are reasonable under the circumstances. However, these estimates, judgments and assumptions are often subjective and may be impacted negatively based on changing circumstances or changes in our analyses. If actual amounts are ultimately different from those estimated, judged or assumed, revisions are included in the consolidated financial statements in the period in which the actual amounts become known. We believe our critical accounting policies could potentially produce materially different results if we were to change underlying estimates, judgments or assumptions.

The following discussion details certain of our critical accounting policies. For a full discussion of all critical accounting policies, please see the notes to the consolidated financial statements "Item 8. Financial Statements and Supplementary Data—Summary of Significant Accounting Policies."

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. Except for certain of KKR's equity method investments and debt obligations, KKR's investments and other financial instruments are recorded at fair value or at amounts whose carrying values approximate fair value. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation techniques are applied. These valuation techniques involve varying levels of management estimation and judgment, the degree of which is dependent on a variety of factors.

GAAP establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices in active markets generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Financial instruments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination of fair values, as follows:

Level I

Pricing inputs are unadjusted, quoted prices in active markets for identical assets or liabilities as of the measurement date. The types of financial instruments included in this category are publicly-listed equities and securities sold short.

We classified 6.1% of total investments measured and reported at fair value as Level I at December 31, 2017 .

Level II

Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies. The types of financial instruments included in this category are credit investments, investments and debt obligations of consolidated CLO entities, convertible debt securities indexed to publicly-listed securities, less liquid and restricted equity securities and certain over-the-counter derivatives such as foreign currency option and forward contracts.

We classified 40.0% of total investments measured and reported at fair value as Level II at December 31, 2017 .

Level III

Pricing inputs are unobservable for the financial instruments and include situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. The types of financial instruments generally included in this category are private portfolio companies, real assets investments, credit investments, equity method investments for which the fair value option was elected and investments and debt obligations of consolidated CMBS entities.

We classified 53.9% of total investments measured and reported at fair value as Level III at December 31, 2017 . The valuation of our Level III investments at December 31, 2017 represents management's best estimate of the amounts that we would anticipate realizing on the sale of these investments in an orderly transaction at such date.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the asset.

A significant decrease in the volume and level of activity for the asset or liability is an indication that transactions or quoted prices may not be representative of fair value because in such market conditions there may be increased instances of transactions that are not orderly. In those circumstances, further analysis of transactions or quoted prices is needed, and a significant adjustment to the transactions or quoted prices may be necessary to estimate fair value.

The availability of observable inputs can vary depending on the financial asset or liability and is affected by a wide variety of factors, including, for example, the type of instrument, whether the instrument has recently been issued, whether the instrument is traded on an active exchange or in the secondary market, and current market conditions. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by us in determining fair value is greatest for instruments categorized in Level III. The variability and availability of the observable inputs affected by the factors described above may cause transfers between Levels I, II, and III, which we recognize at the beginning of the reporting period.

Investments and other financial instruments that have readily observable market prices (such as those traded on a securities exchange) are stated at the last quoted sales price as of the reporting date. We do not adjust the quoted price for these investments, even in situations where we hold a large position and a sale could reasonably affect the quoted price.

Management's determination of fair value is based upon the methodologies and processes described below and may incorporate assumptions that are management's best estimates after consideration of a variety of internal and external factors.

Level II Valuation Methodologies

Credit Investments: These instruments generally have bid and ask prices that can be observed in the marketplace. Bid prices reflect the highest price that KKR and others are willing to pay for an instrument. Ask prices represent the lowest price that KKR and others are willing to accept for an instrument. For financial assets and liabilities whose inputs are based on bid-ask prices obtained from third party pricing services, fair value may not always be a predetermined point in the bid-ask range. KKR's policy is generally to allow for mid-market pricing and adjusting to the point within the bid-ask range that meets KKR's best estimate of fair value.

Investments and Debt Obligations of Consolidated CLO Vehicles: Investments of consolidated CLO vehicles are valued using the same valuation methodology as described above for credit investments. Under ASU 2014-13, KKR measures CLO debt obligations on the basis of the fair value of the financial assets of the CLO.

Securities indexed to publicly-listed securities: The securities are typically valued using standard convertible security pricing models. The key inputs into these models that require some amount of judgment are the credit spreads utilized and the volatility assumed. To the extent the company being valued has other outstanding debt securities that are publicly-traded, the implied credit spread on the company's other outstanding debt securities would be utilized in the valuation. To the extent the company being valued does not have other outstanding debt securities that are publicly-traded, the credit spread will be estimated based on the implied credit spreads observed in comparable publicly-traded debt securities. In certain cases, an additional spread will be added to reflect an illiquidity discount due to the fact that the security being valued is not publicly-traded. The volatility assumption is based upon the historically observed volatility of the underlying equity security into which the convertible debt security is convertible and/or the volatility implied by the prices of options on the underlying equity security.

Restricted Equity Securities: The valuation of certain equity securities is based on an observable price for an identical security adjusted for the effect of a restriction.

Derivatives: The valuation incorporates observable inputs comprising yield curves, foreign currency rates and credit spreads.

Level III Valuation Methodologies

Financial assets and liabilities categorized as Level III consist primarily of the following:

Private Equity Investments: We generally employ two valuation methodologies when determining the fair value of a private equity investment. The first methodology is typically a market comparables analysis that considers key financial inputs and recent public and private transactions and other available measures. The second methodology utilized is typically a discounted cash flow analysis, which incorporates significant assumptions and judgments. Estimates of key inputs used in this methodology include the weighted average cost of capital for the investment and assumed inputs used to calculate terminal values, such as exit EBITDA multiples. In certain cases the results of the discounted cash flow approach can be significantly impacted by these estimates. Other inputs are also used in both methodologies. Also, as discussed in greater detail under "—Business Environment" and "Risk Factors—Risks Related to the Assets We Manage—Our investments are impacted by various economic conditions that are difficult to quantify or predict, but may have a significant adverse impact on the value of our investments" in this report, a change in interest rates could have a significant impact on valuations. In addition, when a definitive agreement has been executed to sell an investment, KKR generally considers a significant determinant of fair value to be the consideration to be received by KKR pursuant to the executed definitive agreement.

Upon completion of the valuations conducted using these methodologies, a weighting is ascribed to each method, and an illiquidity discount is typically applied where appropriate. The ultimate fair value recorded for a particular investment will generally be within a range suggested by the two methodologies, except that the value may be higher or lower than such range in the case of investments being sold pursuant to an executed definitive agreement.

When determining the weighting ascribed to each valuation methodology, we consider, among other factors, the availability of direct market comparables, the applicability of a discounted cash flow analysis, the expected hold period and manner of realization for the investment, and in the case of investments being sold pursuant to an executed definitive agreement, we estimated probability of such a sale being completed. These factors can result in different weightings among investments in the portfolio and in certain instances may result in up to a 100% weighting to a single methodology. Across the total Level III private equity investment portfolio, including investments in both consolidated and unconsolidated investment funds, approximately 79% of the fair value is derived from investments that are valued based exactly 50% on market comparables and 50% on a discounted cash flow analysis. Less than 5% of the fair value of this Level III private equity investment portfolio is derived from investments that are valued either based 100% on market comparables or 100% on a discounted cash flow analysis. As of December 31, 2017 , the overall weights ascribed to the market comparables methodology, the discounted cash flow methodology and a methodology based on pending sales for this portfolio of Level III private equity investments were 43%, 47% and 10%, respectively.

When an illiquidity discount is to be applied, we seek to take a uniform approach across our portfolio and generally apply a minimum 5% discount to all private equity investments. We then evaluate such private equity investments to determine if factors exist that could make it more challenging to monetize the investment and, therefore, justify applying a higher illiquidity discount. These factors generally include (i) whether we are unable to freely sell the portfolio company or conduct an initial public offering of the portfolio company due to the consent rights of a third party or similar factors, (ii) whether the portfolio company is undergoing significant restructuring activity or similar factors and (iii) characteristics about the portfolio company regarding its size and/or whether the portfolio company is experiencing, or expected to experience, a significant decline in earnings. These factors generally make it less likely that a portfolio company would be sold or publicly offered in the near term at a price indicated by using just a market multiples and/or discounted cash flow analysis, and these factors tend to reduce the number of opportunities to sell an investment and/or increase the time horizon over which an investment may be monetized. Depending on the applicability of these factors, we determine the amount of any incremental illiquidity discount to be applied above the 5% minimum, and during the time we hold the investment, the illiquidity discount may be increased or decreased, from time to time, based on changes to these factors. The amount of illiquidity discount applied at any time requires considerable judgment about what a market participant would consider and is based on the facts and circumstances of each individual investment. Accordingly, the illiquidity discount ultimately considered by a market participant upon the realization of any investment may be higher or lower than that estimated by us in our valuations.

In the case of growth equity investments, enterprise values may be determined using the market comparables analysis and discounted cash flow analysis described above. A scenario analysis may also be conducted to subject the estimated enterprise values to a downside, base and upside case, which involves significant assumptions and judgments. A milestone analysis may also be conducted to assess the current level of progress towards value drivers that we have determined to be important, which involves significant assumptions and judgments. The enterprise value in each case may then be allocated across the investment's capital structure to reflect the terms of the security and subjected to probability weightings. In certain cases, the values of growth equity investments may be based on recent or expected financings.

Real Asset Investments: Real asset investments in infrastructure, energy and real estate are valued using one or more of the discounted cash flow analysis, market comparables analysis and direct income capitalization, which in each case incorporates significant assumptions and judgments. Infrastructure investments are generally valued using the discounted cash flow analysis. Key inputs used in this methodology can include the weighted average cost of capital and assumed inputs used to calculate terminal values, such as exit EBITDA multiples. Energy investments are generally valued using a discounted cash flow analysis. Key inputs used in this methodology that require estimates include the weighted average cost of capital. In addition, the valuations of energy investments generally incorporate both commodity prices as quoted on indices and long-term commodity price forecasts, which may be substantially different from, and are currently higher than, commodity prices on certain indices for equivalent future dates. Certain energy investments do not include an illiquidity discount. Long-term commodity price forecasts are utilized to capture the value of the investments across a range of commodity prices within the energy investment portfolio associated with future development and to reflect a range of price expectations. Real estate investments are generally valued using a combination of direct income capitalization and discounted cash flow analysis. Key inputs used in such methodologies that require estimates include an unlevered discount rate and current capitalization rate, and certain real estate investments do not include a minimum illiquidity discount. The valuations of real assets investments also use other inputs.

On a segment basis, our energy real asset investments in oil and gas-producing properties as of December 31, 2017 had a fair value of approximately $622 million . Based on this fair value, we estimate that an immediate, hypothetical 10% decline in the fair value of these energy investments from one or more adverse movements to the investments' valuation inputs would result in a decline in investment income of $62.2 million and a decline in net income attributable to KKR & Co. L.P. of $36.8 million, after deducting amounts that are attributable to noncontrolling interests held by KKR Holdings L.P. As of December 31, 2017 , if we were to value our energy investments using only the commodity prices as quoted on indices and did not use long-term commodity price forecasts, and also held all other inputs to their valuation constant, we estimate that investment income would have been approximately $53 million lower, resulting in a lower amount of net income attributable to KKR & Co. L.P. of approximately 59.1% of the overall decrease in investment income, after deducting amounts that are attributable to noncontrolling interests held by KKR Holdings L.P.

These hypothetical declines relate only to investment income. There would be no current impact on KKR's carried interest since all of the investment funds which hold these types of energy investments have investment values that are either below their cost or not currently accruing carried interest. Additionally, there would be no impact on fees since fees earned from investment funds which hold investments in oil and gas-producing properties are based on either committed capital or capital invested.

For GAAP purposes, where KKR holds energy investments consisting of working interests in oil and gas-producing properties directly and not through an investment fund, such working interests are consolidated based on the proportion of the working interests held by us. Accordingly, we reflect the assets, liabilities, revenues, expenses, investment income and cash flows of the consolidated working interests on a gross basis and changes in the value of these energy investments are not reflected as unrealized gains and losses in the consolidated statements of operations. Accordingly, a change in fair value for these investments does not result in a decrease in net gains (losses) from investment activities, but may result in an impairment charge reflected in general, administrative and other expenses. For segment purposes, these directly held working interests are treated as investments and changes in value are reflected in our segment results as unrealized gains and losses.

Credit Investments: Credit investments are valued using values obtained from dealers or market makers, and where these values are not available, credit investments are generally valued by us based on ranges of valuations determined by an independent valuation firm. Valuation models are based on discounted cash flow analyses, for which the key inputs are determined based on market comparables, which incorporate similar instruments from similar issuers.

Other Investments: With respect to other investments including equity method investments for which the fair value election has been made, we generally employ the same valuation methodologies as described above for private equity investments when valuing these other investments.

Investments and Debt Obligations of Consolidated CMBS Vehicles: Under ASU 2014-13, we measure CMBS investments on the basis of the fair value of the financial liabilities of the CMBS. Debt obligations of consolidated CMBS vehicles are valued based on discounted cash flow analyses. The key input is the expected yield of each CMBS security using both observable and unobservable factors, which may include recently offered or completed trades and published yields of similar securities, security-specific characteristics (e.g. securities ratings issued by nationally recognized statistical rating organizations, credit support by other subordinate securities issued by the CMBS and coupon type) and other characteristics.

Key unobservable inputs that have a significant impact on our Level III investment valuations as described above are included in Item 8. Financial Statements and Supplementary Data - Note 5 "Fair Value Measurements" of the financial statements included elsewhere in this report. We utilize several unobservable pricing inputs and assumptions in determining the fair value of our Level III investments. These unobservable pricing inputs and assumptions may differ by investment and in the application of our valuation methodologies. Our reported fair value estimates could vary materially if we had chosen to incorporate different unobservable pricing inputs and other assumptions or, for applicable investments, if we only used either the discounted cash flow methodology or the market comparables methodology instead of assigning a weighting to both methodologies. For valuations determined for periods other than at year end, various inputs may be estimated prior to the end of the relevant period.

Level III Valuation Process

The valuation process involved for Level III measurements is completed on a quarterly basis and is designed to subject the valuation of Level III investments to an appropriate level of consistency, oversight, and review.

For Private Markets investments classified as Level III, investment professionals prepare preliminary valuations based on their evaluation of financial and operating data, company specific developments, market valuations of comparable companies and other factors. These preliminary valuations are reviewed by an independent valuation firm engaged by KKR to perform certain procedures in order to assess the reasonableness of KKR's valuations annually for all Level III investments in Private Markets and quarterly for investments other than certain investments, which have values less than pre-set value thresholds and which in the aggregate comprise less than 5% of the total value of KKR's Level III Private Markets investments. The valuations of certain real asset investments are determined solely by an independent valuation firm without the preparation of preliminary valuations by our investment professionals, and instead such independent valuation firm relies on valuation information available to it as a broker or valuation firm. For credit investments and debt obligations of consolidated CMBS vehicles, an independent valuation firm is generally engaged quarterly by KKR with respect to most investments classified as Level III. The valuation firm either provides a value or provides a valuation range from which KKR's investment professionals select a point in the range to determine the preliminary valuation or performs certain procedures in order to assess the reasonableness and provide positive assurance of KKR's valuations. After reflecting any input from the independent valuation firm, the valuation proposals are submitted for review and approval by KKR's valuation committees. As of December 31, 2017 , less than 5% of the total value of our Level III credit investments were not valued with the engagement of an independent valuation firm.

KKR has a global valuation committee that is responsible for coordinating and implementing the firm's valuation process to ensure consistency in the application of valuation principles across portfolio investments and between periods. The global valuation committee is assisted by the asset class-specific valuation committees that exist for private equity (including growth equity), real estate, energy and infrastructure and credit. The asset class-specific valuation committees are responsible for the review and approval of all preliminary Level III valuations in their respective asset classes on a quarterly basis. The members of these valuation committees are comprised of investment professionals, including the heads of each respective strategy, and professionals from business operations functions such as legal, compliance and finance, who are not primarily responsible for the management of the investments. For periods prior to the completion of the PAAMCO Prisma transaction, when Level III valuations were required to be performed on hedge fund investments, a valuation committee for hedge funds reviewed these valuations.

All Level III valuations are also subject to approval by the global valuation committee, which is comprised of senior employees including investment professionals and professionals from business operations functions, and includes one of KKR's Co-Presidents and Co-Chief Operating Officers and its Chief Financial Officer, General Counsel and Chief Compliance Officer. When valuations are approved by the global valuation committee after reflecting any input from it, the valuations of Level III investments, as well as the valuations of Level I and Level II investments, are presented to the audit committee of the board of directors of the general partner of KKR & Co. L.P. and are then reported to the board of directors.

As of December 31, 2017 , upon completion by, where applicable, an independent valuation firm of certain limited procedures requested to be performed by them on certain investments, the independent valuation firm concluded that the fair values, as determined by KKR, of those investments reviewed by them were reasonable. The limited procedures did not involve an audit, review, compilation or any other form of examination or attestation under generally accepted auditing standards and were not conducted on all Level III investments. We are responsible for determining the fair value of investments in good faith, and the limited procedures performed by an independent valuation firm are supplementary to the inquiries and procedures that we are required to undertake to determine the fair value of the commensurate investments.

As described above, Level II and Level III investments were valued using internal models with significant unobservable inputs and our determinations of the fair values of these investments may differ materially from the values that would have resulted if readily observable inputs had existed. Additional external factors may cause those values, and the values of investments for which readily observable inputs exist, to increase or decrease over time, which may create volatility in our earnings and the amounts of assets and partners' capital that we report from time to time.

Changes in the fair value of investments impacts the amount of carried interest that is recognized as well as the amount of investment income that is recognized for investments held directly and through our consolidated funds as described below. We estimate that an immediate 10% decrease in the fair value of investments held directly and through consolidated investment funds generally would result in a commensurate change in the amount of net gains (losses) from investment activities for investments held directly and through investment funds and a more significant impact to the amount of carried interest recognized, regardless of whether the investment was valued using observable market prices or management estimates with significant unobservable pricing inputs. With respect to consolidated investment funds, the impact that the consequential decrease in investment income would have on net income attributable to KKR would generally be significantly less than the amount described above, given that a majority of the change in fair value of our consolidated funds would be attributable to noncontrolling interests and therefore we are only impacted to the extent of our carried interest and our balance sheet investments.

As of December 31, 2017 , there were no investments which represented greater than 5% of total investments on a GAAP basis. On a segment basis, as of December 31, 2017 , investments which represented greater than 5% of total reportable segments investments consisted of First Data Corporation and USI, Inc. (financial services sector) valued at $1,187.5 million and $500.0 million , respectively. Our investment income can be impacted by volatility in the public markets related to our holdings of publicly traded securities, including our sizable holdings of First Data Corporation. For the year ended December 31, 2017 , the increase in the stock price of First Data Corporation increased economic net income on a segment basis by approximately $238 million. See "—Business Environment" for a discussion on the impact of global equity markets on our financial condition and "—Segment Balance Sheet" for additional information regarding our largest holdings on a segment basis.

Recognition of Investment Income

Investment income consists primarily of the net impact of: (i) realized and unrealized gains and losses on investments, (ii) dividends, (iii) interest income, (iv) interest expense and (v) foreign exchange gains and losses relating to mark-to-market activity on foreign exchange forward contracts, foreign currency options, foreign denominated debt and debt securities issued by consolidated CFEs. Unrealized gains or losses resulting from the aforementioned activities are included in net gains (losses) from investment activities. Upon disposition of an instrument that is marked-to-market, previously recognized unrealized gains or losses are reversed and a realized gain or loss is recognized. While this reversal generally does not significantly impact the net amounts of gains (losses) that we recognize from investment activities, it affects the manner in which we classify our gains and losses for reporting purposes.

Certain of our investment funds are consolidated. When a fund is consolidated, the portion of our funds' investment income that is allocable to our carried interests and capital investments is not shown in the consolidated financial statements. For funds that are consolidated, all investment income (loss), including the portion of a funds' investment income (loss) that is allocable to KKR's carried interest, is included in investment income (loss) on the consolidated statements of operations. The carried interest that KKR retains in net income (loss) attributable to KKR & Co. L.P. is reflected as an adjustment to net income (loss) attributable to noncontrolling interests. However, because certain of our funds remain consolidated and because we hold a minority economic interest in these funds' investments, our share of the investment income is less than the total amount of investment income presented in the consolidated financial statements for these consolidated funds.

Recognition of Carried Interest in the Statement of Operations

Carried interest entitles the general partner of a fund to a greater allocable share of the fund's earnings from investments relative to the capital contributed by the general partner and correspondingly reduces noncontrolling interests' attributable share of those earnings. Carried interest is earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment returns decrease or turn negative in subsequent periods, recognized carried interest will be reversed and reflected as losses in the statement of operations. For funds that are not consolidated, amounts earned pursuant to carried interest are included in fees and other in the consolidated statements of operations. Amounts earned pursuant to carried interest at consolidated funds are eliminated from fees and other upon consolidation of the fund and are included as investment income (loss) in net gains (losses) from investment activities along with all of the other investment gains and losses at the consolidated fund.

Carried interest is recognized in the statement of operations based on the contractual conditions set forth in the agreements governing the fund as if the fund were terminated and liquidated at the reporting date and the fund's investments were realized at the then estimated fair values. Due to the extended durations of our private equity funds, we believe that this approach results in income recognition that best reflects our periodic performance in the management of those funds. Amounts earned pursuant to carried interest are earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment amounts earned decrease or turn negative in subsequent periods, recognized carried interest will be reversed and to the extent that the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, a clawback obligation would be recorded. For funds that are not consolidated, this clawback obligation, if any, is reflected as a reduction of our investment balance as this is where carried interest is initially recorded. For funds that are consolidated, this clawback obligation, if any, is reflected as an increase in noncontrolling interests in the consolidated statements of financial condition.

Prior to January 1, 2016, most of our historical private equity funds that provide for carried interest do not have a preferred return. For these funds, the management company is required to refund up to 20% of any management fees earned from its limited partners in the event that the fund recognizes carried interest. At such time as the fund recognizes carried interest in an amount sufficient to cover 20% of the management fees earned or a portion thereof, a liability due to the fund's limited partners is recorded and revenue is reduced for the amount of the carried interest recognized, not to exceed 20% of the management fees earned. The refunds to the limited partners are paid, and liabilities relieved, at such time that the underlying investment is sold and the associated carried interest is realized. In the event that a fund's carried interest is not sufficient to cover all or a portion of the amount that represents 20% of the earned management fees, such management fees would be retained and not returned to the funds' limited partners.

Most of our newer investment funds that provide for carried interest, however, have a preferred return. In this case, the management company does not refund the management fees earned from the limited partners of the fund as described above. Instead, the management fee is effectively returned to the limited partners through a reduction of the realized gain on which carried interest is calculated. To calculate the carried interest, KKR calculates whether a preferred return has been achieved based on an amount that includes all of the management fees paid by the limited partners as well as the other capital contributions and expenses paid by them to date. To the extent the fund has exceeded the preferred return at the time of a realization event, and subject to any other conditions for the payment of carried interest like netting holes, carried interest is distributed to the general partner. Until the preferred return is achieved, no carried interest is recorded. Thereafter, the general partner is entitled to a catch up allocation such that the general partner's carried interest is paid in respect of all of the fund's net gains, including the net gains used to pay the preferred return, until the general partner has received the full percentage amount of carried interest that the general partner is entitled to under the terms of the fund. In general, investment funds that entitle the management company to receive an incentive fee have a preferred return and are calculated on a similar basis that takes into account management fees paid.

Recently Issued Accounting Pronouncements

For a full discussion of recently issued accounting pronouncements, please see the notes to the consolidated financial statements "Item 8. Financial Statements and Supplemental Data—Summary of Significant Accounting Policies."

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risks primarily relates to movements in the fair value of investments, including the effect that those movements have on our management fees, carried interest and net gains from investment activities. The fair value of investments may fluctuate in response to changes in the values of investments, foreign currency exchange rates and interest rates. Additionally, interest rate movements can adversely impact the amount of interest income we receive on credit instruments bearing variable rates and could also impact the amount of interest that we pay on debt obligations bearing variable rates.

The quantitative information provided in this section was prepared using estimates and assumptions that management believes are appropriate in order to provide a reader with an indication of the directional impact that a hypothetical adverse movement in certain risks would have on net income attributable to KKR & Co. L.P. In all cases, these directional impacts are presented after deducting amounts that are attributable to noncontrolling interests held by KKR Holdings. As of December 31, 2017 , KKR & Co. L.P. and KKR Holdings held interests in our business of 59.1% and 40.9% , respectively. The actual impact of a hypothetical adverse movement in these risks could be materially different from the amounts shown below.

The firm uses various committees to help manage market risk and general business risks.

Management of Market Risk

When we commit capital of a certain amount from our balance sheet to investments or transactions, a balance sheet committee of senior employees, including our two Co-Chief Executive Officers, a Co-President/Co-Chief Operating Officer and the Chief Financial Officer, must approve the investment or transaction before it may be made. The committee may delegate authority to other employees subject to maximum commitment sizes or other limitations determined by the committee. In addition, this committee supervises activities governing KKR's capital structure, liquidity, and the composition of our balance sheet.

Certain securities transactions by our capital markets business are subject to risk tolerance limits, regulatory capital requirements and the review and approval of one or more committees in compliance with rules applicable to broker-dealers pursuant to the Exchange Act. When our capital is committed to capital markets transactions, after diligence is conducted, such transactions are subject to the review and approval of a capital markets underwriting committee. These transactions are also subject to risk tolerance limits. The risk tolerance limits establish the level of investment we may make in a single company or type of transaction, for example, and are designed to avoid undue concentration and risk exposure. Regulatory capital requirements also place limits on the size of securities underwritings the capital markets business can conduct based on quantitative measure of assets, liabilities and certain off-balance-sheet items. Aggregate balance sheet risk and capital deployed for transactions are monitored on an ongoing basis by the balance sheet committee referenced above.

With respect to the funds and other investment vehicles through which we make investments for our fund investors, KKR manages risk by subjecting transactions to the review and approval of an applicable investment committee, and then a portfolio management committee (or other designated senior employees) regularly monitors these investments. Before making an investment, investment professionals identify risks in due diligence, evaluating, among other things, business, financial, legal and regulatory issues, financial data and other information. An investment team presents the investment and its identified risks to an investment committee, which must approve each investment before it may be made. If an investment is made, a portfolio management committee (or other designated senior employees) is responsible for working with our investment professionals to monitor the investment on an ongoing basis.

Management of General Business Risk

KKR has an investment management and distribution committee comprised of senior employees across our business lines, and includes our Co-Presidents/Co-Chief Operating Officers. The investment management and distribution committee focuses on coordinating investment and distribution activities across the firm. KKR has a risk and operations committee comprised of senior employees from across our business operations, and includes our Co-Presidents/Co-Chief Operating Officers, Chief Financial Officer, General Counsel and Chief Compliance Officer. The risk and operations committee focuses on KKR's operations and enterprise risk management.

KKR's global conflicts and compliance committee is responsible for analyzing and addressing new or potential conflicts of interest that may arise in KKR's business, including conflicts relating to specific transactions as well as potential conflicts involving the overall activities of KKR and its various businesses. This committee also reviews and monitors certain

compliance matters. Our Chief Financial Officer, General Counsel and Chief Compliance Officer are included as members of this committee.

Changes in Fair Value

The majority of our investments are reported at fair value. Net changes in the fair value of investments impact the net gains (losses) from investment activities in our consolidated statements of operations. Based on investments held as of December 31, 2017 , we estimate that an immediate 10% decrease in the fair value of investments generally would result in a commensurate change in the amount of net gains (losses) from investment activities (except that carried interest would likely be more significantly impacted), regardless of whether the investment was valued using observable market prices or management estimates with significant unobservable pricing inputs. The impact that the consequential decrease in investment income would have on net income attributable to KKR & Co. L.P. would generally be significantly less than the amount described above, given that a significant portion of the change in fair value would be attributable to noncontrolling interests and therefore we are only impacted to the extent of our carried interest and our balance sheet investments and to a lesser extent our management fees. Because of this, the quantitative information that follows represents the impact that a reduction to each of the income streams shown below would have on net income attributable to KKR & Co. L.P. before income taxes. The actual impact to individual line items within the consolidated statements of operations would differ from the amounts shown below as a result of (i) the inclusion of amounts attributable to KKR Holdings in individual line items within the consolidated statement of operations, (ii) the elimination of management fees and carried interest and (iii) the gross-up of net gains (losses) from investment activities, in each case as a result of the consolidation of certain investment funds and CFEs.

Based on the fair value of investments as of December 31, 2017 , we estimate that an immediate, hypothetical 10% decline in the fair value of investments would result in declines in net income attributable to KKR & Co. L.P. before income taxes in 2018 from reductions in the following items, if not offset by other factors:

	Year Ended December 31, 2017		
	Management fees	**Carried Interest, Net of Carry Pool Allocation**	**Net Gains/(Losses) From Investment Activities Excluding Carried Interest**
		($ in thousands)	
10% Decline in Fair Value of Investments [1]	$ 12,301 [2]	$ 295,509 [3]	$ 501,931 [3]

(1) An immediate, hypothetical 10% decline in the fair value of investments would also impact our ability to earn incentive fees. Since the majority of our incentive fees are earned at December 31st or June 30th of each calendar year and are not subject to clawback, a 10% decline in fair value would generally result in the recognition of no incentive fees on a prospective basis and result in lower net income relative to prior years where such incentive fees may have been earned.

(2) Represents an annualized reduction in management fees.

(3) Decrease would impact our statement of operations in a single quarter. With respect to carried interest, for purposes of this analysis the impact of preferred returns are ignored.

Management Fees

Our management fees in our Private Markets investment funds are generally calculated based on the amount of capital committed or invested by a fund, as described under "Business—Our Segments—Private Markets." Accordingly, movements in the fair value of investments do not significantly affect the amount of fees we may charge in Private Markets funds. Management fees in our infrastructure funds are calculated based on NAV of the fund and, in some cases, we additionally earn management fees on the fund's remaining commitment.

In the case of our Public Markets business, management fees are often calculated based on the average NAV of the fund for that particular period, although certain funds in our Public Markets segment have management fees based on the amount of capital invested. In the case of our CLO vehicles, management fees are calculated based on the collateral of the vehicle. The collateral is based on the par value of the investments and cash on hand.

To the extent that management fees are calculated based on the NAV of the fund's investments, the amount of fees that we may charge will be increased or decreased in direct proportion to the effect of changes in the fair value of the fund's investments. The proportion of our management fees that are based on NAV depends on the number and type of funds in existence. For the year ended December 31, 2017 , the fund management fees that were recognized based on the NAV of the applicable funds was approximately 23%.

Publicly Traded Securities

Our investment funds and KKR's balance sheet hold certain investments in portfolio companies whose securities are publicly traded. The market prices of securities may be volatile and are likely to fluctuate due to a number of factors beyond our control. These factors include actual or anticipated fluctuations in the quarterly and annual results of such companies or of other companies in the industries in which they operate, market perceptions concerning the availability of additional securities for sale, general economic, social or political developments, industry conditions, changes in government regulation, shortfalls in operating results from levels forecasted by securities analysts, the general state of the securities markets and other material events, such as significant management changes, re-financings, acquisitions and dispositions. In addition, although a substantial portion of our investments are comprised of investments in portfolio companies whose securities are not publicly traded, the value of these privately held investments may also fluctuate as our Level III investments are valued in part using a market comparables analysis. Consequently due to similar factors beyond our control as described above for portfolio companies whose securities are publicly traded, the value of these Level III investments may fluctuate with market prices. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Environment."

Exchange Rate Risk

Our investment funds, CLO vehicles and KKR's balance sheet hold investments denominated in currencies other than the U.S. dollar. Those investments expose us and our fund investors to the risk that the value of the investments will be affected by changes in exchange rates between the currency in which the investments are denominated and the currency in which the investments are made. Additionally, a portion of our management fees are denominated in non-U.S. dollar currencies. Our policy is to minimize these risks by employing hedging techniques, including using foreign currency options and foreign exchange forward contracts to reduce exposure to future changes in exchange rates when a meaningful amount of capital has been invested in currencies other than the currencies in which the investments are denominated.

Our primary exposure to exchange rate risk relates to movements in the value of exchange rates between the U.S. dollar and other currencies in which our investments are denominated (including euros, British pounds, Japanese yen, among others), net of the impact of foreign exchange hedging strategies. The quantitative information that follows represents the impact that a reduction to each of the income streams shown below would have on net income attributable to KKR & Co. L.P. before income taxes. The actual impact to individual line items within the statements of operations would differ from the amounts shown below as a result of (i) the inclusion of amounts attributable to KKR Holdings in individual line items within the consolidated statement of operations, (ii) the elimination of management fees and carried interest and (iii) the gross-up of net gains (losses) from investment activities, in each case as a result of the consolidation of certain investment funds and CLO vehicles.

We estimate that an immediate, hypothetical 10% decline in the exchange rates between the U.S. dollar and all of the major foreign currencies in which our investments were denominated as of December 31, 2017 (i.e. an increase in the value of the U.S. dollar against these foreign currencies) would result in declines in net income attributable to KKR & Co. L.P. before income taxes in 2018 from reductions in the following items, net of the impact of foreign exchange hedging strategies, if not offset by other factors:

	Year Ended December 31, 2017	
	Carried Interest, Net of Carry Pool Allocation	Net Gains/(Losses) From Investment Activities Excluding Carried Interest
	($ in thousands)	
10% Decline in Foreign Currencies Against the U.S. Dollar (1)	$ 44,286 (2)	$ 49,812 (2)

(1) An immediate, hypothetical 10% decline in exchange rates between the U.S. dollar and all of the major foreign currencies in which our investments were denominated would only marginally impact our ability to earn incentive fees since the majority of our funds in which we are entitled to earn incentive fees are denominated in U.S. dollars. Additionally, the impact on our management fees that are denominated in non-US dollar currencies considering the impact of foreign exchange hedging strategies employed would not be expected to be material.

(2) Decrease would impact our statement of operations in a single quarter. With respect to carried interest, for purposes of this analysis the impact of preferred returns are ignored.

Interest Rate Risk

Valuation of Investments

Changes in credit markets and in particular, interest rates, can impact investment valuations, particularly our Level III investments, and may have offsetting results depending on the valuation methodology used. For example, we typically use a discounted cash flow analysis as one of the methodologies to ascertain the fair value of our investments that do not have readily observable market prices. If applicable interest rates rise, then the assumed cost of capital for those portfolio companies would be expected to increase under the discounted cash flow analysis, and this effect would negatively impact their valuations if not offset by other factors. Conversely, a fall in interest rates can positively impact valuations of certain portfolio companies if not offset by other factors. These impacts could be substantial depending upon the magnitude of the change in interest rates. In certain cases, the valuations obtained from the discounted cash flow analysis and the other primary methodology we use, the market multiples approach, may yield different and offsetting results. For example, the positive impact of falling interest rates on discounted cash flow valuations may offset the negative impact of the market multiples valuation approach and may result in less of a decline in value than for those investments that had a readily observable market price. Finally, low interest rates related to monetary stimulus and economic stagnation may also negatively impact expected returns on all investments, as the demand for relatively higher return assets increases and supply decreases.

Interest Income

We and certain consolidated funds, including CLOs, hold credit investments that generate interest income based on variable interest rates. We are exposed to interest rate risk relating to investments that generate yield since a meaningful portion of credit investments held by us and our consolidated funds, including CLOs, earn income based on variable interest rates. However, the contractual interest rate structure for a large portion of our credit investments bearing variable rates have "floors," which establish a minimum rate of interest that will be earned. In the current low interest rate environment, a large portion of the credit investments held by us and our consolidated funds, including CLOs, are earning interest at the contractual floor and therefore, for these investments, a decrease in variable interest rates would not impact the amount of interest income earned. With respect to consolidated funds and CLOs, the impact on net income attributable to KKR & Co. L.P. resulting from a decrease of a hypothetical 100 basis points in variable interest rates used in the recognition of interest income would not be expected to be material since (i) many variable rate credit investments are subject to floors as described above and (ii) a substantial portion of this decrease would be attributable to noncontrolling interests. With respect to credit investments held by KKR outside of the consolidated funds and CLOs, all of the interest income earned inures to KKR & Co. L.P.; however a large portion of these investments are subject to floors as described above. Accordingly, the impact on net income attributable to KKR & Co. L.P. resulting from a decrease of a hypothetical 100 basis points in variable interest rates used in the recognition of interest income would not be expected to be material.

Interest Expense

We and certain consolidated funds, including CLOs, have debt obligations that include revolving credit agreements, certain investment financing arrangements and debt securities issued by CLO vehicles that accrue interest at variable rates. Changes in these rates would affect the amount of interest payments that our consolidated funds, including CLOs, would have to make. With respect to consolidated funds and CLOs, the impact on net income attributable to KKR & Co. L.P. resulting from an increase of a hypothetical 100 basis points in variable interest rates used in the recognition of interest expense would not be expected to be material since a substantial portion of this increase would be attributable to noncontrolling interests. With respect to debt obligations held by KKR and not in the consolidated funds or CLOs, as of December 31, 2017 , KKR had debt obligations outstanding with an aggregate principal amount of approximately $ 264.8 million that accrues interest at a variable rate. The impact on net income attributable to KKR & Co. L.P. resulting from an increase of a hypothetical 100 basis points in variable interest rates used in the recognition of interest expense would not be expected to be material.

Credit Risk

We are party to agreements providing for various financial services and transactions that contain an element of risk in the event that the counterparties are unable to meet the terms of such agreements. In these agreements, we depend on these counterparties to make payment or otherwise perform. We generally endeavor to minimize our risk of exposure by limiting the counterparties with which we enter into financial transactions to reputable financial institutions. In addition, availability of financing from financial institutions may be uncertain due to market events, and we may not be able to access these financing markets.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Unitholders and Board of Directors of KKR & Co. L.P.:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statements of financial condition of KKR & Co. L.P. and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows, for each of the three years in the period ended December 31, 2017, and the related notes and the financial statement schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP
New York, New York
February 23, 2018

We have served as the Company's auditor since 2006.

KKR & CO. L.P.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Amounts in Thousands, Except Unit Data)

	December 31, 2017	December 31, 2016
Assets		
Cash and Cash Equivalents	$ 1,876,687	$ 2,508,902
Cash and Cash Equivalents Held at Consolidated Entities	1,802,372	1,624,758
Restricted Cash and Cash Equivalents	56,302	212,155
Investments	39,013,934	31,409,765
Due from Affiliates	554,349	250,452
Other Assets	2,531,075	2,996,865
Total Assets	$ 45,834,719	$ 39,002,897
Liabilities and Equity		
Debt Obligations	$ 21,193,859	$ 18,544,075
Due to Affiliates	323,810	359,479
Accounts Payable, Accrued Expenses and Other Liabilities	3,654,250	2,981,260
Total Liabilities	25,171,919	21,884,814
Commitments and Contingencies		
Redeemable Noncontrolling Interests	610,540	632,348
Equity		
Series A Preferred Units (13,800,000 units issued and outstanding as of December 31, 2017 and 2016)	332,988	332,988
Series B Preferred Units (6,200,000 units issued and outstanding as of December 31, 2017 and 2016)	149,566	149,566
KKR & Co. L.P. Capital - Common Unitholders (486,174,736 and 452,380,335 common units issued and outstanding as of December 31, 2017 and 2016, respectively)	6,703,382	5,457,279
Total KKR & Co. L.P. Partners' Capital	7,185,936	5,939,833
Noncontrolling Interests	12,866,324	10,545,902
Total Equity	20,052,260	16,485,735
Total Liabilities and Equity	$ 45,834,719	$ 39,002,897

See notes to consolidated financial statements.

KKR & CO. L.P.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Continued)
(Amounts in Thousands)

The following presents the portion of the consolidated balances presented in the consolidated statements of financial condition attributable to consolidated variable interest entities ("VIEs") as of December 31, 2017 and December 31, 2016 . KKR's consolidated VIEs consist primarily of certain collateralized financing entities ("CFEs") holding collateralized loan obligations ("CLOs") and commercial real estate mortgage-backed securities ("CMBS") and certain investment funds. With respect to consolidated VIEs, the following assets may only be used to settle obligations of these consolidated VIEs and the following liabilities are only the obligations of these consolidated VIEs. The noteholders, limited partners and other creditors of these VIEs have no recourse to KKR's general assets. Additionally, KKR has no right to the benefits from, nor does KKR bear the risks associated with, the assets held by these VIEs beyond KKR's beneficial interest therein and any income generated from the VIEs. There are neither explicit arrangements nor does KKR hold implicit variable interests that would require KKR to provide any material ongoing financial support to the consolidated VIEs, beyond amounts previously committed, if any.

	December 31, 2017		
	Consolidated CFEs	Consolidated KKR Funds and Other Entities	Total
Assets			
Cash and Cash Equivalents Held at Consolidated Entities	$ 1,467,829	$ 231,423	$ 1,699,252
Restricted Cash and Cash Equivalents	—	21,255	21,255
Investments	15,573,203	9,408,967	24,982,170
Due from Affiliates	—	23,562	23,562
Other Assets	176,572	168,003	344,575
Total Assets	$ 17,217,604	$ 9,853,210	$ 27,070,814
Liabilities			
Debt Obligations	$ 15,586,216	$ 770,350	$ 16,356,566
Accounts Payable, Accrued Expenses and Other Liabilities	923,494	243,660	1,167,154
Total Liabilities	$ 16,509,710	$ 1,014,010	$ 17,523,720

	December 31, 2016		
	Consolidated CFEs	Consolidated KKR Funds and Other Entities	Total
Assets			
Cash and Cash Equivalents Held at Consolidated Entities	$ 1,158,641	$ 466,117	$ 1,624,758
Restricted Cash and Cash Equivalents	86,777	95,105	181,882
Investments	13,950,897	8,979,341	22,930,238
Due from Affiliates	—	5,555	5,555
Other Assets	153,283	430,326	583,609
Total Assets	$ 15,349,598	$ 9,976,444	$ 25,326,042
Liabilities			
Debt Obligations	$ 13,858,288	$ 1,612,799	$ 15,471,087
Accounts Payable, Accrued Expenses and Other Liabilities	722,714	316,121	1,038,835
Total Liabilities	$ 14,581,002	$ 1,928,920	$ 16,509,922

See notes to consolidated financial statements.

KKR & CO. L.P.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in Thousands, Except Unit Data)

	For the Years Ended December 31,		
	2017	2016	2015
Revenues			
Fees and Other	$ 3,282,265	$ 1,908,093	$ 1,043,768
Expenses			
Compensation and Benefits	1,695,490	1,063,813	1,180,591
Occupancy and Related Charges	58,722	64,622	65,683
General, Administrative and Other	582,480	567,039	624,951
Total Expenses	2,336,692	1,695,474	1,871,225
Investment Income (Loss)			
Net Gains (Losses) from Investment Activities	1,203,159	342,897	4,672,627
Dividend Income	202,115	187,853	850,527
Interest Income	1,242,419	1,021,809	1,219,197
Interest Expense	(808,898)	(789,953)	(573,226)
Total Investment Income (Loss)	1,838,795	762,606	6,169,125
Income (Loss) Before Taxes	2,784,368	975,225	5,341,668
Income Taxes	224,326	24,561	66,636
Net Income (Loss)	2,560,042	950,664	5,275,032
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	73,972	(8,476)	(4,512)
Net Income (Loss) Attributable to Noncontrolling Interests	1,467,765	649,833	4,791,062
Net Income (Loss) Attributable to KKR & Co. L.P.	1,018,305	309,307	488,482
Net Income Attributable to Series A Preferred Unitholders	23,288	17,337	—
Net Income Attributable to Series B Preferred Unitholders	10,076	4,898	—
Net Income (Loss) Attributable to KKR & Co. L.P. Common Unitholders	$ 984,941	$ 287,072	$ 488,482
Net Income (Loss) Attributable to KKR & Co. L.P. Per Common Unit			
Basic	$ 2.10	$ 0.64	$ 1.09
Diluted	$ 1.95	$ 0.59	$ 1.01
Weighted Average Common Units Outstanding			
Basic	468,282,642	448,905,126	448,884,185
Diluted	506,288,971	483,431,048	482,699,194

See notes to consolidated financial statements.

KKR & CO. L.P.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Amounts in Thousands)

	For the Years Ended December 31,		
	2017	**2016**	**2015**
Net Income (Loss)	$ 2,560,042	$ 950,664	$ 5,275,032
Other Comprehensive Income (Loss), Net of Tax:			
Foreign Currency Translation Adjustments	54,654	(34,583)	(27,176)
Comprehensive Income (Loss)	2,614,696	916,081	5,247,856
Less: Comprehensive Income (Loss) Attributable to Redeemable Noncontrolling Interests	73,972	(8,476)	(4,512)
Less: Comprehensive Income (Loss) Attributable to Noncontrolling Interests	1,498,861	634,813	4,771,152
Comprehensive Income (Loss) Attributable to KKR & Co. L.P.	$ 1,041,863	$ 289,744	$ 481,216

See notes to consolidated financial statements.

KKR & CO. L.P.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands, Except Unit Data)

	KKR & Co. L.P.									
	Common Units	Capital - Common Unitholders	Accumulated Other Comprehensive Income (Loss)	Total Capital - Common Units	Capital - Series A Preferred Units	Capital - Series B Preferred Units	Noncontrolling Interests	Appropriated Capital	Total Equity	Redeemable Noncontrolling Interests
Balance at January 1, 2015	433,330,540	$ 5,403,095	$ (20,404)	$ 5,382,691	$ —	$ —	$ 46,004,377	16,895	$ 51,403,963	$ 300,098
Net Income (Loss)		488,482		488,482			4,791,062		5,279,544	(4,512)
Other Comprehensive Income (Loss)- Foreign Currency Translation (Net of Tax)			(7,266)	(7,266)			(19,910)		(27,176)	
Cumulative-effect adjustment from adoption of accounting policies		(307)		(307)				(16,895)	(17,202)	
Exchange of KKR Holdings L.P. Units and Other Securities to KKR & Co. L.P. Common Units	16,095,538	207,114	(1,483)	205,631			(205,631)		—	
Tax Effects Resulting from Exchange of KKR Holdings L.P. Units and delivery of KKR & Co. L.P. Common Units and Other		18,244	354	18,598					18,598	
Net Delivery of Common Units - Equity Incentive Plan	10,964,144	15,245		15,245					15,245	
Equity Based Compensation		186,346		186,346			75,233		261,579	
Unit Repurchases	(9,919,892)	(161,929)		(161,929)					(161,929)	
Common Units Issued in Connection with the Purchase of an Investment	7,364,545	126,302		126,302					126,302	
Capital Contributions				—			6,274,296		6,274,296	193,269
Capital Distributions		(706,611)		(706,611)			(13,187,653)		(13,894,264)	(300,226)
Balance at December 31, 2015	457,834,875	$ 5,575,981	$ (28,799)	$ 5,547,182	$ —	$ —	$ 43,731,774	$ —	$ 49,278,956	$ 188,629
Net Income (Loss)		287,072		287,072	17,337	4,898	649,833		959,140	(8,476)
Other Comprehensive Income (Loss)- Foreign Currency Translation (Net of Tax)			(19,563)	(19,563)			(15,020)		(34,583)	
Deconsolidation of Funds				—			(34,240,240)		(34,240,240)	
Exchange of KKR Holdings L.P. Units and Other Securities to KKR & Co. L.P. Common Units	7,627,578	91,357	(830)	90,527			(90,527)		—	
Tax Effects Resulting from Exchange of KKR Holdings L.P. Units and delivery of KKR & Co. L.P. Common Units and Other		(1,495)	96	(1,399)					(1,399)	
Net Delivery of Common Units - Equity Incentive Plan	8,672,152	(50,515)		(50,515)					(50,515)	
Equity Based Compensation		186,227		186,227			78,663		264,890	
Unit Repurchases	(21,754,270)	(296,844)		(296,844)					(296,844)	
Equity Issued in connection with Preferred Unit Offering				—	332,988	149,566			482,554	
Capital Contributions				—			2,525,635		2,525,635	479,031
Capital Distributions		(285,408)		(285,408)	(17,337)	(4,898)	(2,094,216)		(2,401,859)	(26,836)
Balance at December 31, 2016	452,380,335	$ 5,506,375	$ (49,096)	$ 5,457,279	$ 332,988	$ 149,566	$ 10,545,902	$ —	$ 16,485,735	$ 632,348

See notes to consolidated financial statements.

KKR & CO. L.P.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)
(Amounts in Thousands, Except Unit Data)

	KKR & Co. L.P.									
	Common Units	Capital - Common Unitholders	Accumulated Other Comprehensive Income (Loss)	Total Capital - Common Units	Capital - Series A Preferred Units	Capital - Series B Preferred Units	Noncontrolling Interests	Appropriated Capital	Total Equity	Redeemable Noncontrolling Interests
Balance at January 1, 2017	452,380,335	$ 5,506,375	$ (49,096)	$ 5,457,279	$ 332,988	$ 149,566	$ 10,545,902	$ —	$ 16,485,735	$ 632,348
Net Income (Loss)		984,941		984,941	23,288	10,076	1,467,765		2,486,070	73,972
Other Comprehensive Income (Loss)- Foreign Currency Translation (Net of Tax)			23,558	23,558			31,096		54,654	
Changes in Consolidation				—			(1,682)		(1,682)	(315,057)
Transfer of interests under common control and Other (See Note 15 "Equity")		16,139	7,359	23,498			(23,498)		—	
Exchange of KKR Holdings L.P. Units and Other Securities to KKR & Co. L.P. Common Units	20,086,963	291,040	(1,979)	289,061			(289,061)		—	
Tax Effects Resulting from Exchange of KKR Holdings L.P. Units and Other		(3,469)	677	(2,792)					(2,792)	
Net Delivery of Common Units - Equity Incentive Plan	8,979,472	(58,679)		(58,679)					(58,679)	
Equity Based Compensation		204,308		204,308			141,727		346,035	
Common Units Issued in Connection with the Purchase of an Investment	4,727,966	94,181		94,181					94,181	
Capital Contributions				—			3,119,917		3,119,917	220,167
Capital Distributions		(311,973)		(311,973)	(23,288)	(10,076)	(2,125,842)		(2,471,179)	(890)
Balance at December 31, 2017	486,174,736	$ 6,722,863	$ (19,481)	$ 6,703,382	$ 332,988	$ 149,566	$ 12,866,324	$ —	$ 20,052,260	$ 610,540

See notes to consolidated financial statements.

KKR & CO. L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	For the Years Ended December 31,		
	2017	**2016**	**2015**
Operating Activities			
Net Income (Loss)	$ 2,560,042	$ 950,664	$ 5,275,032
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Equity Based Compensation	334,820	264,890	261,579
Net Realized (Gains) Losses on Investments	(38,316)	(347,097)	(3,001,884)
Change in Unrealized (Gains) Losses on Investments	(1,164,843)	4,200	(1,670,743)
Carried Interest Allocated as a result of Changes in Fund Fair Value	(1,740,661)	(803,185)	—
Other Non-Cash Amounts	(51,286)	(34,620)	(78,522)
Cash Flows Due to Changes in Operating Assets and Liabilities:			
Change in Cash and Cash Equivalents Held at Consolidated Entities	(95,875)	(435,417)	(160,092)
Change in Due from / to Affiliates	(285,562)	(79,372)	15,264
Change in Other Assets	86,545	(555,666)	605,305
Change in Accounts Payable, Accrued Expenses and Other Liabilities	1,581,967	648,737	(187,661)
Investments Purchased	(39,616,120)	(20,824,349)	(27,936,898)
Proceeds from Investments	34,799,260	19,649,033	27,264,024
Net Cash Provided (Used) by Operating Activities	(3,630,029)	(1,562,182)	385,404
Investing Activities			
Change in Restricted Cash and Cash Equivalents	155,853	1,409	(164,637)
Purchase of Fixed Assets	(97,070)	(62,663)	(169,419)
Development of Oil and Natural Gas Properties	(1,052)	(2,122)	(95,959)
Proceeds from Sale of Oil and Natural Gas Properties	—	858	4,863
Net Cash Provided (Used) by Investing Activities	57,731	(62,518)	(425,152)
Financing Activities			
Distributions to Partners	(311,973)	(285,408)	(706,611)
Distributions to Redeemable Noncontrolling Interests	(890)	(26,836)	(300,226)
Contributions from Redeemable Noncontrolling Interests	220,167	479,031	193,269
Distributions to Noncontrolling Interests	(2,125,842)	(2,086,577)	(13,187,653)
Contributions from Noncontrolling Interests	3,116,722	2,496,352	6,274,296
Issuance of Preferred Units (net of issuance costs)	—	482,554	—
Preferred Unit Distributions	(33,364)	(22,235)	—
Net Delivery of Common Units - Equity Incentive Plan	(58,679)	(50,515)	15,245
Unit Repurchases	—	(296,844)	(161,929)
Proceeds from Debt Obligations	11,657,948	7,895,320	14,014,510
Repayment of Debt Obligations	(9,514,558)	(5,482,133)	(5,926,162)
Financing Costs Paid	(9,448)	(16,847)	(45,331)
Net Cash Provided (Used) by Financing Activities	2,940,083	3,085,862	169,408
Net Increase/(Decrease) in Cash and Cash Equivalents	(632,215)	1,461,162	129,660
Cash and Cash Equivalents, Beginning of Period	2,508,902	1,047,740	918,080
Cash and Cash Equivalents, End of Period	$ 1,876,687	$ 2,508,902	$ 1,047,740

See notes to consolidated financial statements.

KKR & CO. L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Amounts in Thousands)

	For the Years Ended December 31,		
	2017	2016	2015
Supplemental Disclosures of Cash Flow Information			
Payments for Interest	$ 773,882	$ 773,032	$ 485,739
Payments for Income Taxes	$ 55,216	$ 33,526	$ 40,468
Supplemental Disclosures of Non-Cash Investing and Financing Activities			
Non-Cash Contributions of Equity Based Compensation	$ 346,035	$ 264,890	$ 261,579
Non-Cash Contributions from Noncontrolling Interests	$ 3,195	$ 29,283	$ —
Non-Cash Distributions to Noncontrolling Interests	$ —	$ (7,639)	$ —
Cumulative effect adjustment from adoption of accounting guidance	$ —	$ —	$ (17,202)
Debt Obligations - Net Gains (Losses), Translation and Other	$ (512,745)	$ 228,405	$ 226,577
Tax Effects Resulting from Exchange of KKR Holdings L.P. Units and delivery of KKR & Co. L.P. Common Units	$ (2,792)	$ (1,399)	$ 18,598
Impairments of Oil and Natural Gas Properties	$ —	$ 6,191	$ 53,926
Gains on Sales of Oil and Natural Gas Properties	$ —	$ 12,286	$ —
Changes in Consolidation and Other			
Cash and Cash Equivalents Held at Consolidated Entities	$ 1,831	$ (270,458)	$ —
Restricted Cash and Cash Equivalents	$ —	$ (54,064)	$ —
Investments	$ (75,827)	$ (35,686,489)	$ —
Due From Affiliates	$ 15,379	$ 147,427	$ —
Other Assets	$ (298,097)	$ (532,226)	$ —
Debt Obligations	$ 46,809	$ (2,355,305)	$ —
Due to Affiliates	$ 5,021	$ 329,083	$ —
Accounts Payable, Accrued Expenses and Other Liabilities	$ (114,309)	$ (129,348)	$ —
Noncontrolling Interests	$ (1,682)	$ (34,240,240)	$ —
Redeemable Noncontrolling Interests	$ (315,057)	$ —	$ —

See notes to consolidated financial statements.

KKR & CO. L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All Amounts in Thousands, Except Unit, Per Unit Data, and Except Where Noted)

1. ORGANIZATION

KKR & Co. L.P. (NYSE: KKR), together with its consolidated subsidiaries ("KKR"), is a leading global investment firm that manages multiple alternative asset classes including private equity, energy, infrastructure, real estate and credit, with strategic manager partnerships that manage hedge funds. KKR aims to generate attractive investment returns for its fund investors by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation with KKR's portfolio companies. KKR invests its own capital alongside the capital it manages for fund investors and provides financing solutions and investment opportunities through its capital markets business.

KKR & Co. L.P. was formed as a Delaware limited partnership on June 25, 2007 and its general partner is KKR Management LLC (the "Managing Partner"). KKR & Co. L.P. is the parent company of KKR Group Limited, which is the non-economic general partner of KKR Group Holdings L.P. ("Group Holdings"), and KKR & Co. L.P. is the sole limited partner of Group Holdings. Group Holdings holds a controlling economic interest in each of (i) KKR Management Holdings L.P. ("Management Holdings") through KKR Management Holdings Corp., a Delaware corporation which is a domestic corporation for U.S. federal income tax purposes, (ii) KKR Fund Holdings L.P. ("Fund Holdings") directly and through KKR Fund Holdings GP Limited, a Cayman Island limited company which is a disregarded entity for U.S. federal income tax purposes, and (iii) KKR International Holdings L.P. ("International Holdings", and together with Management Holdings and Fund Holdings, the "KKR Group Partnerships") directly and through KKR Fund Holdings GP Limited. Group Holdings also owns certain economic interests in Management Holdings through a wholly owned Delaware corporate subsidiary of KKR Management Holdings Corp. and certain economic interests in Fund Holdings through a Delaware partnership of which Group Holdings is the general partner with a 99% economic interest and KKR Management Holdings Corp. is a limited partner with a 1% economic interest. KKR & Co. L.P., through its indirect controlling economic interests in the KKR Group Partnerships, is the holding partnership for the KKR business.

KKR & Co. L.P. both indirectly controls the KKR Group Partnerships and indirectly holds Class A partner units in each KKR Group Partnership (collectively, "KKR Group Partnership Units") representing economic interests in KKR's business. The remaining KKR Group Partnership Units are held by KKR Holdings L.P. ("KKR Holdings"), which is not a subsidiary of KKR. As of December 31, 2017 , KKR & Co. L.P. held approximately 59.1% of the KKR Group Partnership Units and principals through KKR Holdings held approximately 40.9% of the KKR Group Partnership Units. The percentage ownership in the KKR Group Partnerships will continue to change as KKR Holdings and/or principals exchange units in the KKR Group Partnerships for KKR & Co. L.P. common units or when KKR & Co. L.P. otherwise issues or repurchases KKR & Co. L.P. common units. The KKR Group Partnerships also have outstanding equity interests that provide for the carry pool and preferred units with economic terms that mirror the preferred units issued by KKR & Co. L.P.

PAAMCO Prisma

On June 1, 2017, KKR completed its previously announced transaction to combine Pacific Alternative Asset Management Company, LLC ("PAAMCO") and Prisma Capital Partners LP ("Prisma"), formerly known as KKR Prisma or KKR's hedge fund solutions platform, to create PAAMCO Prisma Holdings, LLC ("PAAMCO Prisma"). PAAMCO Prisma is a leading liquid alternatives investment firm, which operates independently from KKR.

In connection with this transaction, KKR contributed $114.1 million of net assets, including intangible assets and an allocation of goodwill, in exchange for a 39.9% equity interest in PAAMCO Prisma and the right to receive certain payments from PAAMCO Prisma, the collective fair value of which was $131.6 million . KKR reports its investment in PAAMCO Prisma using the equity method of accounting. See Note 16 "Goodwill and Intangible Assets."

The following table presents the effect of changes in the ownership interest in the KKR Group Partnerships on KKR:

	For the Years Ended December 31,		
	2017	2016	2015
Net income (loss) attributable to KKR & Co. L.P.	$ 1,018,305	$ 309,307	$ 488,482
Transfers from noncontrolling interests:			
Exchange of KKR Group Partnership units held by KKR Holdings L.P. (1)	247,946	90,910	212,043
Change from net income (loss) attributable to KKR & Co. L.P. and transfers from noncontrolling interests held by KKR Holdings	**$ 1,266,251**	**$ 400,217**	**$ 700,525**

(1) Increase in KKR's partners' capital for exchange of 17,786,064 , 7,589,190 and 15,850,161 for the years ended December 31, 2017, 2016, and 2015, respectively, KKR Group Partnerships units held by KKR Holdings L.P., inclusive of deferred taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements (referred to hereafter as the "financial statements") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

KKR & Co. L.P. consolidates the financial results of the KKR Group Partnerships and their consolidated subsidiaries, which include the accounts of KKR's investment management and capital markets companies, the general partners of certain unconsolidated investment funds, general partners of consolidated investment funds and their respective consolidated investment funds and certain other entities including CFEs. References in the accompanying financial statements to "principals" are to KKR's senior employees and non-employee operating consultants who hold interests in KKR's business through KKR Holdings.

All intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of fees, expenses and investment income (loss) during the reporting periods. Such estimates include but are not limited to the valuation of investments and financial instruments. Actual results could differ from those estimates, and such differences could be material to the financial statements.

Principles of Consolidation

The types of entities KKR assesses for consolidation include (i) subsidiaries, including management companies, broker-dealers and general partners of investment funds that KKR manages, (ii) entities that have all the attributes of an investment company, like investment funds, (iii) CFEs and (iv) other entities, including entities that employ non-employee operating consultants. Each of these entities is assessed for consolidation on a case by case basis depending on the specific facts and circumstances surrounding that entity.

Pursuant to its consolidation policy, KKR first considers whether an entity is considered a VIE and therefore whether to apply the consolidation guidance under the VIE model. Entities that do not qualify as VIEs are assessed for consolidation as voting interest entities ("VOEs") under the voting interest model.

KKR's funds are, for GAAP purposes, investment companies and therefore are not required to consolidate their investments in portfolio companies even if majority-owned and controlled. Rather, the consolidated funds and vehicles reflect their investments at fair value as described below in "Fair Value Measurements."

An entity in which KKR holds a variable interest is a VIE if any one of the following conditions exist: (a) the total equity investment at risk is not sufficient to permit the legal entity to finance its activities without additional subordinated financial support, (b) the holders of the equity investment at risk (as a group) lack either the direct or indirect ability through voting rights or similar rights to make decisions about a legal entity's activities that have a significant effect on the success of the legal entity or the obligation to absorb the expected losses or right to receive the expected residual returns, or (c) the voting rights of some investors are disproportionate to their obligation to absorb the expected losses of the legal entity, their rights to receive the expected residual returns of the legal entity, or both and substantially all of the legal entity's activities either involve or are conducted on behalf of an investor with disproportionately few voting rights. Limited partnerships and other similar entities where unaffiliated limited partners have not been granted (i) substantive participatory rights or (ii) substantive rights to either dissolve the partnership or remove the general partner ("kick-out rights") are VIEs under condition (b) above. KKR's investment funds that are not CFEs (i) are generally limited partnerships, (ii) generally provide KKR with operational discretion and control, and (iii) generally have fund investors with no substantive rights to impact ongoing governance and operating activities of the fund, including the ability to remove the general partner, and as such the limited partners do not hold kick-out rights. Accordingly, most of KKR's investment funds are categorized as VIEs.

KKR consolidates all VIEs in which it is the primary beneficiary. A reporting entity is determined to be the primary beneficiary if it holds a controlling financial interest in a VIE. A controlling financial interest is defined as (a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The consolidation guidance requires an analysis to determine (i) whether an entity in which KKR holds a variable interest is a VIE and (ii) whether KKR's involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (for example, management and performance related fees), would give it a controlling financial interest. Performance of that analysis requires the exercise of judgment. Fees earned by KKR that are customary and commensurate with the level of effort required to provide those services, and where KKR does not hold other economic interests in the entity that would absorb more than an insignificant amount of the expected losses or returns of the entity, would not be considered variable interests. KKR factors in all economic interests including interests held through related parties, to determine if it holds a variable interest. KKR determines whether it is the primary beneficiary of a VIE at the time it becomes involved with a VIE and reconsiders that conclusion periodically.

For entities that are determined not to be VIEs, these entities are generally considered VOEs and are evaluated under the voting interest model. KKR consolidates VOEs it controls through a majority voting interest or through other means.

The consolidation assessment, including the determination as to whether an entity qualifies as a VIE or VOE depends on the facts and circumstances surrounding each entity and therefore certain of KKR's investment funds may qualify as VIEs whereas others may qualify as VOEs.

With respect to CLOs (which are generally VIEs), in its role as collateral manager, KKR generally has the power to direct the activities of the CLO that most significantly impact the economic performance of the entity. In some, but not all cases, KKR, through its residual interest in the CLO may have variable interests that represent an obligation to absorb losses of, or a right to receive benefits from, the CLO that could potentially be significant to the CLO. In cases where KKR has both the power to direct the activities of the CLO that most significantly impact the CLO's economic performance and the obligation to absorb losses of the CLO or the right to receive benefits from the CLO that could potentially be significant to the CLO, KKR is deemed to be the primary beneficiary and consolidates the CLO.

With respect to CMBS vehicles (which are generally VIEs), KKR holds unrated and non-investment grade rated securities issued by the CMBS, which are the most subordinate tranche of the CMBS vehicle. The economic performance of the CMBS is most significantly impacted by the performance of the underlying assets. Thus, the activities that most significantly impact the CMBS economic performance are the activities that most significantly impact the performance of the underlying assets. The special servicer has the ability to manage the CMBS assets that are delinquent or in default to improve the economic performance of the CMBS. KKR generally has the right to unilaterally appoint and remove the special servicer for the CMBS and as such is considered the controlling class of the CMBS vehicle. These rights give KKR the ability to direct the activities that most significantly impact the economic performance of the CMBS. Additionally, as the holder of the most subordinate tranche, KKR is in a first loss position and has the right to receive benefits, including the actual residual returns of the CMBS, if any. In these cases, KKR is deemed to be the primary beneficiary and consolidates the CMBS.

Redeemable Noncontrolling Interests

Redeemable Noncontrolling Interests represent noncontrolling interests of certain investment funds and vehicles that are subject to periodic redemption by fund investors following the expiration of a specified period of time (typically between one and three years), or may be withdrawn subject to a redemption fee during the period when capital may not be otherwise withdrawn. Fund investors interests subject to redemption as described above are presented as Redeemable Noncontrolling Interests in the accompanying consolidated statements of financial condition and presented as Net Income (Loss) Attributable to Redeemable Noncontrolling Interests in the accompanying consolidated statements of operations.

When redeemable amounts become legally payable to fund investors, they are classified as a liability and included in Accounts Payable, Accrued Expenses and Other Liabilities in the accompanying consolidated statements of financial condition. For all consolidated investment vehicles and funds in which redemption rights have not been granted, noncontrolling interests are presented within Equity in the accompanying consolidated statements of financial condition as noncontrolling interests.

Noncontrolling Interests

Noncontrolling interests represent (i) noncontrolling interests in consolidated entities and (ii) noncontrolling interests held by KKR Holdings.

Noncontrolling Interests in Consolidated Entities

Noncontrolling interests in consolidated entities represent the non-redeemable ownership interests in KKR that are held primarily by:

(i) third party fund investors in KKR's funds;

(ii) third parties entitled to up to 1% of the carried interest received by certain general partners of KKR's funds and 1% of KKR's other profits (losses) through and including December 31, 2015;

(iii) certain former principals and their designees representing a portion of the carried interest received by the general partners of KKR's private equity funds that was allocated to them with respect to private equity investments made during such former principals' tenure with KKR prior to October 1, 2009;

(iv) certain principals and former principals representing all of the capital invested by or on behalf of the general partners of KKR's private equity funds prior to October 1, 2009 and any returns thereon;

(v) third parties in KKR's capital markets business;

(vi) holders of exchangeable equity securities representing ownership interests in a subsidiary of a KKR Group Partnership issued in connection with the acquisition of Avoca Capital ("Avoca"); and

(vii) holders of the 7.375% Series A LLC Preferred Shares of KKR Financial Holdings LLC ("KFN") whose rights are limited to the assets of KFN. See Note 20 "Subsequent Events."

Noncontrolling Interests held by KKR Holdings

Noncontrolling interests held by KKR Holdings include economic interests held by principals in the KKR Group Partnerships. Such principals receive financial benefits from KKR's business in the form of distributions received from KKR Holdings and through their direct and indirect participation in the value of KKR Group Partnership Units held by KKR Holdings. These financial benefits are not paid by KKR & Co. L.P. and are borne by KKR Holdings.

The following table presents the calculation of noncontrolling interests held by KKR Holdings:

	For the Years Ended December 31,		
	2017	2016	2015
Balance at the beginning of the period	$ 4,293,337	$ 4,347,153	$ 4,661,679
Net income (loss) attributable to noncontrolling interests held by KKR Holdings (1)	791,021	212,878	433,693
Other comprehensive income (loss), net of tax (2)	21,904	(10,514)	(14,030)
Impact of the exchange of KKR Holdings units to KKR & Co. L.P. common units (3)	(238,941)	(89,182)	(203,127)
Equity based compensation	141,727	66,572	59,114
Capital contributions	3,028	241,748	25,573
Capital distributions	(235,610)	(475,318)	(615,749)
Transfer of interests under common control and Other (See Note 15 "Equity")	17,009	—	—
Balance at the end of the period	**$ 4,793,475**	**$ 4,293,337**	**$ 4,347,153**

(1) Refer to the table below for calculation of net income (loss) attributable to noncontrolling interests held by KKR Holdings.

(2) Calculated on a pro rata basis based on the weighted average KKR Group Partnership Units held by KKR Holdings during the reporting period.

(3) Calculated based on the proportion of KKR Holdings units exchanged for KKR & Co. L.P. common units pursuant to the exchange agreement during the reporting period. The exchange agreement provides for the exchange of KKR Group Partnership Units held by KKR Holdings for KKR & Co. L.P. common units.

Net income (loss) attributable to KKR & Co. L.P. after allocation to noncontrolling interests held by KKR Holdings, with the exception of certain tax assets and liabilities that are directly allocable to KKR Management Holdings Corp., is attributed based on the percentage of the weighted average KKR Group Partnership Units held by KKR and KKR Holdings, each of which holds equity of the KKR Group Partnerships. However, primarily because of the (i) contribution of certain expenses borne entirely by KKR Holdings, (ii) the periodic exchange of KKR Holdings units for KKR & Co. L.P. common units pursuant to the exchange agreement and (iii) the contribution of certain expenses borne entirely by KKR associated with the KKR & Co. L.P. 2010 Equity Incentive Plan ("Equity Incentive Plan"), equity allocations shown in the consolidated statement of changes in equity differ from their respective pro rata ownership interests in KKR's net assets.

The following table presents net income (loss) attributable to noncontrolling interests held by KKR Holdings:

	For the Years Ended December 31,		
	2017	2016	2015
Net income (loss)	$ 2,560,042	$ 950,664	$ 5,275,032
Less: Net income (loss) attributable to Redeemable Noncontrolling Interests	73,972	(8,476)	(4,512)
Less: Net income (loss) attributable to Noncontrolling Interests in consolidated entities	676,744	436,955	4,357,369
Less: Net income (loss) attributable to Series A and Series B Preferred Unitholders	33,364	22,235	—
Plus: Income tax / (benefit) attributable to KKR Management Holdings Corp.	150,812	(18,937)	21,241
Less: Gain from remeasurement of tax receivable agreement liability attributable to KKR Management Holdings Corp. (1)	67,221	—	—
Net income (loss) attributable to KKR & Co. L.P. Common Unitholders and KKR Holdings	**$ 1,859,553**	**$ 481,013**	**$ 943,416**
Net income (loss) attributable to Noncontrolling Interests held by KKR Holdings	**$ 791,021**	**$ 212,878**	**$ 433,693**

(1) Represents the impacts of the remeasurement of the tax receivable agreement which arises from changes in the associated deferred tax balance, including the impacts related to the Tax Cuts & Jobs Act enacted on December 22, 2017 (the "2017 Tax Act").

Investments

Investments consist primarily of private equity, real assets, credit, investments of consolidated CFEs, equity method, carried interest and other investments. Investments denominated in currencies other than the entity's functional currency are valued based on the spot rate of the respective currency at the end of the reporting period with changes related to exchange rate movements reflected as a component of Net Gains (Losses) from Investment Activities in the consolidated statements of operations. Security and loan transactions are recorded on a trade date basis. Further disclosure on investments is presented in Note 4 "Investments."

The following describes the types of securities held within each investment class.

Private Equity - Consists primarily of equity investments in operating businesses, including growth equity investments.

Real Assets - Consists primarily of investments in (i) energy related assets, principally oil and natural gas producing properties, (ii) infrastructure assets, and (iii) real estate, principally residential and commercial real estate assets and businesses.

Credit - Consists primarily of investments in below investment grade corporate debt securities (primarily high yield bonds and syndicated bank loans), distressed and opportunistic debt and interests in unconsolidated CLOs.

Investments of Consolidated CFEs - Consists primarily of (i) investments in below investment grade corporate debt securities (primarily high yield bonds and syndicated bank loans) held directly by the consolidated CLOs and (ii) investments in originated, fixed-rate mortgage loans held directly by the consolidated CMBS vehicles.

Equity Method - Consists primarily of (i) certain investments in private equity funds, real assets funds and credit funds, which are not consolidated and (ii) certain investments in operating companies in which KKR is deemed to exert significant influence under GAAP.

Carried Interest - Consists of carried interest from unconsolidated investment funds that are allocated to KKR as the general partner of the investment fund based on cumulative fund performance to date, and where applicable, subject to a preferred return.

Other - Consists primarily of investments in common stock, preferred stock, warrants and options of companies that are not private equity, real assets, credit or investments of consolidated CFEs.

Investments held by Consolidated Investment Funds

The consolidated investment funds are, for GAAP purposes, investment companies and reflect their investments and other financial instruments, including portfolio companies that are majority-owned and controlled by KKR's investment funds, at fair value. KKR has retained this specialized accounting for the consolidated funds in consolidation. Accordingly, the unrealized gains and losses resulting from changes in fair value of the investments and other financial instruments held by the consolidated investment funds are reflected as a component of Net Gains (Losses) from Investment Activities in the consolidated statements of operations.

Certain energy investments are made through consolidated investment funds, including investments in working and royalty interests in oil and natural gas producing properties as well as investments in operating companies that operate in the energy industry. Since these investments are held through consolidated investment funds, such investments are reflected at fair value as of the end of the reporting period.

Investments in operating companies that are held through KKR's consolidated investment funds are generally classified within private equity investments and investments in working and royalty interests in oil and natural gas producing properties are generally classified as real asset investments.

Energy Investments held directly by KKR

Certain energy investments are made by KKR directly in working and royalty interests in oil and natural gas producing properties and not through investment funds. Oil and natural gas producing activities are accounted for under the successful efforts method of accounting and such working interests are consolidated based on the proportion of the working interests held by KKR. Accordingly, KKR reflects its proportionate share of the underlying statements of financial condition and statements of operations of the consolidated working interests on a gross basis and changes in the value of these working interests are not reflected as unrealized gains and losses in the consolidated statements of operations. Under the successful efforts method, exploration costs, other than the costs of drilling exploratory wells, are charged to expense as incurred. Costs that are associated with the drilling of successful exploration wells are capitalized if proved reserves are found. Lease acquisition costs are capitalized when incurred. Costs associated with the drilling of exploratory wells that do not find proved reserves, geological and geophysical costs and costs of certain nonproducing leasehold costs are charged to expense as incurred.

Expenditures for repairs and maintenance, including workovers, are charged to expense as incurred.

The capitalized costs of producing oil and natural gas properties are depleted on a field-by-field basis using the units-of production method based on the ratio of current production to estimated total net proved oil, natural gas and natural gas liquid reserves. Proved developed reserves are used in computing depletion rates for drilling and development costs and total proved reserves are used for depletion rates of leasehold costs.

Estimated dismantlement and abandonment costs for oil and natural gas properties, net of salvage value, are capitalized at their estimated net present value and amortized on a unit-of-production basis over the remaining life of the related proved developed reserves.

Whenever events or changes in circumstances indicate that the carrying amounts of oil and natural gas properties may not be recoverable, KKR evaluates oil and natural gas properties and related equipment and facilities for impairment on a field-by-field basis. The determination of recoverability is made based upon estimated undiscounted future net cash flows. The amount of impairment loss, if any, is determined by comparing the fair value, as determined by a discounted cash flow analysis, with the carrying value of the related asset. Any impairment in value is recognized when incurred and is recorded in General, Administrative, and Other expense in the consolidated statements of operations.

Fair Value Option

For certain investments and other financial instruments, KKR has elected the fair value option. Such election is irrevocable and is applied on a financial instrument by financial instrument basis at initial recognition. KKR has elected the fair value option for certain private equity, real assets, credit, investments of consolidated CFEs, equity method and other financial instruments not held through a consolidated investment fund. Accounting for these investments at fair value is consistent with how KKR accounts for its investments held through consolidated investment funds. Changes in the fair value of such instruments are recognized in Net Gains (Losses) from Investment Activities in the consolidated statements of operations. Interest income on interest bearing credit securities on which the fair value option has been elected is based on stated coupon rates adjusted for the accretion of purchase discounts and the amortization of purchase premiums. This interest income is recorded within Interest Income in the consolidated statements of operations.

Equity Method

For certain investments in entities over which KKR exercises significant influence but which do not meet the requirements for consolidation and for which KKR has not elected the fair value option, KKR uses the equity method of accounting. KKR's share of earnings (losses) from these investments is reflected as a component of Net Gains (Losses) from Investment Activities in the consolidated statements of operations. For equity method investments, KKR records its proportionate share of the investee's earnings or losses based on the most recently available financial information of the investee, which in certain cases may lag the date of KKR's financial statements by no more than three calendar months. As of December 31, 2017 , equity method investees for which KKR reports financial results on a quarter lag include Marshall Wace LLP ("Marshall Wace"). KKR evaluates its equity method investments for which KKR has not elected the fair value option for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable.

The carrying value of equity method investments in private equity funds, real assets funds and credit funds, which are not consolidated, approximate fair value, because the underlying investments of the unconsolidated investment funds are reported at fair value.

The carrying value of equity method investments in certain operating companies, with respect to which KKR is determined to exert significant influence under GAAP and for which KKR has not elected the fair value option, is determined based on the amounts invested by KKR, adjusted for the equity in earnings or losses of the investee allocated based on KKR's respective ownership percentage, less distributions.

Financial Instruments held by Consolidated CFEs

KKR measures both the financial assets and financial liabilities of the consolidated CFEs in its financial statements using the more observable of the fair value of the financial assets and the fair value of the financial liabilities which results in KKR's consolidated net income (loss) reflecting KKR's own economic interests in the consolidated CFEs including (i) changes in the fair value of the beneficial interests retained by KKR and (ii) beneficial interests that represent compensation for services rendered.

For the consolidated CLO entities, KKR has determined that the fair value of the financial assets of the consolidated CLOs is more observable than the fair value of the financial liabilities of the consolidated CLOs. As a result, the financial assets of the consolidated CLOs are being measured at fair value and the financial liabilities are being measured in consolidation as: (1) the sum of the fair value of the financial assets and the carrying value of any nonfinancial assets that are incidental to the operations of the CLOs less (2) the sum of the fair value of any beneficial interests retained by KKR (other than those that represent compensation for services) and KKR's carrying value of any beneficial interests that represent compensation for services. The resulting amount is allocated to the individual financial liabilities (other than the beneficial interests retained by KKR).

For the consolidated CMBS vehicles, KKR has determined that the fair value of the financial liabilities of the consolidated CMBS vehicles is more observable than the fair value of the financial assets of the consolidated CMBS vehicles. As a result, the financial liabilities of the consolidated CMBS vehicles are being measured at fair value and the financial assets are being measured in consolidation as: (1) the sum of the fair value of the financial liabilities (other than the beneficial interests retained by KKR), the fair value of the beneficial interests retained by KKR and the carrying value of any nonfinancial liabilities that are incidental to the operations of the CMBS vehicles less (2) the carrying value of any nonfinancial assets that are incidental to the operations of the CMBS vehicles. The resulting amount is allocated to the individual financial assets.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Except for certain of KKR's equity method investments (see "Equity Method" above in this Note 2 "Summary of Significant Accounting Policies") and debt obligations (as described in Note 10 "Debt Obligations"), KKR's investments and other financial instruments are recorded at fair value or at amounts whose carrying values approximate fair value. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation techniques are applied. These valuation techniques involve varying levels of management estimation and judgment, the degree of which is dependent on a variety of factors.

GAAP establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices in active markets generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments and financial instruments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination of fair values, as follows:

Level I - Pricing inputs are unadjusted, quoted prices in active markets for identical assets or liabilities as of the measurement date. The types of financial instruments included in this category are publicly-listed equities and securities sold short.

Level II - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies. The types of financial instruments included in this category are credit investments, investments and debt obligations of consolidated CLO entities, convertible debt securities indexed to publicly-listed securities, less liquid and restricted equity securities and certain over-the-counter derivatives such as foreign currency option and forward contracts.

Level III - Pricing inputs are unobservable for the financial instruments and include situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. The types of financial instruments generally included in this category are private portfolio companies, real assets investments, credit investments, equity method investments for which the fair value option was elected and investments and debt obligations of consolidated CMBS entities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. KKR's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the asset.

A significant decrease in the volume and level of activity for the asset or liability is an indication that transactions or quoted prices may not be representative of fair value because in such market conditions there may be increased instances of transactions that are not orderly. In those circumstances, further analysis of transactions or quoted prices is needed, and a significant adjustment to the transactions or quoted prices may be necessary to estimate fair value.

The availability of observable inputs can vary depending on the financial asset or liability and is affected by a wide variety of factors, including, for example, the type of instrument, whether the instrument has recently been issued, whether the instrument is traded on an active exchange or in the secondary market, and current market conditions. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by KKR in determining fair value is greatest for instruments categorized in Level III. The variability and availability of the observable inputs affected by the factors described above may cause transfers between Levels I, II, and III, which KKR recognizes at the beginning of the reporting period.

Investments and other financial instruments that have readily observable market prices (such as those traded on a securities exchange) are stated at the last quoted sales price as of the reporting date. KKR does not adjust the quoted price for these investments, even in situations where KKR holds a large position and a sale could reasonably affect the quoted price.

Management's determination of fair value is based upon the methodologies and processes described below and may incorporate assumptions that are management's best estimates after consideration of a variety of internal and external factors.

Level II Valuation Methodologies

Credit Investments: These instruments generally have bid and ask prices that can be observed in the marketplace. Bid prices reflect the highest price that KKR and others are willing to pay for an instrument. Ask prices represent the lowest price that KKR and others are willing to accept for an instrument. For financial assets and liabilities whose inputs are based on bid-ask prices obtained from third party pricing services, fair value may not always be a predetermined point in the bid-ask range. KKR's policy is generally to allow for mid-market pricing and adjusting to the point within the bid-ask range that meets KKR's best estimate of fair value.

Investments and Debt Obligations of Consolidated CLO Vehicles: Investments of consolidated CLO vehicles are reported within Investments of Consolidated CFEs and are valued using the same valuation methodology as described above for credit investments. Under ASU 2014-13, KKR measures CLO debt obligations on the basis of the fair value of the financial assets of the CLO.

Securities indexed to publicly-listed securities: The securities are typically valued using standard convertible security pricing models. The key inputs into these models that require some amount of judgment are the credit spreads utilized and the volatility assumed. To the extent the company being valued has other outstanding debt securities that are publicly-traded, the implied credit spread on the company's other outstanding debt securities would be utilized in the valuation. To the extent the company being valued does not have other outstanding debt securities that are publicly-traded, the credit spread will be estimated based on the implied credit spreads observed in comparable publicly-traded debt securities. In certain cases, an additional spread will be added to reflect an illiquidity discount due to the fact that the security being valued is not publicly-traded. The volatility assumption is based upon the historically observed volatility of the underlying equity security into which the convertible debt security is convertible and/or the volatility implied by the prices of options on the underlying equity security.

Restricted Equity Securities: The valuation of certain equity securities is based on an observable price for an identical security adjusted for the effect of a restriction.

Derivatives: The valuation incorporates observable inputs comprising yield curves, foreign currency rates and credit spreads.

Level III Valuation Methodologies

Investments and financial instruments categorized as Level III consist primarily of the following:

Private Equity Investments: KKR generally employs two valuation methodologies when determining the fair value of a private equity investment. The first methodology is typically a market comparables analysis that considers key financial inputs and recent public and private transactions and other available measures. The second methodology utilized is typically a discounted cash flow analysis, which incorporates significant assumptions and judgments. Estimates of key inputs used in this methodology include the weighted average cost of capital for the investment and assumed inputs used to calculate terminal values, such as exit EBITDA multiples. Other inputs are also used in both methodologies. In addition, when a definitive agreement has been executed to sell an investment, KKR generally considers a significant determinant of fair value to be the consideration to be received by KKR pursuant to the executed definitive agreement.

Upon completion of the valuations conducted using these methodologies, a weighting is ascribed to each method, and an illiquidity discount is typically applied where appropriate. The ultimate fair value recorded for a particular investment will generally be within a range suggested by the two methodologies, except that the value may be higher or lower than such range in the case of investments being sold pursuant to an executed definitive agreement.

When determining the weighting ascribed to each valuation methodology, KKR considers, among other factors, the availability of direct market comparables, the applicability of a discounted cash flow analysis, the expected hold period and manner of realization for the investment, and in the case of investments being sold pursuant to an executed definitive agreement, an estimated probability of such sale being completed. These factors can result in different weightings among investments in the portfolio and in certain instances may result in up to a 100% weighting to a single methodology.

When an illiquidity discount is to be applied, KKR seeks to take a uniform approach across its portfolio and generally applies a minimum 5% discount to all private equity investments. KKR then evaluates such private equity investments to determine if factors exist that could make it more challenging to monetize the investment and, therefore, justify applying a higher illiquidity discount. These factors generally include (i) whether KKR is unable to sell the portfolio company or conduct an initial public offering of the portfolio company due to the consent rights of a third party or similar factors, (ii) whether the portfolio company is undergoing significant restructuring activity or similar factors and (iii) characteristics about the portfolio company regarding its size and/or whether the portfolio company is experiencing, or expected to experience, a significant decline in earnings. These factors generally make it less likely that a portfolio company would be sold or publicly offered in the near term at a price indicated by using just a market multiples and/or discounted cash flow analysis, and these factors tend to reduce the number of opportunities to sell an investment and/or increase the time horizon over which an investment may be monetized. Depending on the applicability of these factors, KKR determines the amount of any incremental illiquidity discount to be applied above the 5% minimum, and during the time KKR holds the investment, the illiquidity discount may be increased or decreased, from time to time, based on changes to these factors. The amount of illiquidity discount applied at any time requires considerable judgment about what a market participant would consider and is based on the facts and circumstances of each individual investment. Accordingly, the illiquidity discount ultimately considered by a market participant upon the realization of any investment may be higher or lower than that estimated by KKR in its valuations.

In the case of growth equity investments, enterprise values may be determined using the market comparables analysis and discounted cash flow analysis described above. A scenario analysis may also be conducted to subject the estimated enterprise values to a downside, base and upside case, which involves significant assumptions and judgments. A milestone analysis may also be conducted to assess the current level of progress towards value drivers that we have determined to be important, which involves significant assumptions and judgments. The enterprise value in each case may then be allocated across the investment's capital structure to reflect the terms of the security and subjected to probability weightings. In certain cases, the values of growth equity investments may be based on recent or expected financings.

Real Asset Investments: Real asset investments in infrastructure, energy and real estate are valued using one or more of the discounted cash flow analysis, market comparables analysis and direct income capitalization, which in each case incorporates significant assumptions and judgments. Infrastructure investments are generally valued using the discounted cash flow analysis.

Key inputs used in this methodology can include the weighted average cost of capital and assumed inputs used to calculate terminal values, such as exit EBITDA multiples. Energy investments are generally valued using a discounted cash flow analysis. Key inputs used in this methodology that require estimates include the weighted average cost of capital. In addition, the valuations of energy investments generally incorporate both commodity prices as quoted on indices and long-term commodity price forecasts, which may be substantially different from commodity prices on certain indices for equivalent future dates. Certain energy investments do not include an illiquidity discount. Long-term commodity price forecasts are utilized to capture the value of the investments across a range of commodity prices within the energy investment portfolio associated with future development and to reflect a range of price expectations. Real estate investments are generally valued using a combination of direct income capitalization and discounted cash flow analysis. Key inputs used in such methodologies that require estimates include an unlevered discount rate and current capitalization rate. The valuations of real assets investments also use other inputs.

Credit Investments: Credit investments are valued using values obtained from dealers or market makers, and where these values are not available, credit investments are generally valued by KKR based on ranges of valuations determined by an independent valuation firm. Valuation models are based on discounted cash flow analyses, for which the key inputs are determined based on market comparables, which incorporate similar instruments from similar issuers.

Other Investments: With respect to other investments including equity method investments for which the fair value election has been made, KKR generally employs the same valuation methodologies as described above for private equity investments when valuing these other investments.

Investments and Debt Obligations of Consolidated CMBS Vehicles: Under ASU 2014-13, KKR measures CMBS investments, which are reported within Investments of Consolidated CFEs on the basis of the fair value of the financial liabilities of the CMBS. Debt obligations of consolidated CMBS vehicles are valued based on discounted cash flow analyses. The key input is the expected yield of each CMBS security using both observable and unobservable factors, which may include recently offered or completed trades and published yields of similar securities, security-specific characteristics (e.g. securities ratings issued by nationally recognized statistical rating organizations, credit support by other subordinate securities issued by the CMBS and coupon type) and other characteristics.

Key unobservable inputs that have a significant impact on KKR's Level III investment valuations as described above are included in Note 5 "Fair Value Measurements." KKR utilizes several unobservable pricing inputs and assumptions in determining the fair value of its Level III investments. These unobservable pricing inputs and assumptions may differ by investment and in the application of KKR's valuation methodologies. KKR's reported fair value estimates could vary materially if KKR had chosen to incorporate different unobservable pricing inputs and other assumptions or, for applicable investments, if KKR only used either the discounted cash flow methodology or the market comparables methodology instead of assigning a weighting to both methodologies.

Level III Valuation Process

The valuation process involved for Level III measurements is completed on a quarterly basis and is designed to subject the valuation of Level III investments to an appropriate level of consistency, oversight, and review.

For Private Markets investments classified as Level III, investment professionals prepare preliminary valuations based on their evaluation of financial and operating data, company specific developments, market valuations of comparable companies and other factors. These preliminary valuations are reviewed by an independent valuation firm engaged by KKR to perform certain procedures in order to assess the reasonableness of KKR's valuations annually for all Level III investments in Private Markets and quarterly for investments other than certain investments, which have values less than pre-set value thresholds and which in the aggregate comprise less than 5% of the total value of KKR's Level III Private Markets investments. The valuations of certain real asset investments are determined solely by an independent valuation firm without the preparation of preliminary valuations by our investment professionals, and instead such independent valuation firm relies principally on valuation information available to it as a broker or valuation firm. For credit investments and debt obligations of consolidated CMBS vehicles, an independent valuation firm is generally engaged by KKR with respect to investments classified as Level III. The valuation firm either provides a value or provides a valuation range from which KKR's investment professionals select a point in the range to determine the preliminary valuation or performs certain procedures in order to assess the reasonableness and provide positive assurance of KKR's valuations. After reflecting any input from the independent valuation firm, the valuation proposals are submitted for review and approval by KKR's valuation committees.

KKR has a global valuation committee that is responsible for coordinating and implementing the firm's valuation process to ensure consistency in the application of valuation principles across portfolio investments and between periods. The global valuation committee is assisted by the asset class-specific valuation committees that exist for private equity (including growth equity), real estate, energy and infrastructure, and credit. The asset class-specific valuation committees are responsible for the review and approval of all preliminary Level III valuations in their respective asset classes on a quarterly basis. The members of these valuation committees are comprised of investment professionals, including the heads of each respective strategy, and professionals from business operations functions such as legal, compliance and finance, who are not primarily responsible for the management of the investments. For periods prior to the completion of the PAAMCO Prisma transaction, when Level III valuations were required to be performed on hedge fund investments, a valuation committee for hedge funds reviewed these valuations.

All Level III valuations are also subject to approval by the global valuation committee, which is comprised of senior employees including investment professionals and professionals from business operations functions, and includes one of KKR's Co-Presidents and Co-Chief Operating Officers and its Chief Financial Officer, General Counsel and Chief Compliance Officer. When valuations are approved by the global valuation committee after reflecting any input from it, the valuations of Level III investments, as well as the valuations of Level I and Level II investments, are presented to the audit committee of the board of directors of the general partner of KKR & Co. L.P. and are then reported to the board of directors.

Fees and Other

Fees and other consist primarily of (i) transaction fees earned in connection with successful investment transactions and from capital markets activities, (ii) management and incentive fees from providing investment management services to unconsolidated funds, CLOs, other vehicles, and separately managed accounts, (iii) monitoring fees from providing services to portfolio companies, (iv) carried interest allocations to general partners of unconsolidated funds, (v) revenue earned by oil and gas-producing entities that are consolidated and (vi) consulting fees earned by consolidated entities that employ non-employee operating consultants.

For the years ended December 31, 2017 , 2016 and 2015, respectively, fees and other consisted of the following:

	For the Years Ended December 31,		
	2017	2016	2015
Management Fees	$ 700,245	$ 619,243	$ 201,006
Transaction Fees	783,952	350,091	354,895
Monitoring Fees	204,165	146,967	336,159
Fee Credits	(257,401)	(128,707)	(17,351)
Carried Interest	1,740,661	803,185	—
Incentive Fees	4,601	8,709	16,415
Oil and Gas Revenue	63,460	65,754	112,328
Consulting Fees	42,582	42,851	40,316
Total Fees and Other	**$ 3,282,265**	**$ 1,908,093**	**$ 1,043,768**

All revenues presented in the table above, except for oil and gas revenue and certain transaction fees earned by KKR's Capital Markets business, are earned from KKR investment funds and portfolio companies. Consulting fees are earned by certain consolidated entities that employ non-employee operating consultants from providing advisory and other services to portfolio companies and other companies. These fees are separately negotiated with each company for which services are provided and are not shared with KKR.

Management Fees

Management fees are recognized in the period during which the related services are performed in accordance with the contractual terms of the related agreement. Management fees earned from private equity funds and certain investment funds are based upon a percentage of capital committed or capital invested during the investment period, and thereafter generally based on remaining invested capital or net asset value. For certain other investment funds, CLOs, and separately managed accounts, management fees are based upon the net asset value, gross assets or as otherwise defined in the respective agreements.

Management fees received from KKR's consolidated funds and vehicles are eliminated in consolidation. However, because these amounts are funded by, and earned from, noncontrolling interests, KKR's allocated share of the net income from KKR's consolidated funds and vehicles is increased by the amount of fees that are eliminated. Accordingly, the elimination of these fees does not have an effect on the net income (loss) attributable to KKR or KKR partners' capital.

Private Equity Funds

For KKR's consolidated and unconsolidated private equity funds, gross management fees generally range from 1% to 2% of committed capital during the fund's investment period and is generally 0.75% to 1.25% of invested capital after the expiration of the fund's investment period with subsequent reductions over time. Typically, an investment period is defined as a period of up to six years. The actual length of the investment period is often shorter due to the earlier deployment of committed capital.

KKR's older private equity funds, which do not have a preferred return, require the management company to refund up to 20% of any cash management fees earned from limited partners in the event that the funds recognize a carried interest. At such time as the fund recognizes a carried interest in an amount sufficient to cover 20% of the cash management fees earned or a portion thereof, a liability to the fund's limited partners is recorded and revenue is reduced for the amount of the carried interest recognized, not to exceed 20% of the cash management fees earned. The refunds to the limited partners are paid, and the liabilities relieved, at such time that the underlying investments are sold and the associated carried interests are realized. In the event that a fund's carried interest is not sufficient to cover all or a portion of the amount that represents 20% of the earned cash management fees, these fees would not be returned to the funds' limited partners, in accordance with the respective fund agreements.

Other Investment Funds

Certain investment funds that invest capital in growth equity, real assets, credit, and the core investment strategy provide for management fees determined quarterly based on an annual rate generally ranging from 0.5% to 2.0% . Such rate may be based on the investment fund's average net asset value, capital commitments, or invested capital.

CLOs

KKR's management agreements for its CLO vehicles provide for senior collateral management fees and subordinate collateral management fees. Senior collateral management fees are determined based on an annual rate ranging from 0.15% to 0.20% of collateral and subordinate collateral management fees are determined based on an annual rate ranging from 0.20% to 0.35% of collateral. If amounts distributable on any payment date are insufficient to pay the collateral management fees according to the priority of payments, any shortfall is deferred and payable on subsequent payment dates. KKR has the right to waive all or any portion of any collateral management fee. For the purpose of calculating the collateral management fees, collateral, the payment dates, and the priority of payments are terms defined in the management agreements.

Transaction Fees

Transaction fees are earned by KKR primarily in connection with successful investment transactions and capital markets activities. Transaction fees are recognized in the period when the transaction closes. Fees are typically paid on or shortly after the closing of a transaction.

In connection with pursuing successful portfolio company investments, KKR receives reimbursement for certain transaction-related expenses. Transaction-related expenses, which are reimbursed by third parties, are typically deferred until the transaction is consummated and are recorded in Other Assets on the consolidated statements of financial condition on the date incurred. The costs of successfully completed transactions are borne by the KKR investment funds and included as a component of the investment's cost basis. Subsequent to closing, investments are recorded at fair value each reporting period as described in the section above titled "Investments." Upon reimbursement from a third party, the cash receipt is recorded and the deferred amounts are relieved. No fees or expenses are recorded for these reimbursements.

Monitoring Fees

Monitoring fees are earned by KKR for services provided to portfolio companies and are recognized as services are rendered. These fees are generally paid based on a fixed periodic schedule by the portfolio companies either in advance or in arrears and are separately negotiated for each portfolio company.

In connection with the monitoring of portfolio companies, KKR receives reimbursement for certain expenses incurred on behalf of these entities. Costs incurred in monitoring these entities are classified as general, administrative and other expenses and reimbursements of such costs are classified as monitoring fees. In addition, certain monitoring fee provisions may provide for a termination payment following an initial public offering or change of control. These termination payments are recognized in the period when the related transaction closes.

Fee Credits

Agreements with the fund investors of certain of its investment funds require KKR to share with these fund investors an agreed upon percentage of certain fees, including monitoring and transaction fees received from portfolio companies ("Fee Credits"). Fund investors receive Fee Credits only with respect to monitoring and transaction fees that are allocable to the fund's investment in the portfolio company and not, for example, any fees allocable to capital invested through co-investment vehicles. Fee Credits are calculated after deducting certain fund-related expenses and generally amount to 80% for older funds, or 100% for our newer funds, of allocable monitoring and transaction fees after fund-related expenses are recovered, although the actual percentage may vary from fund to fund as well as among different classes of investors within a fund.

Carried Interest

For certain investment fund structures, carried interest is allocated to the general partner based on cumulative fund performance to date, and where applicable, subject to a preferred return to the funds' limited partners. At the end of each reporting period, KKR calculates the carried interest that would be due to KKR for each fund, pursuant to the fund agreements, as if the fair value of the underlying investments were realized as of such date, irrespective of whether such amounts have been realized. As the fair value of underlying investments varies between reporting periods, it is necessary to make adjustments to amounts recorded as carried interest to reflect either (a) positive performance resulting in an increase in the carried interest allocated to the general partner or (b) negative performance that would cause the amount due to KKR to be less than the amount previously recognized as revenue, resulting in a negative adjustment to carried interest allocated to the general partner. In each case, it is necessary to calculate the carried interest on cumulative results compared to the carried interest recorded to date and make the required positive or negative adjustments. KKR ceases to record negative carried interest allocations once previously recognized carried interest allocations for a fund have been fully reversed. KKR is not obligated to pay guaranteed returns or hurdles, and therefore, cannot have negative carried interest over the life of a fund. Accrued but unpaid carried interest as of the reporting date is reflected in Investments in the consolidated statements of financial condition.

Incentive Fees

Incentive fees earned on investment funds that do not generate carried interest are recognized based on fund performance, subject to the achievement of minimum return levels, and/or high water marks, in accordance with the respective terms set out in each fund's governing agreements. Incentive fee rates generally range from 5% to 20% . KKR does not record performance-based incentive fees until the end of each fund's measurement period (which is generally one year) when the performance-based incentive fees become fixed and determinable.

Oil and Gas Revenue Recognition

Oil and gas revenues are recognized when production is sold to a purchaser at fixed or determinable prices, when delivery has occurred and title has transferred and collectability of the revenue is reasonably assured. The oil and gas-producing entities consolidated by KKR follow the sales method of accounting for natural gas revenues. Under this method of accounting, revenues are recognized based on volumes sold, which may differ from the volume to which the entity is entitled based on KKR's working interest. An imbalance is recognized as a liability only when the estimated remaining reserves will not be sufficient to enable the under-produced owners to recoup their entitled share through future production. Under the sales method, no receivables are recorded when these entities have taken less than their share of production and no payables are recorded when it has taken more than its share of production unless reserves are not sufficient.

Consulting Fees

Consulting fees are earned by certain consolidated entities that employ non-employee operating consultants from providing advisory and other services to portfolio companies and other companies and are recognized as the services are rendered. These fees are separately negotiated with each portfolio company for which services are provided and are not shared with KKR.

Compensation and Benefits

Compensation and Benefits expense includes (i) cash compensation consisting of salaries, bonuses, and benefits, (ii) equity based compensation consisting of charges associated with the vesting of equity-based awards (see Note 12 "Equity Based Compensation") and (iii) carry pool allocations and other performance-based income compensation.

All KKR employees and employees of certain consolidated entities receive a base salary that is paid by KKR or its consolidated entities, and is accounted for as Compensation and Benefits expense in the consolidated statements of operations. These employees are also eligible to receive discretionary cash bonuses based on performance, overall profitability and other matters. While cash bonuses paid to most employees are borne by KKR and certain consolidated entities and result in customary compensation and benefits expense, certain cash bonuses that are paid to certain of KKR's principals can be borne by KKR Holdings. These bonuses are funded with distributions that KKR Holdings receives on KKR Group Partnership Units held by KKR Holdings but are not then passed on to holders of unvested units of KKR Holdings. Because KKR principals are not entitled to receive distributions on units that are unvested, any amounts allocated to principals in excess of a principal's vested equity interests are reflected as employee compensation and benefits expense. These compensation charges are currently recorded based on the amount of cash expected to be paid by KKR Holdings.

Carry Pool Allocation

With respect to KKR's active and future funds and co-investment vehicles that provide for carried interest, KKR allocates to its employees and employees of certain consolidated entities a portion of the carried interest earned in relation to these funds as part of its carry pool. KKR currently allocates 40% or 43% , as applicable, of the carry it earns from these funds and vehicles to its carry pool. In addition, for investment funds that provide for incentive fees rather than carried interest, the carry pool is supplemented by allocating 40% of the incentive fees that do not constitute carried interest that are earned from such funds. These amounts are accounted for as compensatory profit-sharing arrangements in Accounts Payable, Accrued Expenses and Other Liabilities within the accompanying consolidated statements of financial condition in conjunction with the related carried interest income or incentive fees and recorded as compensation expense.

Profit Sharing Plan

KKR provides certain profit sharing programs for KKR employees and other eligible personnel. In particular, KKR provides a 401(k) plan for eligible employees in the United States. For certain professionals who are participants in the 401(k) plan, KKR may, in its discretion, contribute an amount after the end of the plan year. For the years ended December 31, 2017, 2016 and 2015, KKR incurred expenses of $8.2 million , $8.0 million and $7.9 million , respectively, in connection with the 401(k) plan and other profit sharing programs.

General, Administrative and Other

General, administrative and other expense consists primarily of professional fees paid to legal advisors, accountants, advisors and consultants, insurance costs, travel and related expenses, communications and information services, depreciation and amortization charges, changes in fair value of contingent consideration, expenses incurred by oil and gas-producing entities (including impairment charges) that are consolidated and other general and operating expenses which are not borne by fund investors and are not offset by credits attributable to fund investors' noncontrolling interests in consolidated funds. General, administrative and other expense also consists of costs incurred in connection with pursuing potential investments that do not result in completed transactions, a substantial portion of which are borne by fund investors.

Investment Income

Investment income consists primarily of the net impact of:

(i) Realized and unrealized gains and losses on investments, securities sold short, derivatives and debt obligations of consolidated CFEs which are recorded in Net Gains (Losses) from Investment Activities.

(ii) Foreign exchange gains and losses relating to mark-to-market activity on foreign exchange forward contracts, foreign currency options and foreign denominated debt which are recorded in Net Gains (Losses) from Investment Activities.

(iii) Dividends, which are recognized on the ex-dividend date, or, in the absence of a formal declaration of a record date, on the date it is received.

(iv) Interest income, which is recognized as earned.

(v) Interest expense, which is recognized as incurred.

Unrealized gains or losses result from changes in fair value of investments during the period and are included in Net Gains (Losses) from Investment Activities. Upon disposition of an investment, previously recognized unrealized gains or losses are reversed and a realized gain or loss is recognized.

Income Taxes

The consolidated entities of KKR are generally treated as partnerships or disregarded entities for U.S. and non-U.S. tax purposes. However, certain consolidated subsidiaries are treated as corporations for U.S. and non-U.S tax purposes and are therefore subject to U.S. federal, state and/or local income taxes at the entity-level. In addition, certain consolidated entities which are treated as partnerships for U.S. tax purposes are subject to the New York City Unincorporated Business Tax or other local taxes.

Deferred Income Taxes

Income taxes are accounted for using the asset and liability method of accounting. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis, using tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred assets and liabilities of a change in tax rates is recognized in the consolidated statements of operations in the period when the change is enacted.

Deferred tax assets, which are recorded in Other Assets within the statement of financial condition, are reduced by a valuation allowance when, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. When evaluating the realizability of the deferred tax assets, all evidence, both positive and negative, is considered. Items considered when evaluating the need for a valuation allowance include the ability to carry back losses, future reversals of existing temporary differences, tax planning strategies, and expectations of future earnings.

For a particular tax-paying component of an entity and within a particular tax jurisdiction, deferred tax assets and liabilities are offset and presented as a single amount within Other Assets or Accounts Payable, Accrued and Other Liabilities, as applicable, in the accompanying statements of financial condition.

2017 Tax Act

The 2017 Tax Act makes various changes to the U.S. tax code that include, but are not limited to, (1) reducing the U.S. federal corporate tax rate to 21% effective January 1, 2018 and (2) requiring a one-time transition tax on certain un-repatriated earnings of foreign subsidiaries that is payable over eight years.

On December 22, 2017, the SEC issued Staff Accounting Bulletin ("SAB 118"), which provides guidance on accounting for tax effects of the 2017 Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the 2017 Tax Act enactment date for companies to complete the accounting under Accounting Standards Codification 740, Income Taxes ("ASC 740"). In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the 2017 Tax Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the 2017 Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate to be included in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provision of the tax laws that were in effect immediately before the enactment of the 2017 Tax Act.

KKR has recognized the provisional tax impacts related to the revaluation of deferred tax assets and liabilities and the deemed repatriated earnings for the year ended December 31, 2017. The ultimate impact may differ from these provisional amounts, possibly materially, due to, among other things, additional analysis, changes in interpretations and assumptions KKR has made, additional regulatory guidance that may be issued, and actions KKR may take following the enactment of the 2017 Tax Act. The accounting is expected to be complete when the 2017 U.S. corporate income tax return is filed in 2018. See Note 11 "Income Taxes" for further information on the financial statement impact of the 2017 Tax Act.

Uncertain Tax Positions

KKR analyzes its tax filing positions in all of the U.S. federal, state, local and foreign tax jurisdictions where it is required to file income tax returns, as well as for all open tax years in these jurisdictions. If, based on this analysis, KKR determines that uncertainties in tax positions exist, a reserve is established. The reserve for uncertain tax positions is recorded in Accounts Payable, Accrued and Other Liabilities in the accompanying statements of financial condition. KKR recognizes accrued interest and penalties related to uncertain tax positions within the provision for income taxes in the consolidated statements of operations.

KKR records uncertain tax positions on the basis of a two-step process: (a) determination is made whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position and (b) those tax positions that meet the more-likely-than-not threshold are recognized as the largest amount of tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

Cash and Cash Equivalents

KKR considers all highly liquid short-term investments with original maturities of 90 days or less when purchased to be cash equivalents.

Cash and Cash Equivalents Held at Consolidated Entities

Cash and cash equivalents held at consolidated entities represents cash that, although not legally restricted, is not available to fund general liquidity needs of KKR as the use of such funds is generally limited to the investment activities of KKR's investment funds and CFEs.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents primarily represent amounts that are held by third parties under certain of KKR's financing and derivative transactions.

Due from and Due to Affiliates

KKR considers its principals and their related entities, unconsolidated funds and the portfolio companies of its funds to be affiliates for accounting purposes. Receivables from and payables to affiliates are recorded at their current settlement amount.

Fixed Assets, Depreciation and Amortization

Fixed assets consist primarily of corporate real estate, leasehold improvements, furniture and computer hardware. Such amounts are recorded at cost less accumulated depreciation and amortization and are included in Other Assets within the accompanying consolidated statements of financial condition. Depreciation and amortization are calculated using the straight-line method over the assets' estimated economic useful lives, which for leasehold improvements are the lesser of the lease terms or the life of the asset, and three to seven years for other fixed assets.

Freestanding Derivatives

Freestanding derivatives are instruments that KKR and certain of its consolidated funds have entered into as part of their overall risk management and investment strategies. These derivative contracts are not designated as hedging instruments for accounting purposes. Such contracts may include forward, swap and option contracts related to foreign currencies and interest rates to manage foreign exchange risk and interest rate risk arising from certain assets and liabilities. All derivatives are recognized in Other Assets or Accounts Payable, Accrued Expenses and Other Liabilities and are presented on a gross basis in the consolidated statements of financial condition and measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. KKR's derivative financial instruments contain credit risk to the extent that its counterparties may be unable to meet the terms of the agreements. KKR attempts to minimize this risk by limiting its counterparties to major financial institutions with strong credit ratings.

Intangible Assets

Intangible assets consist primarily of contractual rights to earn future fee income, including management and incentive fees, and are recorded in Other Assets in the accompanying consolidated statements of financial condition. Identifiable finite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives and amortization expense is included within General, Administrative and Other in the accompanying consolidated statements of operations. Intangible assets are reviewed for impairment when circumstances indicate impairment may exist.

Goodwill

Goodwill represents the excess of acquisition cost over the fair value of net tangible and intangible assets acquired in connection with an acquisition. Goodwill is assessed for impairment annually in the third quarter of each fiscal year or more frequently if circumstances indicate impairment may have occurred. Goodwill is recorded in Other Assets in the accompanying consolidated statements of financial condition.

Securities Sold Short

Whether part of a hedging transaction or a transaction in its own right, securities sold short represent obligations of KKR to deliver the specified security at the contracted price at a future point in time, and thereby create a liability to repurchase the security in the market at the prevailing prices. The liability for such securities sold short, which is recorded in Accounts Payable, Accrued Expenses and Other Liabilities in the statement of financial condition, is marked to market based on the current fair value of the underlying security at the reporting date with changes in fair value recorded as unrealized gains or losses in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. These transactions may involve market risk in excess of the amount currently reflected in the accompanying consolidated statements of financial condition.

Comprehensive Income (Loss)

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances, excluding those resulting from contributions from and distributions to owners. In the accompanying financial statements, comprehensive income represents Net Income (Loss), as presented in the consolidated statements of operations and net foreign currency translation.

Foreign Currency

Consolidated entities which have a functional currency that differs from KKR's reporting currency are primarily KKR's investment management and capital markets companies located outside the United States. Foreign currency denominated assets and liabilities are translated using the exchange rates prevailing at the end of each reporting period. Results of foreign operations are translated at the weighted average exchange rate for each reporting period. Translation adjustments are included as a component of accumulated other comprehensive income (loss) until realized. Foreign currency income or expenses resulting from transactions outside of the functional currency of a consolidated entity are recorded as incurred in general, administrative and other expense in the consolidated statements of operations.

Recently Issued Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board ("the "FASB") issued ASU No. 2014-09, Revenue from Contracts with Customers Topic 606 ("ASU 2014-09") which has subsequently been amended by ASU 2015-14, ASU 2016-08, ASU 2016-10, ASU 2016-12, and ASU 2017-13. These ASUs outline a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. Revenue recorded under ASU 2014-09 will depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In July 2015, the FASB deferred the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2017. Early adoption will be permitted as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within those annual periods. A full retrospective or modified retrospective approach is required.

Carried interest is a capital allocation to the general partner based on investment performance, and where applicable, subject to a preferred return to a funds' limited partners. KKR has concluded that capital allocation-based carried interest represents income from equity method investments that is not in the scope of ASU 2014-09. Accordingly, in connection with the adoption of ASU 2014-09, KKR will account for such carried interest as a financial instrument under the equity method of accounting within the scope of ASC 323, Investments - Equity Method and Joint Ventures ("ASC 323"). In accordance with ASC 323, KKR will record equity method income (losses) based on the change in KKR's proportionate claim on the net assets of the investment fund, including performance-based capital allocations, assuming the investment fund was liquidated as of each reporting date pursuant to each investment fund's governing agreements. As carried interest and the related general partner investments are considered to be a single unit of account under KKR's accounting policy, the equity method income associated with the general partner interests will be combined with the associated carried interest and reported in a single line within the statement of operations. KKR expects to apply this change in accounting on a full retrospective basis. The pattern and amount of recognition under the policy is not expected to differ materially from KKR's existing recognition. As it pertains to incentive fees, KKR expects the recognition of incentive fees, which are a form of variable consideration, to be deferred until such fees are no longer subject to significant reversal, which is consistent with KKR's existing recognition treatment. Additionally, KKR is currently in the process of implementing the new revenue guidance and is continuing to evaluate the effect this guidance will have on other revenue streams. KKR will adopt the new revenue recognition guidance effective January 1, 2018.

Financial Instruments

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments (Topic 825): Recognition and Measurement of Financial Assets and Liabilities ("ASU 2016-01"). The amended guidance (i) requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; (ii) eliminates the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is currently required to be disclosed for financial instruments measured at fair value; (iii) requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments and (iv) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The amended guidance should be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amended guidance related to equity securities without readily determinable fair values (including the disclosure requirements) should be applied prospectively to equity investments that exist as of the date of adoption. KKR is currently evaluating the impact of this guidance on the financial statements. KKR will adopt this guidance as of January 1, 2018.

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The guidance requires the recognition of lease assets and lease liabilities for those leases classified as operating leases under previous GAAP. The guidance retains a distinction between finance leases and operating leases. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases under previous GAAP. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly from previous GAAP. For operating leases, a lessee is required to do the following: (a) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial condition, (b) recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis, and (c) classify all cash payments within operating activities in the statement of cash flows. The guidance is effective for fiscal periods beginning after December 15, 2018. Early application is permitted. KKR is currently evaluating the impact of this guidance on the financial statements.

Investments

In March 2016, the FASB issued ASU No. 2016-07, Investments - Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting ("ASU 2016-07"), which simplifies the equity method of accounting by eliminating the requirement to retrospectively apply the equity method to an investment that subsequently qualifies for such accounting as a result of an increase in the level of ownership interest or degree of influence. ASU 2016-07 is effective for all entities for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Entities are required to apply the guidance prospectively to increases in the level of ownership interest or degree of influence occurring after the ASU's effective date. Additional transition disclosures are not required upon adoption. This guidance has been adopted as of January 1, 2017.

Equity-Based Compensation

In March 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Shared-Based Payment Accounting ("ASU 2016-09"), which simplifies several aspects of the accounting for employee share-based payment transactions for both public and nonpublic entities, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within those annual reporting periods. KKR adopted ASU 2016-09 on January 1, 2017 and will apply prospective application. In connection with this adoption, the most significant impacts to KKR relate to the following: (i) with respect to the tax impact of equity-based compensation charges, KKR has accounted for the difference between the deduction for tax purposes and the compensation cost recognized for financial reporting purposes as an income tax expense or benefit in the statement of operations, (ii) KKR has classified this difference with other income tax cash flows as an operating activity in the statement of cash flows and (iii) KKR has made an election to continue to estimate the number of equity compensation awards that are expected to vest, net of forfeitures, over the life of an equity award and not account for forfeitures as they occur.

In May 2017, the FASB issued ASU No. 2017-09, Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting ("ASU 2017-09"), which amends the scope of modification accounting for share-based payment arrangements. ASU 2017-09 provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting. Specifically, an entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. ASU 2017-09 is effective for fiscal years and interim periods beginning after December 15, 2017. Early adoption is permitted. KKR is currently evaluating the impact of this guidance on the financial statements. KKR will adopt this guidance as of January 1, 2018.

Cash Flow Classification

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which amends the guidance on the classification of certain cash receipts and payments in the statement of cash flows. The amended guidance adds or clarifies guidance on eight cash flow matters: (i) debt prepayment or debt extinguishment costs, (ii) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, (iii) contingent consideration payments made after a business combination, (iv) proceeds from the settlement of insurance claims, (v) proceeds from the settlement of corporate-owned life insurance policies, (vi) distributions received from equity method investees, (vii) beneficial interests in securitization transactions and (viii) separately identifiable cash flows and application of the predominance principle. The guidance in the ASU is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. The guidance must be applied retrospectively to all periods presented but may be applied prospectively from the earliest date practicable if retrospective application would be impracticable. KKR is currently evaluating the impact of this guidance on the financial statements.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which amends the guidance to add or clarify guidance on the classification and presentation of restricted cash in the statement of cash flows. The amended guidance requires the following: (i) restricted cash and restricted cash equivalents should be included in the cash and cash-equivalents balances in the statement of cash flows; (ii) changes in restricted cash and restricted cash equivalents that result from transfers between cash, cash equivalents, and restricted cash and restricted cash equivalents should not be presented as cash flow activities in the statement of cash flows; (iii) a reconciliation between the statement of financial position and the statement of cash flows must be disclosed when the statement of financial position includes more than one line item for cash, cash equivalents, restricted cash, and restricted cash equivalents; and (iv) the nature of the restrictions must be disclosed for material restricted cash and restricted cash equivalents amounts. The guidance in this ASU is effective for fiscal years beginning after December 15, 2017, including interim periods therein. Early adoption is permitted. The guidance must be applied retrospectively to all periods presented. KKR is currently evaluating the impact of this guidance on the financial statements. KKR will adopt this guidance as of January 1, 2018.

Income Taxes

In October 2016, the FASB issued ASU No. 2016-16, Income Taxes (Topic 740): Intra-entity Transfers of Assets Other Than Inventory ("ASU 2016-16"), which removed the prohibition in ASC 740 against the immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory. ASU 2016-16 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual reporting periods. KKR is currently evaluating the impact of this guidance on the financial statements. KKR will adopt this guidance as of January 1, 2018.

Clarifying the Definition of a Business

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business ("ASU 2017-01"). This guidance amends the definition of a business and provides a threshold which must be considered to determine whether a transaction is an asset acquisition or a business combination. ASU 2017-01 is effective for fiscal years and interim periods beginning after December 15, 2017. Early adoption is permitted for transactions (i.e. acquisitions or dispositions) that occurred before the issuance date or effective date of the standard if the transactions were not reported in financial statements that have been issued or made available for issuance. This guidance has been adopted as of the fourth quarter of 2017.

Goodwill

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. This guidance simplifies the accounting for goodwill impairments by eliminating the second step from the goodwill impairment test. The ASU requires goodwill impairments to be measured on the basis of the fair value of a reporting unit relative to the reporting unit's carrying amount rather than on the basis of the implied amount of goodwill relative to the goodwill balance of the reporting unit. The ASU also (i) clarifies the requirements for excluding and allocating foreign currency translation adjustments to reporting units related to an entity's testing of reporting units for goodwill impairment; and (ii) clarifies that an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The guidance is effective for fiscal periods beginning after December 15, 2019. Early adoption is allowed for entities as of January 1, 2017, for annual and any interim impairment tests occurring after January 1, 2017. KKR is currently evaluating the impact of this guidance on the financial statements.

Other Income

In February 2017, the FASB issued ASU No. 2017-05, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets. The ASU conforms the derecognition guidance on nonfinancial assets with the model for transactions in the new revenue standard (ASC 606, as amended). The effective date of the new guidance is aligned with the requirements in the new revenue standard, which is effective for annual and interim reporting periods beginning after December 15, 2017. The ASU allows an entity to use a full or modified retrospective adoption approach. KKR is currently evaluating the impact of this guidance on the financial statements.

Premium Amortization on Purchased Callable Debt Securities

In March 2017, the FASB issued ASU No. 2017-08, Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities ("ASU 2017-08"). This guidance amends the amortization period for certain purchased callable debt securities held at a premium. The guidance requires the premium to be amortized to the earliest call date. The guidance does not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. ASU 2017-08 is effective for fiscal years and interim periods beginning after December 15, 2018. Early adoption is permitted and the guidance when adopted should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. KKR is currently evaluating the impact of this guidance on the financial statements.

Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income

In February 2018, the FASB issued ASU No. 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income ("ASU 2018-02). Under ASC 740-10-45-15, the effects of changes in tax rates and laws on deferred tax balances are recorded as a component of tax expense related to continuing operations for the period in which the law was enacted, even if the assets and liabilities related to items of accumulated other comprehensive income ("OCI"). ASU 2018-02 allows entities to reclassify from accumulated OCI to retained earnings stranded tax effects related to the change in federal tax rate for all items accounted for in OCI. Entities can also elect to reclassify other stranded tax effects that relate to the 2017 Tax Act but do not directly relate to the change in the federal tax rate. Tax effects that are stranded in OCI for other reasons may not be reclassified. In the period of adoption, entities that elect to reclassify the income tax effects of the 2017 Tax Act from accumulated OCI to retained earnings must disclose that they made such an election. Entities must also disclose a description of other income tax effects related to the 2017 Tax Act that are reclassified from accumulated OCI to retained earnings, if any. The guidance is effective for fiscal periods beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted for periods for which financial statement have not yet been issued or made available upon issuance, including in the period the 2017 Tax Act was enacted. An entity that adopts ASU 2018-02 in an annual or interim periods after the period of enactment is able to choose whether to apply the amendments retrospectively to each period in which the effect of the 2017 Tax Act is recognized or to apply the amendments in the period of adoption. KKR is currently evaluating the impact of this guidance on the financial statements.

3. NET GAINS (LOSSES) FROM INVESTMENT ACTIVITIES

Net Gains (Losses) from Investment Activities in the consolidated statements of operations consist primarily of the realized and unrealized gains and losses on investments (including foreign exchange gains and losses attributable to foreign denominated investments and related activities) and other financial instruments, including those for which the fair value option has been elected. Unrealized gains or losses result from changes in the fair value of these investments and other financial instruments during a period. Upon disposition of an investment or financial instrument, previously recognized unrealized gains or losses are reversed and an offsetting realized gain or loss is recognized in the current period.

The following tables summarize total Net Gains (Losses) from Investment Activities for the years ended December 31, 2017 , 2016 and 2015, respectively:

	For the Year Ended December 31, 2017		
	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total
Private Equity [1]	$ 223,568	$ 338,720	$ 562,288
Credit, Equity Method and Other [1]	(1,232,645)	860,102	(372,543)
Investments of Consolidated CFEs [1]	(97,129)	352	(96,777)
Real Assets [1]	(18,722)	218,728	200,006
Foreign Exchange Forward Contracts and Options [2]	(31,772)	(342,849)	(374,621)
Securities Sold Short [2]	1,116,325	97,811	1,214,136
Other Derivatives [2]	(7,129)	(23,687)	(30,816)
Debt Obligations and Other [3]	85,820	15,666	101,486
Net Gains (Losses) From Investment Activities	**$ 38,316**	**$ 1,164,843**	**$ 1,203,159**

	For the Year Ended December 31, 2016		
	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total
Private Equity [1]	$ 306,180	$ (196,892)	$ 109,288
Credit, Equity Method and Other [1]	(825,822)	4,280	(821,542)
Investments of Consolidated CFEs [1]	(258,430)	444,142	185,712
Real Assets [1]	87,512	141,886	229,398
Foreign Exchange Forward Contracts and Options [2]	108,404	(7,986)	100,418
Securities Sold Short [2]	594,743	(90,607)	504,136
Other Derivatives [2]	(49,712)	70,534	20,822
Debt Obligations and Other [3]	384,222	(369,557)	14,665
Net Gains (Losses) From Investment Activities	**$ 347,097**	**$ (4,200)**	**$ 342,897**

	For the Year Ended December 31, 2015		
	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total
Private Equity [1]	$ 4,452,593	$ 1,140,377	$ 5,592,970
Credit, Equity Method and Other [1]	138,915	(800,027)	(661,112)
Investments of Consolidated CFEs [1]	(54,367)	(220,577)	(274,944)
Real Assets [1]	(2,035,727)	1,591,541	(444,186)
Foreign Exchange Forward Contracts and Options [2]	415,370	87,482	502,852
Securities Sold Short [2]	(6,860)	3,909	(2,951)
Other Derivatives [2]	17,694	2,449	20,143
Debt Obligations and Other [3]	74,266	(134,411)	(60,145)
Net Gains (Losses) From Investment Activities	**$ 3,001,884**	**$ 1,670,743**	**$ 4,672,627**

(1) See Note 4 "Investments."

(2) See Note 8 "Other Assets and Accounts Payable, Accrued Expenses and Other Liabilities."

(3) See Note 10 "Debt Obligations."

4. INVESTMENTS

Investments consist of the following:

	December 31, 2017	December 31, 2016
Private Equity	$ 3,301,261	$ 2,915,667
Credit	7,621,320	4,847,936
Investments of Consolidated CFEs	15,573,203	13,950,897
Real Assets	2,302,061	1,807,128
Equity Method	4,552,515	2,728,995
Carried Interest	2,904,287	2,384,177
Other	2,759,287	2,774,965
Total Investments	**$ 39,013,934**	**$ 31,409,765**

As of December 31, 2017 and 2016, there were no investments which represented greater than 5% of total investments. The majority of the securities underlying private equity investments represent equity securities.

Carried Interest

Carried interest allocated to the general partner in respect of performance of investment funds that are not consolidated were as follows:

Balance at December 31, 2016	$ 2,384,177
Carried Interest Allocated as a result of Changes in Fund Fair Value	1,740,661
Cash Proceeds Received	(1,220,551)
Balance at December 31, 2017	**$ 2,904,287**

Equity Method

Equity method investments include (i) certain investments in private equity funds, real assets funds and credit funds, which are not consolidated and (ii) certain investments in operating companies in which KKR is deemed to exert significant influence.

Under the equity method of accounting, KKR's share of earnings (losses) from equity method investments is reflected as a component of Net Gains (Losses) from Investment Activities in the consolidated statements of operations. Because the underlying investments of unconsolidated investment funds are reported at fair value, the carrying value of these equity method investments representing KKR's interests in unconsolidated funds approximates fair value. The carrying value of equity method investments in certain operating companies, which KKR is determined to exert significant influence, is generally determined based on the amounts invested by KKR, adjusted for the equity in earnings or losses of the investee allocated based on KKR's respective ownership percentage, less distributions. In some cases, KKR has elected the fair value option to account for certain of these equity method investments. With respect to equity method investments where KKR has elected the fair value option, KKR's net income or loss associated with these investments predominantly represents fair value adjustments in the investments. Changes in estimated fair value are recorded in Net Gains (Losses) from Investment Activities in the consolidated statement of operations.

KKR evaluates each of its equity method investments to determine if any are significant as defined in the regulations promulgated by the U.S. Securities and Exchange Commission (the "SEC"). As of and for the years ended December 31, 2017, 2016 and 2015, no individual equity method investment held by KKR met the significance criteria. As such, KKR is not required to present separate financial statements for any of its equity method investments.

Investment in Marshall Wace

On November 2, 2015, KKR entered into a long-term strategic relationship with Marshall Wace LLP and its affiliates ("Marshall Wace") and acquired a 24.9% interest in Marshall Wace through a combination of cash and common units. Subject to the exercise of a put option by Marshall Wace or a call option by KKR, at subsequent closings to occur in the second, third and fourth years following the initial closing described above, and subject to satisfaction or waiver of certain closing conditions, including regulatory approvals, KKR may at each such closing subscribe (or be required to subscribe) for an incremental 5% equity interest, for ultimate aggregate ownership of up to 39.9% of Marshall Wace. The exercise of such options would require the use of cash and/or issuance of KKR common units. KKR's investment in Marshall Wace is accounted for using the equity method of accounting.

On November 30, 2017, KKR acquired an additional 5.0% interest in Marshall Wace after the exercise of one of the options agreed to between Marshall Wace and KKR. This acquisition was funded through a combination of cash and newly issued common units.

Summarized Financial Information

The following table shows summarized financial information relating to the statements of financial condition for KKR's equity method investments assuming 100% ownership as of December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
Total Assets	$ 66,989,419	$ 46,607,136
Total Liabilities	$ 10,510,223	$ 4,368,696
Total Equity	$ 56,479,196	$ 42,238,440

The following table shows summarized financial information relating to the statements of operations for KKR's equity method investments assuming 100% ownership for the years ended December 31, 2017, 2016 and 2015:

	For the Years Ended December 31,		
	2017	2016	2015
Investment Related Revenues	$ 1,167,038	$ 1,195,404	$ 240,877
Other Revenues	3,002,987	1,201,693	623,714
Investment Related Expenses	482,336	464,616	53,081
Other Expenses	2,392,965	801,342	675,293
Net Realized and Unrealized Gain/(Loss) from Investments	9,217,912	3,625,293	(307,301)
Net Income (Loss)	$ 10,512,636	$ 4,756,432	$ (171,084)

5 . FAIR VALUE MEASUREMENTS

The following tables summarize the valuation of KKR's assets and liabilities by the fair value hierarchy. Carried interest and equity method investments for which the fair value option has not been elected have been excluded from the tables below.

Assets, at fair value:

	December 31, 2017			
	Level I	Level II	Level III	Total
Private Equity	$ 1,043,390	$ 85,581	$ 2,172,290	$ 3,301,261
Credit	—	2,482,383	5,138,937	7,621,320
Investments of Consolidated CFEs	—	10,220,113	5,353,090	15,573,203
Real Assets	50,794	—	2,251,267	2,302,061
Equity Method	60,282	247,748	1,076,709	1,384,739
Other	864,872	134,404	1,760,011	2,759,287
Total	2,019,338	13,170,229	17,752,304	32,941,871
Foreign Exchange Contracts and Options	—	96,584	—	96,584
Other Derivatives	—	33,125	51,949 (1)	85,074
Total Assets	**$ 2,019,338**	**$ 13,299,938**	**$ 17,804,253**	**$ 33,123,529**

(1) Includes derivative assets that were valued using a third-party valuation firm. The approach used to estimate the fair value of these derivative assets was generally the discounted cash flow method, which includes consideration of the current portfolio, projected portfolio construction, projected portfolio realizations, portfolio volatility (based on the volatility, correlation, and size of each underlying asset class), and the discounting of future cash flows to the reporting date.

	December 31, 2016			
	Level I	Level II	Level III	Total
Private Equity	$ 1,240,108	$ 116,000	$ 1,559,559	$ 2,915,667
Credit	—	1,557,575	3,290,361	4,847,936
Investments of Consolidated CFEs	—	8,544,677	5,406,220	13,950,897
Real Assets	—	—	1,807,128	1,807,128
Equity Method	—	220,896	570,522	791,418
Other	994,677	12,715	1,767,573	2,774,965
Total	2,234,785	10,451,863	14,401,363	27,088,011
Foreign Exchange Contracts and Options	—	240,627	—	240,627
Other Derivatives	—	81,593	—	81,593
Total Assets	**$ 2,234,785**	**$ 10,774,083**	**$ 14,401,363**	**$ 27,410,231**

Liabilities, at fair value:

	December 31, 2017				
	Level I	Level II	Level III		Total
Securities Sold Short	$ 692,007	$ —	$ —		$ 692,007
Foreign Exchange Contracts and Options	—	260,948	—		260,948
Unfunded Revolver Commitments	—	—	17,629	(1)	17,629
Other Derivatives	—	27,581	41,800	(2)	69,381
Debt Obligations of Consolidated CFEs	—	10,347,980	5,238,236		15,586,216
Total Liabilities	**$ 692,007**	**$ 10,636,509**	**$ 5,297,665**		**$ 16,626,181**

	December 31, 2016				
	Level I	Level II	Level III		Total
Securities Sold Short	$ 644,196	$ 3,038	$ —		$ 647,234
Foreign Exchange Contracts and Options	—	75,218	—		75,218
Unfunded Revolver Commitments	—	9,023	—		9,023
Other Derivatives	—	44,015	56,000	(2)	100,015
Debt Obligations of Consolidated CFEs	—	8,563,547	5,294,741		13,858,288
Total Liabilities	**$ 644,196**	**$ 8,694,841**	**$ 5,350,741**		**$ 14,689,778**

(1) These unfunded revolver commitments are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR's Level III credit investments.

(2) Includes options issued in connection with the acquisition of the 24.9% equity interest in Marshall Wace in November 2015 and its affiliates to increase KKR's ownership interest to 39.9% in periodic increments from 2017 to 2019. The option is valued using a Monte-Carlo simulation valuation methodology. Key inputs used in this methodology that require estimates include Marshall Wace's dividend yield, assets under management volatility and equity volatility. See Note 4 "Investments."

The following tables summarize changes in investments and debt obligations reported at fair value for which Level III inputs have been used to determine fair value for the years ended December 31, 2017 and 2016, respectively:

For the Year Ended December 31, 2017

	Level III Investments							Level III Debt Obligations
	Private Equity	Credit	Investments of Consolidated CFEs	Real Assets	Equity Method	Other	Total	Debt Obligations of Consolidated CFEs
Balance, Beg. of Period	$ 1,559,559	$ 3,290,361	$ 5,406,220	$ 1,807,128	$ 570,522	$ 1,767,573	$ 14,401,363	$ 5,294,741
Transfers In/Out Due to Changes in Consolidation	—	(41,422)	—	45,639	—	—	4,217	—
Transfers In	—	—	—	—	—	3,511	3,511	—
Transfers Out	(14,532)	(16,671)	—	—	—	(1,496)	(32,699)	—
Asset Purchases / Debt Issuances	427,914	2,545,756	—	744,273	728,338	327,144	4,773,425	—
Sales / Paydowns	(175,676)	(1,224,468)	(45,562)	(528,617)	(291,326)	(262,953)	(2,528,602)	—
Settlements	—	134,561	—	—	—	—	134,561	(45,562)
Net Realized Gains (Losses)	6,846	(97,409)	—	(18,722)	21,865	(40,098)	(127,518)	—
Net Unrealized Gains (Losses)	368,179	518,049	(7,568)	201,566	47,310	(33,670)	1,093,866	(10,943)
Change in Other Comprehensive Income	—	30,180	—	—	—	—	30,180	—
Balance, End of Period	**$ 2,172,290**	**$ 5,138,937**	**$ 5,353,090**	**$ 2,251,267**	**$ 1,076,709**	**$ 1,760,011**	**$ 17,752,304**	**$ 5,238,236**
Changes in Net Unrealized Gains (Losses) Included in Net Gains (Losses) from Investment Activities related to Level III Assets and Liabilities still held as of the Reporting Date	$ 370,136	$ 424,099	$ (7,568)	$ 147,940	$ 61,855	$ (22,904)	$ 973,558	$ (10,943)

For the Year Ended December 31, 2016

	Level III Investments							Level III Debt Obligations
	Private Equity	Credit	Investments of Consolidated CFEs	Real Assets	Equity Method	Other	Total	Debt Obligations of Consolidated CFEs
Balance, Beg. of Period	$ 18,903,538	$ 5,012,355	$ —	$ 4,048,281	$ 891,606	$ 2,581,188	$ 31,436,968	$ —
Transfers Out Due to Deconsolidation of Funds	(17,856,098)	(2,354,181)	—	(2,628,999)	—	(984,813)	(23,824,091)	—
Transfers In	—	47,536	4,343,829	—	—	180,508	4,571,873	4,272,081
Transfers Out	(104,000)	(7,482)	—	—	(311,270)	—	(422,752)	—
Asset Purchases / Debt Issuances	591,459	1,589,920	1,026,801	535,210	101,524	364,180	4,209,094	990,450
Sales / Paydowns	(111,018)	(973,370)	(32,286)	(387,593)	(78,088)	(162,989)	(1,745,344)	—
Settlements	—	128,299	—	—	—	—	128,299	(32,286)
Net Realized Gains (Losses)	(219,407)	(9,786)	—	87,512	3,830	(16,456)	(154,307)	—
Net Unrealized Gains (Losses)	355,085	(138,496)	67,876	152,717	(37,080)	(194,045)	206,057	64,496
Change in Other Comprehensive Income	—	(4,434)	—	—	—	—	(4,434)	—
Balance, End of Period	**$ 1,559,559**	**$ 3,290,361**	**$ 5,406,220**	**$ 1,807,128**	**$ 570,522**	**$ 1,767,573**	**$ 14,401,363**	**$ 5,294,741**
Changes in Net Unrealized Gains (Losses) Included in Net Gains (Losses) from Investment Activities related to Level III Assets and Liabilities still held as of the Reporting Date	$ 127,082	$ (138,335)	$ 67,876	$ 180,543	$ (31,130)	$ (217,771)	$ (11,735)	$ 64,496

Total realized and unrealized gains and losses recorded for Level III assets and liabilities are reported in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations.

The following table summarizes the fair value transfers between fair value levels for the years ended December 31, 2017 and 2016:

	For the Years Ended December 31,	
	2017	2016
Assets, at fair value:		
Transfers from Level I to Level II [(1)]	$ 53,416	$ 73,600
Transfers from Level II to Level I [(4)]	$ 33,634	$ —
Transfers from Level II to Level III [(2)]	$ 3,511	$ 4,571,873
Transfers from Level III to Level II [(3)]	$ 16,671	$ 318,752
Transfers from Level III to Level I [(4)]	$ 16,028	$ 104,000
Liabilities, at fair value:		
Transfers from Level II to Level III [(5)]	$ —	$ 4,272,081

(1) Transfers out of Level I into Level II are principally attributable to certain investments that are no longer valued using a publicly traded market price.
(2) Transfers out of Level II into Level III are principally attributable to certain investments that experienced an insignificant level of market activity during the period and thus were valued in the absence of observable inputs.
(3) Transfers out of Level III into Level II are principally attributable to certain investments that experienced a higher level of market activity during the period and thus were valued using observable inputs.
(4) Transfers out of Level III and Level II into Level I are attributable to portfolio companies that are valued using their publicly traded market price.
(5) Transfers out of Level II into Level III are principally attributable to debt obligations of CMBS vehicles due to an insignificant level of market activity during the period and thus were valued in the absence of observable inputs.

The following table presents additional information about valuation methodologies and significant unobservable inputs used for investments and debt obligations that are measured at fair value and categorized within Level III as of December 31, 2017 :

	Fair Value December 31, 2017		Valuation Methodologies	Unobservable Input(s) (1)	Weighted Average (2)	Range	Impact to Valuation from an Increase in Input (3)
Private Equity	**$ 2,172,290**						
Private Equity	**$ 576,410**		Inputs to market comparables, discounted cash flow and transaction price	Illiquidity Discount	9.6%	5.0% - 15.0%	Decrease
				Weight Ascribed to Market Comparables	48.4%	0.0% - 50.0%	(4)
				Weight Ascribed to Discounted Cash Flow	51.6%	50.0% - 100.0%	(5)
			Market comparables	Enterprise Value/LTM EBITDA Multiple	14.4x	7.4x - 26.2x	Increase
				Enterprise Value/Forward EBITDA Multiple	12.4x	5.7x - 19.0x	Increase
			Discounted cash flow	Weighted Average Cost of Capital	10.1%	7.7% - 14.6%	Decrease
				Enterprise Value/LTM EBITDA Exit Multiple	10.5x	4.8x - 15.1x	Increase
Growth Equity	**$ 1,595,880**		Inputs to market comparables, discounted cash flow and milestones	Illiquidity Discount	13.3%	10.0% - 15.0%	Decrease
				Weight Ascribed to Market Comparables	24.5%	0.0% - 100.0%	(4)
				Weight Ascribed to Discounted Cash Flow	9.0%	0.0% - 75.0%	(5)
				Weight Ascribed to Milestones	66.5%	0.0% - 100.0%	(6)
			Scenario Weighting	Base	51.9%	30.0% - 80.0%	Increase
				Downside	21.4%	5.0% - 40.0%	Decrease
				Upside	26.7%	10.0% - 45.0%	Increase
Credit	**$ 5,138,937**		Yield Analysis	Yield	10.3%	3.2% - 36.6%	Decrease
				Net Leverage	4.7x	0.5x - 27.5x	Decrease
				EBITDA Multiple	11.8x	0.1x - 22.4x	Increase
Investments of Consolidated CFEs	**$ 5,353,090**	(9)					
Debt Obligations of Consolidated CFEs	**$ 5,238,236**		Discounted cash flow	Yield	5.6%	2.2% - 29.3%	Decrease
Real Assets	**$ 2,251,267**	(10)					
Energy	**$ 1,152,627**		Discounted cash flow	Weighted Average Cost of Capital	10.4%	9.4% - 17.5%	Decrease
				Average Price Per BOE (8)	$40.34	$26.50 - $42.05	Increase
Real Estate	**$ 887,403**		Inputs to direct income capitalization and discounted cash flow	Weight Ascribed to Direct Income Capitalization	37.2%	0.0% - 100.0%	(7)
				Weight Ascribed to Discounted Cash Flow	62.8%	0.0% - 100.0%	(5)
			Direct income capitalization	Current Capitalization Rate	5.8%	1.9% - 8.7%	Decrease
			Discounted cash flow	Unlevered Discount Rate	9.0%	4.5% - 20.0%	Decrease
Other	**$ 1,760,011**	(11)	Inputs to market comparables, discounted cash flow and transaction price	Illiquidity Discount	10.6%	5.0% - 15.0%	Decrease
				Weight Ascribed to Market Comparables	22.8%	0.0% - 100.0%	(4)
				Weight Ascribed to Discounted Cash Flow	45.3%	0.0% - 100.0%	(5)
				Weight Ascribed to Transaction Price	31.9%	0.0% - 100.0%	(6)
			Market comparables	Enterprise Value/LTM EBITDA Multiple	10.9x	0.1x - 15.1x	Increase
				Enterprise Value/Forward EBITDA Multiple	9.1x	4.0x - 13.5x	Increase
			Discounted cash flow	Weighted Average Cost of Capital	11.8%	8.5% - 21.2%	Decrease
				Enterprise Value/LTM EBITDA Exit Multiple	6.7x	2.0x - 11.3x	Increase

(1) In determining certain of these inputs, management evaluates a variety of factors including economic conditions, industry and market developments, market valuations of comparable companies and company specific developments including exit strategies and realization opportunities. Management has determined that market participants would take these inputs into account when valuing the investments and debt obligations. LTM means last twelve months and EBITDA means earnings before interest taxes depreciation and amortization.

(2) Inputs were weighted based on the fair value of the investments included in the range.

(3) Unless otherwise noted, this column represents the directional change in the fair value of the Level III investments that would result from an increase to the corresponding unobservable input. A decrease to the unobservable input would have the opposite effect. Significant increases and decreases in these inputs in isolation could result in significantly higher or lower fair value measurements.

(4) The directional change from an increase in the weight ascribed to the market comparables approach would increase the fair value of the Level III investments if the market comparables approach results in a higher valuation than the discounted cash flow approach and transaction price. The opposite would be true if the market comparables approach results in a lower valuation than the discounted cash flow approach and transaction price.

(5) The directional change from an increase in the weight ascribed to the discounted cash flow approach would increase the fair value of the Level III investments if the discounted cash flow approach results in a higher valuation than the market comparables approach, transaction price and direct income capitalization approach. The opposite would be true if the discounted cash flow approach results in a lower valuation than the market comparables approach and transaction price.

(6) The directional change from an increase in the weight ascribed to the transaction price or milestones would increase the fair value of the Level III investments if the transaction price results in a higher valuation than the market comparables and discounted cash flow approach. The opposite would be true if the transaction price results in a lower valuation than the market comparables approach and discounted cash flow approach.

(7) The directional change from an increase in the weight ascribed to the direct income capitalization approach would increase the fair value of the Level III investments if the direct income capitalization approach results in a higher valuation than the discounted cash flow approach. The opposite would be true if the direct income capitalization approach results in a lower valuation than the discounted cash flow approach.

(8) The total energy fair value amount includes multiple investments (in multiple locations throughout North America) that are held in multiple investment funds and produce varying quantities of oil, condensate, natural gas liquids, and natural gas. Commodity price may be measured using a common volumetric equivalent where one barrel of oil equivalent, or BOE, is determined using the ratio of six thousand cubic feet of natural gas to one barrel of oil, condensate or natural gas liquids. The price per BOE is provided to show the aggregate of all price inputs for the various investments over a common volumetric equivalent although the valuations for specific investments may use price inputs specific to the asset for purposes of our valuations. The discounted cash flows include forecasted production of liquids (oil, condensate, and natural gas liquids) and natural gas with a forecasted revenue ratio of approximately 85% liquids and 15% natural gas.

(9) KKR measures CMBS investments on the basis of the fair value of the financial liabilities of the CMBS vehicle. See Note 2 "Summary of Significant Accounting Policies."

(10) Includes one Infrastructure investment for $211.2 million that was valued using a discounted cash flow analysis. The significant inputs used included the weighted average cost of capital 7.6% and the enterprise value/LTM EBITDA Exit Multiple 12.0 x.

(11) Consists primarily of investments in common stock, preferred stock, warrants and options of companies that are not private equity, real assets, credit or investments of consolidated CFEs.

The table above excludes equity method investments, which KKR has elected the fair value option in the amount of $1,076.7 million , comprised primarily of (i) interests in partnerships that hold investments in private equity investments, (ii) interests in real estate joint ventures and (iii) direct interests in certain operating companies. These equity method investments were valued using Level III value methodologies which are generally the same as those shown for private equity and real estate investments.

In the table above, certain private equity investments may be valued at cost for a period of time after an acquisition as the best indicator of fair value. In addition, certain valuations of private equity investments may be entirely or partially derived by reference to observable valuation measures for a pending or consummated transaction.

The various unobservable inputs used to determine the Level III valuations may have similar or diverging impacts on valuation. Significant increases and decreases in these inputs in isolation and interrelationships between those inputs could result in significantly higher or lower fair value measurements as noted in the table above.

6. FAIR VALUE OPTION

The following table summarizes the financial instruments for which the fair value option has been elected:

	December 31, 2017	December 31, 2016
Assets		
Private Equity	$ 3,744	$ 96,721
Credit	4,381,519	1,392,525
Investments of Consolidated CFEs	15,573,203	13,950,897
Real Assets	343,820	247,376
Equity Method	1,384,739	791,418
Other	344,996	240,343
Total	**$ 22,032,021**	**$ 16,719,280**
Liabilities		
Debt Obligations of Consolidated CFEs	$ 15,586,216	$ 13,858,288
Total	**$ 15,586,216**	**$ 13,858,288**

The following table presents the net realized and net change in unrealized gains (losses) on financial instruments on which the fair value option was elected for the years ended December 31, 2017 , 2016 and 2015, respectively:

	For the Years Ended December 31,					
	2017		2016		2015	
	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)
Assets						
Private Equity	$ (1,386)	$ 38,791	$ (245,014)	$ 238,600	$ 111,962	$ 86,419
Credit	(464,512)	78,282	(144,854)	48,922	(22,847)	(68,053)
Investments of Consolidated CFEs	(97,129)	352	(258,430)	444,142	(54,367)	(220,577)
Real Assets	13,112	44,136	8,835	4,159	(200,394)	213,171
Equity Method	18,883	(2,635)	3,830	(127,741)	7,703	(80,587)
Other	(32,217)	24,923	(10,361)	(19,386)	9,984	(20,691)
Total	**$ (563,249)**	**$ 183,849**	**$ (645,994)**	**$ 588,696**	**$ (147,959)**	**$ (90,318)**
Liabilities						
Debt Obligations of Consolidated CFEs	83,146	11,768	325,548	(357,321)	—	(11,257)
Total	**$ 83,146**	**$ 11,768**	**$ 325,548**	**$ (357,321)**	**$ —**	**$ (11,257)**

7. NET INCOME (LOSS) ATTRIBUTABLE TO KKR & CO. L.P. PER COMMON UNIT

For the years ended December 31, 2017 , 2016 and 2015, basic and diluted Net Income (Loss) attributable to KKR & Co. L.P. per common unit were calculated as follows:

	For the Years Ended December 31,		
	2017	**2016**	**2015**
Net Income (Loss) Attributable to KKR & Co. L.P. Common Unitholders	**$ 984,941**	**$ 287,072**	**$ 488,482**
Basic Net Income (Loss) Per Common Unit			
Weighted Average Common Units Outstanding - Basic	**468,282,642**	**448,905,126**	**448,884,185**
Net Income (Loss) Attributable to KKR & Co. L.P. Per Common Unit - Basic	**$ 2.10**	**$ 0.64**	**$ 1.09**
Diluted Net Income (Loss) Per Common Unit			
Weighted Average Common Units Outstanding - Basic	468,282,642	448,905,126	448,884,185
Weighted Average Unvested Common Units and Other Exchangeable Securities	38,006,329	34,525,922	33,815,009
Weighted Average Common Units Outstanding - Diluted	**506,288,971**	**483,431,048**	**482,699,194**
Net Income (Loss) Attributable to KKR & Co. L.P. Per Common Unit - Diluted	**$ 1.95**	**$ 0.59**	**$ 1.01**

Weighted Average Common Units Outstanding—Diluted primarily includes unvested equity awards that have been granted under the Equity Incentive Plan as well as exchangeable equity securities issued in connection with the acquisition of Avoca. Vesting or exchanges of these equity interests dilute KKR and KKR Holdings pro rata in accordance with their respective ownership interests in the KKR Group Partnerships.

For the years ended December 31, 2017 , 2016 and 2015, KKR Holdings units have been excluded from the calculation of Net Income (Loss) Attributable to KKR & Co. L.P. Per Common Unit - Diluted since the exchange of these units would not dilute KKR's respective ownership interests in the KKR Group Partnerships.

	For the Years Ended December 31,		
	2017	**2016**	**2015**
Weighted Average KKR Holdings Units Outstanding	**344,422,095**	**357,873,788**	**368,399,872**

Additionally, for the year ended December 31, 2017, 5.0 million KKR common units subject to a market-price based vesting condition ("Market Condition Awards") were excluded from the calculation of Net Income (Loss) Attributable to KKR & Co. L.P. Per Common Unit - Diluted since the vesting conditions have not been satisfied. See Note 12 "Equity Based Compensation."

8. OTHER ASSETS AND ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

Other Assets consist of the following:

	December 31, 2017	December 31, 2016
Unsettled Investment Sales [1]	$ 134,781	$ 144,600
Receivables	138,109	49,279
Due from Broker [2]	682,403	1,084,602
Oil & Gas Assets, net [3]	252,371	276,694
Deferred Tax Assets, net	131,944	286,948
Interest Receivable	189,785	158,511
Fixed Assets, net [4]	364,203	283,262
Foreign Exchange Contracts and Options [5]	96,584	240,627
Intangible Assets, net [6]	129,178	135,024
Goodwill [6]	83,500	89,000
Derivative Assets	85,074	81,593
Deferred Transaction Related Expenses	54,328	17,688
Prepaid Taxes	83,371	46,996
Prepaid Expenses	25,677	17,761
Deferred Financing Costs	7,534	10,507
Other	72,233	73,773
Total	**$ 2,531,075**	**$ 2,996,865**

(1) Represents amounts due from third parties for investments sold for which cash settlement has not occurred.

(2) Represents amounts held at clearing brokers resulting from securities transactions.

(3) Includes proved and unproved oil and natural gas properties under the successful efforts method of accounting, which is net of impairment write-downs, accumulated depreciation, depletion and amortization. Depreciation, depletion and amortization amounted to $24.7 million and $38.9 million for the years ended December 31, 2017 and 2016, respectively. Whenever events or changes in circumstances indicate that the carrying amounts of such oil and natural gas properties may not be recoverable, KKR evaluates its proved and unproved oil and natural gas properties and related equipment and facilities for impairment on a field-by-field basis. For the year ended December 31, 2017, there was no impairment charge. For the years ended December 31, 2016 and 2015, KKR recorded impairment charges totaling approximately $6.2 million and $54.0 million , respectively, to write down certain of its oil and natural gas properties. The impairment charge is recorded in General, Administrative and Other in the consolidated statements of operations.

(4) Net of accumulated depreciation and amortization of $156,859 and $141,911 as of December 31, 2017 and December 31, 2016 , respectively. Depreciation and amortization expense of $15,329 , $16,045 and $15,418 for the years ended December 31, 2017 , 2016 and 2015, respectively, is included in General, Administrative and Other in the accompanying consolidated statements of operations.

(5) Represents derivative financial instruments used to manage foreign exchange risk arising from certain foreign currency denominated investments. Such instruments are measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. See Note 3 "Net Gains (Losses) from Investment Activities" for the net changes in fair value associated with these instruments.

(6) See Note 16 "Goodwill and Intangible Assets."

Accounts Payable, Accrued Expenses and Other Liabilities consist of the following:

	December 31, 2017	December 31, 2016
Amounts Payable to Carry Pool [(1)]	$ 1,220,559	$ 987,994
Unsettled Investment Purchases [(2)]	885,945	722,076
Securities Sold Short [(3)]	692,007	647,234
Derivative Liabilities	69,381	100,015
Accrued Compensation and Benefits	35,953	20,764
Interest Payable	168,673	114,894
Foreign Exchange Contracts and Options [(4)]	260,948	75,218
Accounts Payable and Accrued Expenses	152,916	114,854
Deferred Rent	17,441	17,503
Taxes Payable	35,933	12,514
Uncertain Tax Positions Reserve	58,369	51,964
Redemptions Payable	—	4,021
Due to Broker [(5)]	—	83,206
Other Liabilities	56,125	29,003
Total	**$ 3,654,250**	**$ 2,981,260**

(1) Represents the amount of carried interest payable to principals, professionals and other individuals with respect to KKR's active funds and co-investment vehicles that provide for carried interest.

(2) Represents amounts owed to third parties for investment purchases for which cash settlement has not occurred.

(3) Represents the obligations of KKR to deliver a specified security at a future point in time. Such securities are measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. See Note 3 "Net Gains (Losses) from Investment Activities" for the net changes in fair value associated with these instruments.

(4) Represents derivative financial instruments used to manage foreign exchange risk arising from certain foreign currency denominated investments. Such instruments are measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. See Note 3 "Net Gains (Losses) from Investment Activities" for the net changes in fair value associated with these instruments.

(5) Represents amounts owed for securities transactions initiated at clearing brokers.

9. VARIABLE INTEREST ENTITIES

Consolidated VIEs

KKR consolidates certain VIEs in which it is determined that KKR is the primary beneficiary as described in Note 2 "Summary of Significant Accounting Policies" and which are predominately CFEs and certain investment funds. The primary purpose of these VIEs is to provide strategy specific investment opportunities to earn capital gains, current income or both in exchange for management and performance based fees or carried interest. KKR's investment strategies for these VIEs differ by product; however, the fundamental risks have similar characteristics, including loss of invested capital and loss of management fees and carried interests. KKR does not provide performance guarantees and has no other financial obligation to provide funding to these consolidated VIEs, beyond amounts previously committed, if any.

Unconsolidated VIEs

KKR holds variable interests in certain VIEs which are not consolidated as it has been determined that KKR is not the primary beneficiary. VIEs that are not consolidated include certain investment funds sponsored by KKR and certain CLO vehicles.

Investments in Unconsolidated Investment Funds

KKR's investment strategies differ by investment fund; however, the fundamental risks have similar characteristics, including loss of invested capital and loss of management fees and carried interests. KKR's maximum exposure to loss as a result of its investments in the unconsolidated investment funds is the carrying value of such investments, including KKR's capital interest and any unrealized carried interest, which was approximately $4.4 billion at December 31, 2017 . Accordingly, disaggregation of KKR's involvement by type of unconsolidated investment fund would not provide more useful information. For these unconsolidated investment funds in which KKR is the sponsor, KKR may have an obligation as general partner to provide commitments to such investment funds. As of December 31, 2017 , KKR's commitments to these unconsolidated investment funds was $1.9 billion . KKR has not provided any financial support other than its obligated amount as of December 31, 2017 .

Investments in Unconsolidated CLO Vehicles

KKR provides collateral management services for, and has made nominal investments in, certain CLO vehicles that it does not consolidate. KKR's investments in the unconsolidated CLO vehicles, if any, are carried at fair value in the consolidated statements of financial condition. KKR earns management fees, including subordinated collateral management fees, for managing the collateral of the CLO vehicles. As of December 31, 2017 , combined assets under management in the pools of unconsolidated CLO vehicles were $0.7 billion . KKR's maximum exposure to loss as a result of its investments in the residual interests of unconsolidated CLO vehicles is the carrying value of such investments, which was $27.5 million as of December 31, 2017 . CLO investors in the CLO vehicles may only use the assets of the CLO to settle the debt of the related CLO, and otherwise have no recourse against KKR for any losses sustained in the CLO structures.

As of December 31, 2017 and 2016, the maximum exposure to loss, before allocations to the carry pool and noncontrolling interests, if any, for those VIEs in which KKR is determined not to be the primary beneficiary but in which it has a variable interest is as follows:

	December 31, 2017	December 31, 2016
Investments	$ 4,417,003	$ 3,632,162
Due from (to) Affiliates, net	176,131	(60,604)
Maximum Exposure to Loss	**$ 4,593,134**	**$ 3,571,558**

10. DEBT OBLIGATIONS

KKR borrows and enters into credit agreements and issues debt for its general operating and investment purposes. Additionally, certain of KKR's consolidated investment funds borrow to meet financing needs of their operating and investing activities. KKR consolidates and reports KFN's debt obligations which are non-recourse to KKR beyond the assets of KFN.

Fund financing facilities have been established for the benefit of certain investment funds. When an investment fund borrows from the facility in which it participates, the proceeds from the borrowings are limited for their intended use by the borrowing investment fund. KKR's obligations with respect to these financing arrangements are generally limited to KKR's pro rata equity interest in such funds.

In addition, certain consolidated CFE vehicles issue debt securities to third-party investors which are collateralized by assets held by the CFE vehicle. Debt securities issued by CFEs are supported solely by the assets held at the CFEs and are not collateralized by assets of any other KKR entity. CFEs also may have warehouse facilities with banks to provide liquidity to the CFE. The CFE's debt obligations are non-recourse to KKR beyond the assets of the CFE.

KKR's borrowings consisted of the following:

	December 31, 2017			December 31, 2016		
	Financing Available	Borrowing Outstanding	Fair Value	Financing Available	Borrowing Outstanding	Fair Value
Revolving Credit Facilities:						
Corporate Credit Agreement	$ 1,000,000	$ —	$ —	$ 1,000,000	$ —	$ —
KCM Credit Agreement	487,656	—	—	500,000	—	—
KCM Short-Term Credit Agreement	750,000	—	—	—	—	—
Notes Issued:						
KKR Issued 6.375% Notes Due 2020 (1)	—	498,390	549,000 (10)	—	497,804	562,960 (10)
KKR Issued 5.500% Notes Due 2043 (2)	—	491,496	580,000 (10)	—	491,158	502,800 (10)
KKR Issued 5.125% Notes Due 2044 (3)	—	990,375	1,107,100 (10)	—	990,009	955,240 (10)
KFN Issued 5.500% Notes Due 2032 (4)	—	493,129	505,235	—	—	—
KFN Issued 7.500% Notes Due 2042 (5)	—	—	—	—	123,008	116,699 (11)
KFN Issued Junior Subordinated Notes (6)	—	236,038	201,828	—	250,154	210,084
Other Consolidated Debt Obligations:						
Fund Financing Facilities and Other (7)	2,056,096	2,898,215	2,898,215 (12)	2,039,532	2,333,654	2,333,654 (12)
CLO Senior Secured Notes (8)	—	10,055,686	10,055,686	—	8,279,812	8,279,812
CLO Subordinated Notes (8)	—	292,294	292,294	—	283,735	283,735
CMBS Debt Obligations (9)	—	5,238,236	5,238,236	—	5,294,741	5,294,741
	$ 4,293,752	**$ 21,193,859**	**$ 21,427,594**	**$ 3,539,532**	**$ 18,544,075**	**$ 18,539,725**

(1) $500 million aggregate principal amount of 6.375% senior notes of KKR due 2020. Borrowing outstanding is presented net of i) unamortized note discount and ii) unamortized debt issuance costs of $1.0 million and $1.4 million as of December 31, 2017 and 2016, respectively.

(2) $500 million aggregate principal amount of 5.500% senior notes of KKR due 2043. Borrowing outstanding is presented net of i) unamortized note discount and ii) unamortized debt issuance costs of $3.7 million and $3.9 million as of December 31, 2017 and 2016, respectively.

(3) $1.0 billion aggregate principal amount of 5.125% senior notes of KKR due 2044. Borrowing outstanding is presented net of i) unamortized note discount (net of premium) and ii) unamortized debt issuance costs of $8.3 million and $8.6 million as of December 31, 2017 and 2016, respectively.

(4) KKR consolidates KFN and thus reports KFN's outstanding $500.0 million aggregate principal amount of 5.500% senior notes due 2032. Borrowing outstanding is presented net of i) unamortized note discount and ii) unamortized debt issuance costs of $4.7 million as of December 31, 2017 . These debt obligations are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR's Level III credit investments.

(5) KKR consolidates KFN and thus reports KFN's outstanding $115.0 million aggregate principal amount of 7.500% senior notes due 2042. These senior notes were redeemed in April 2017. Borrowing outstanding is presented net of unamortized note premium as of December 31, 2016.

(6) KKR consolidates KFN and thus reports KFN's outstanding $264.8 million aggregate principal amount of junior subordinated notes. The weighted average interest rate is 3.8% and the weighted average years to maturity is 19.0 years as of December 31, 2017 . These debt obligations are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR's Level III credit investments.

(7) Certain of KKR's consolidated investment funds have entered into financing arrangements with major financial institutions, generally to enable such investment funds to make investments prior to or without receiving capital from fund limited partners. The weighted average interest rate is 4.2% and 2.4% as of December 31, 2017 and 2016, respectively. In addition, the weighted average years to maturity is 3.6 years and 2.4 years as of December 31, 2017 and 2016, respectively.

(8) CLO debt obligations are carried at fair value and are classified as Level II within the fair value hierarchy. See Note 5 "Fair Value Measurements."

(9) CMBS debt obligations are carried at fair value and are classified as Level III within the fair value hierarchy. See Note 5 "Fair Value Measurements."

(10) The notes are classified as Level II within the fair value hierarchy and fair value is determined by third party broker quotes.

(11) The notes are classified as Level I within the fair value hierarchy and fair value is determined by quoted prices in active markets since the debt is publicly listed.

(12) Carrying value approximates fair value given the fund financing facilities' interest rates are variable.

Revolving Credit Facilities

Corporate Credit Agreement

On October 22, 2014 , Kohlberg Kravis Roberts & Co. L.P. and the KKR Group Partnerships, as borrowers, entered into a credit agreement with certain lending institutions and HSBC Bank USA, National Association, as Administrative Agent (the "Corporate Credit Agreement"). The Corporate Credit Agreement provides the borrowers with a senior unsecured multicurrency revolving credit facility in an aggregate principal amount of $1.0 billion , with the option to request an increase in the facility amount of up to an additional $250 million , for an aggregate principal amount of $1.25 billion , subject to certain conditions, including obtaining new or increased commitments from new or existing lenders. The credit facility is a five -year facility, scheduled to mature on October 22, 2019 , with the borrowers' option to extend the maturity date, subject to the consent of the applicable lenders, and the borrowers may prepay, terminate or reduce the commitments under the credit facility at any time without penalty. Interest on borrowings under the credit facility are based on either London Interbank Offered Rate ("LIBOR") or Alternate Base Rate ("ABR"), with the applicable margin (per annum in excess of LIBOR or the ABR) based on a corporate ratings-based pricing grid ranging from 69 basis points to 120 basis points (for LIBOR borrowings). Borrowings under the credit facility are guaranteed by KKR & Co. L.P. and any other entity (other than the borrowers) that guarantees the 2020 Senior Notes, 2043 Senior Notes or the 2044 Senior Notes (each as defined below).

For the years ended December 31, 2017 and 2016, no amounts were borrowed under the credit facility.

KCM Credit Agreement

KKR Capital Markets maintains a revolving credit agreement with a major financial institution (the "KCM Credit Agreement") for use in KKR's capital markets business. This financial institution also holds an ownership interest in our capital markets business. The KCM Credit Agreement provides for revolving borrowings of up to $500 million with a $500 million sublimit for letters of credit.

On March 30, 2016, the KCM Credit Agreement was amended to extend the maturity date from March 30, 2017 to March 30, 2021. If a borrowing is made on the KCM Credit Agreement, the interest rate will vary depending on the type of drawdown requested. If the loan is a Eurocurrency loan, it will be based on LIBOR plus the applicable margin which ranges initially between 1.25% and 2.50% , depending on the amount and nature of the loan. If the loan is an ABR Loan, it will be based on the prime rate plus the applicable margin which ranges initially between 0.25% and 1.50% depending on the amount and nature of the loan. Borrowings under this facility may only be used for KKR's capital markets business, and its only obligors are entities involved in KKR's capital markets business, and its liabilities are non-recourse to other parts of KKR's business.

For the year ended December 31, 2017 , $847.0 million was borrowed and repaid under the credit facility. As of December 31, 2017, no amounts were drawn under the KCM Credit Agreement, but a letter of credit was outstanding in the amount of $12.3 million which reduces the overall capacity of the KCM Credit Agreement. For the year ended December 31, 2016, $848.0 million was borrowed and repaid under the credit facility.

KCM Short-Term Credit Agreement

On June 29, 2017, KKR Capital Markets entered into a 364 -day revolving credit agreement (the "KCM Short-Term Credit Agreement") with the same financial institution that provides the KCM Credit Agreement. The KCM Short-Term Credit Agreement provides for revolving borrowings of up to $750 million , expires on June 28, 2018, and ranks pari passu with the KCM Credit Agreement.

If a borrowing is made under the KCM Short-Term Credit Agreement, the interest rate will vary depending on the type of drawdown requested. If the borrowing is a Eurocurrency loan, it will be based on a LIBOR rate plus an applicable margin ranging between 1.25% and 2.50% , depending on the duration of the loan. If the borrowing is an ABR loan, it will be based on a base rate plus an applicable margin ranging between 0.25% and 1.50% , depending on the duration of the loan.

Borrowings under the KCM Short-Term Credit Agreement may only be used to facilitate the settlement of debt transactions syndicated by KKR's capital markets business. Obligations under the KCM Short-Term Credit Agreement are limited solely to entities involved in KKR's capital markets business, and liabilities under the KCM Short-Term Credit Agreement are non-recourse to other parts of KKR.

For the year ended December 31, 2017 , $635 million was borrowed and repaid under the KCM Short-Term Credit Agreement.

Notes Issuances and Redemptions

KKR Issued 6.375% Notes Due 2020

On September 29, 2010, KKR Group Finance Co. LLC, a subsidiary of KKR Management Holdings Corp., issued $500 million aggregate principal amount of 6.375% Senior Notes due 2020 (the "2020 Senior Notes"), which were issued at a price of 99.584% . The 2020 Senior Notes are unsecured and unsubordinated obligations of KKR Group Finance Co. LLC and will mature on September 29, 2020, unless earlier redeemed or repurchased. The 2020 Senior Notes are fully and unconditionally guaranteed, jointly and severally, by KKR & Co. L.P. and the KKR Group Partnerships. The guarantees are unsecured and unsubordinated obligations of the guarantors.

The 2020 Senior Notes bear interest at a rate of 6.375% per annum, accruing from September 29, 2010. Interest is payable semi-annually in arrears on March 29 and September 29 of each year.

The indenture, as supplemented by a first supplemental indenture, relating to the 2020 Senior Notes includes covenants, including limitations on KKR Group Finance Co. LLC and the guarantors' ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The indenture, as supplemented, also provides for events of default and further provides that the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding 2020 Senior Notes may declare the 2020 Senior Notes immediately due and payable upon the occurrence and during the continuance of any event of default after expiration of any applicable grace period. In the case of specified events of bankruptcy, insolvency, receivership or reorganization, the principal amount of the 2020 Senior Notes and any accrued and unpaid interest on the 2020 Senior Notes automatically becomes due and payable. All or a portion of the 2020 Senior Notes may be redeemed at the issuer's option in whole or in part, at any time, and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the 2020 Senior Notes. If a change of control repurchase event occurs, the 2020 Senior Notes are subject to repurchase by the issuer at a repurchase price in cash equal to 101% of the aggregate principal amount of the 2020 Senior Notes repurchased plus any accrued and unpaid interest on the 2020 Senior Notes repurchased to, but not including, the date of repurchase.

KKR Issued 5.500% Notes Due 2043

On February 1, 2013, KKR Group Finance Co. II LLC, a subsidiary of KKR Management Holdings Corp., issued $500 million aggregate principal amount of 5.50% Senior Notes due 2043 (the "2043 Senior Notes"), which were issued at a price of 98.856% . The 2043 Senior Notes are unsecured and unsubordinated obligations of KKR Group Finance Co. II LLC and will mature on February 1, 2043, unless earlier redeemed or repurchased. The 2043 Senior Notes are fully and unconditionally guaranteed, jointly and severally, by KKR & Co. L.P. and the KKR Group Partnerships. The guarantees are unsecured and unsubordinated obligations of the guarantors.

The 2043 Senior Notes bear interest at a rate of 5.50% per annum, accruing from February 1, 2013. Interest is payable semi-annually in arrears on February 1 and August 1 of each year.

The indenture, as supplemented by a first supplemental indenture, relating to the 2043 Senior Notes includes covenants, including limitations on KKR Group Finance Co. II LLC and the guarantors' ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The indenture, as supplemented, also provides for events of default and further provides that the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding 2043 Senior Notes may declare the 2043 Senior Notes immediately due and payable upon the occurrence and during the continuance of any event of default after expiration of any applicable grace period. In the case of specified events of bankruptcy, insolvency, receivership or reorganization, the principal amount of the 2043 Senior Notes and any accrued and unpaid interest on the 2043 Senior Notes automatically becomes due and payable. All or a portion of the 2043 Senior Notes may be redeemed at the issuer's option in whole or in part, at any time, and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the 2043 Senior Notes. If a change of control repurchase event occurs, the 2043 Senior Notes are subject to repurchase by the issuer at a repurchase price in cash equal to 101% of the aggregate principal amount of the 2043 Senior Notes repurchased plus any accrued and unpaid interest on the 2043 Senior Notes repurchased to, but not including, the date of repurchase.

KKR Issued 5.125% Notes Due 2044

On May 29, 2014, KKR Group Finance Co. III LLC, a subsidiary of KKR Management Holdings Corp., issued $500 million aggregate principal amount of 5.125% Senior Notes due 2044 (the "2044 Senior Notes"), which were issued at a price of 98.612% . The 2044 Senior Notes are unsecured and unsubordinated obligations of the issuer and will mature on June 1, 2044, unless earlier redeemed or repurchased. The 2044 Senior Notes are fully and unconditionally guaranteed, jointly and severally, by KKR & Co. L.P. and the KKR Group Partnerships. The guarantees are unsecured and unsubordinated obligations of the guarantors.

The 2044 Senior Notes bear interest at a rate of 5.125% per annum, accruing from May 29, 2014. Interest is payable semi-annually in arrears on June 1 and December 1 of each year, commencing on December 1, 2014.

On March 18, 2015, KKR Group Finance Co. III LLC issued an additional $500 million aggregate principal amount of its 2044 Notes, which were priced at 101.062% . The 2044 Notes issued in March 2015 form a single series with the 2044 Notes issued in May 2014, and the terms are identical to each other except for the issue date, issue price, the first payment date, June 1, 2015, and the date from which interest begins to accrue for the 2044 Notes issued in March 2015.

The indenture, as supplemented by a first supplemental indenture, relating to the 2044 Senior Notes includes covenants, including limitations on the issuer's and the guarantors' ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The indenture, as supplemented, also provides for events of default and further provides that the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding 2044 Senior Notes may declare the 2044 Senior Notes immediately due and payable upon the occurrence and during the continuance of any event of default after expiration of any applicable grace period. In the case of specified events of bankruptcy, insolvency, receivership or reorganization, the principal amount of the 2044 Senior Notes and any accrued and unpaid interest on the 2044 Senior Notes automatically becomes due and payable. All or a portion of the 2044 Senior Notes may be redeemed at the issuer's option in whole or in part, at any time, and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the 2044 Senior Notes. If a change of control repurchase event occurs, the 2044 Senior Notes are subject to repurchase by the issuer at a repurchase price in cash equal to 101% of the aggregate principal amount of the 2044 Senior Notes repurchased plus any accrued and unpaid interest on the 2044 Senior Notes repurchased to, but not including, the date of repurchase.

KFN Issued 5.500% Notes Due 2032

On March 30, 2017, KFN issued $375.0 million aggregate principal amount of 5.500% Senior Notes due 2032 (the "KFN 2032 Senior Notes"), resulting in net proceeds to KFN of $368.6 million . The KFN 2032 Senior Notes are unsecured and unsubordinated obligations of KFN and will mature on March 30, 2032, unless earlier redeemed or repurchased. The KFN 2032 Senior Notes bear interest at a rate of 5.500% per annum, accruing from March 30, 2017. Interest is payable semi-annually in arrears on March 30 and September 30 of each year.

The indenture, as supplemented by a first supplemental indenture, relating to the KFN 2032 Senior Notes includes covenants, including (i) limitations on KFN's ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of certain of its subsidiaries or merge, consolidate or sell, transfer or lease assets, (ii) requirements that KFN maintain a minimum Consolidated Net Worth (as defined in the indenture) and (iii) requirements that KFN maintain a minimum Cash and Liquid Investments (as defined in the indenture). The indenture, as supplemented, also provides for events of default and further provides that the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding KFN 2032 Senior Notes may declare the KFN 2032 Senior Notes immediately due and payable upon the occurrence and during the continuance of any event of default after expiration of any applicable grace period. In the case of specified events of bankruptcy, insolvency, receivership or reorganization, the principal amount of the KFN 2032 Senior Notes and any accrued and unpaid interest on the KFN 2032 Senior Notes automatically becomes due and payable.

Beginning on March 30, 2022, KFN may redeem the KFN 2032 Senior Notes in whole, but not in part, at KFN's option, at a redemption price equal to 100% of the outstanding principal amount plus accrued and unpaid interest to, but excluding, the date of redemption. At any time prior to March 30, 2022, KFN may redeem the KFN 2032 Senior Notes in whole, but not in part, at KFN's option at any time, at a "make-whole" redemption price set forth in the KFN 2032 Senior Notes. If a change of control occurs, the KFN 2032 Senior Notes are subject to repurchase by the issuer at a repurchase price in cash equal to 101% of the aggregate principal amount of the KFN 2032 Senior Notes repurchased plus any accrued and unpaid interest on the KFN 2032 Senior Notes repurchased to, but not including, the date of repurchase.

On November 17, 2017, KFN issued an additional $125.0 million aggregate principal amount of the KFN 2032 Senior Notes, resulting in the total outstanding aggregate principal amount of $500.0 million . The additional KFN 2032 Senior Notes, which were issued under the indenture related to the existing KFN 2032 Senior Notes as supplemented by a second supplemental indenture, constitute a further issuance of and are part of the same series as the KFN 2032 Senior Notes first issued on March 30, 2017.

KFN Issued 7.500% Notes Due 2042

On April 24, 2017, KFN redeemed all of its outstanding 7.500% Senior Notes due 2042 (the "KFN 2042 Senior Notes") for cash, in accordance with the optional redemption provisions provided in the indenture governing the KFN 2042 Senior Notes. The redemption price was equal to 100% of the $115.0 million principal amount of the KFN 2042 Senior Notes plus unpaid interest accrued thereon to, but excluding, the redemption date, in accordance with the terms of the KFN 2042 Senior Notes.

KFN Issued Junior Subordinated Notes

KFN also established six 30 -year trusts between 2006 and 2007 for the sole purpose of issuing trust preferred securities. These trusts issued preferred securities to unaffiliated investors and common securities to KFN. The combined proceeds were invested by the trusts in junior subordinated notes issued by KFN. The junior subordinated notes are the sole assets of trusts and mature between 2036 and 2037. Interest is payable on the junior subordinated notes quarterly and based on the associated trust ranges from between LIBOR plus 2.25% and LIBOR plus 2.65% . KFN may redeem the junior subordinated notes, in whole or in part, at any time, at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest to the redemption date. As of December 31, 2017, the aggregate outstanding principal amount of the junior subordinated notes was approximately $264.8 million .

Other Consolidated Debt Obligations

Fund Financing Facilities

Certain of KKR's investment funds have entered into financing arrangements with financial institutions, generally to provide liquidity to such investment funds. These financing arrangements are generally not direct obligations of the general partners of KKR's investment funds or its management companies. Such borrowings have varying maturities and bear interest at floating rates. Borrowings are generally secured by the investment purchased with the proceeds of the borrowing and/or the uncalled capital commitment of each respective fund. When an investment vehicle borrows, the proceeds are available only for use by that investment vehicle and are not available for the benefit of other investment vehicles or KKR. Collateral within each investment vehicle is also available only against borrowings by that investment vehicle and not against the borrowings of other investment vehicles or KKR.

For the years ended December 31, 2017 and 2016, $6.9 billion was borrowed and $4.6 billion was repaid and $3.4 billion was borrowed and $3.4 billion was repaid, respectively.

Debt Obligations of Consolidated CFEs

As of December 31, 2017 , debt obligations of consolidated CFEs consisted of the following:

	Borrowing Outstanding	Weighted Average Interest Rate	Weighted Average Remaining Maturity in Years
Senior Secured Notes of Consolidated CLOs	$ 10,055,686	2.7%	11.8
Subordinated Notes of Consolidated CLOs	292,294	(1)	12.2
Debt Obligations of Consolidated CMBS Vehicles	5,238,236	4.3%	26.7
	$ 15,586,216		

(1) The subordinated notes do not have contractual interest rates but instead receive a pro rata amount of the net distributions from the excess cash flows of the respective CLO vehicle. Accordingly, weighted average borrowing rates for the subordinated notes are based on cash distributions during the period, if any.

Debt obligations of consolidated CFEs are collateralized by assets held by each respective CFE vehicle and assets of one CFE vehicle may not be used to satisfy the liabilities of another. As of December 31, 2017 , the fair value of the consolidated CFE assets was $17.2 billion . This collateral consisted of Cash and Cash Equivalents Held at Consolidated Entities, Investments, and Other Assets.

As part of KKR's borrowing arrangements, KKR is subject to certain financial and operating covenants. KKR was in compliance with all of its debt covenants in all material respects as of December 31, 2017 .

Scheduled principal payments for debt obligations at December 31, 2017 are as follows:

	Revolving Credit Facilities	Notes Issued	Other Consolidated Debt Obligations	Total
2018	$ —	$ —	$ 962,910	$ 962,910
2019 - 2020	—	500,000	2,174,242	2,674,242
2021 - 2022	—	—	476,262	476,262
2023 and thereafter	—	2,264,800	15,056,468	17,321,268
	$ —	**$ 2,764,800**	**$ 18,669,882**	**$ 21,434,682**

11. INCOME TAXES

The provision (benefit) for income taxes consists of the following:

	For the Years Ended December 31,		
	2017	2016	2015
Current			
Federal Income Tax	$ (34,611)	$ (3,440)	$ 27,978
State and Local Income Tax	5,229	(443)	6,320
Foreign Income Tax	79,371 (1)	38,052	42,036
Subtotal	49,989	34,169	76,334
Deferred			
Federal Income Tax	178,449	(15,032)	(19,133)
State and Local Income Tax	(424)	1,348	8,264
Foreign Income Tax	(3,688) (1)	4,076	1,171
Subtotal	174,337	(9,608)	(9,698)
Total Income Taxes	**$ 224,326**	**$ 24,561**	**$ 66,636**

(1) The foreign income tax provision was calculated on $171.6 million of pre-tax income generated in foreign jurisdictions.

The 2017 Tax Act was signed into law making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a U.S. federal corporate tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017, the transition of U.S. international taxation from a modified worldwide tax system to a territorial system, and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017. The Company has calculated its best estimate of the impact of the 2017 Tax Act in its year end income tax provision in accordance with its understanding of the 2017 Tax Act and guidance available as of the date of this filing. As a result, KKR has recorded $97.9 million as an additional income tax expense in the fourth quarter of 2017, the period in which the legislation was enacted. The provisional amount that is related to the remeasurement of certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future was $96.4 million . The provisional amount that is related to the one-time transition tax on the mandatory deemed repatriation of foreign earnings is $3.1 million based on cumulative foreign earnings of $20.1 million . This amount is offset by the reversal of a deferred tax liability for unremitted foreign earnings and profits valued at $1.6 million .

On December 22, 2017, Staff Accounting Bulletin No. 118 ("SAB 118") was issued to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the 2017 Tax Act. In accordance with SAB 118, the Company has determined that the $96.4 million of the deferred tax expense recorded in connection with the remeasurement of certain deferred tax assets and liabilities and the $1.5 million of expense, net of the reversal of the deferred tax liability related to unremitted foreign earnings, recorded in connection with the transition tax on the mandatory deemed repatriation of foreign earnings was a provisional amount and a reasonable estimate at December 31, 2017. Additional work is necessary to do a more detailed analysis of historical foreign earnings as well as potential correlative adjustments. Any subsequent adjustment to these amounts will be recorded to tax expense in the quarter of 2018 when the analysis is complete.

The following table reconciles the U.S. Federal Statutory Tax Rate to the Effective Income Tax Rate:

	For the Years Ended December 31,		
	2017	2016	2015
Statutory U.S. Federal Income Tax Rate	35.00 %	35.00 %	35.00 %
Income not attributable to KKR Management Holdings Corp. (1)	(38.64)%	(42.68)%	(36.04)%
Foreign Income Taxes	2.62 %	4.32 %	0.81 %
State and Local Income Taxes	0.05 %	0.05 %	0.21 %
Compensation Charges Borne by KKR Holdings	6.29 %	8.20 %	1.92 %
Change in Valuation Allowance	0.00 %	(1.03)%	0.29 %
Impact of 2017 Tax Act	3.52 %	0.00 %	0.00 %
Other	(0.78)%	(1.34)%	(0.94)%
Effective Income Tax Rate	**8.06 %**	**2.52 %**	**1.25 %**

(1) Represents primarily income attributable to (i) redeemable noncontrolling interests, (ii) noncontrolling interests and appropriated capital and (iii) investment income of certain entities and net carried interest of certain general partners of KKR investment funds that are not directly or indirectly owned by KKR Management Holdings L.P.

The effective tax rate for 2017 was 8.06% , compared to 2.52% in 2016, an increase of 5.54% , which was impacted by several factors. The 2017 Tax Act was enacted on December 22, 2017, and as a result of the remeasurement of our deferred tax asset and the estimate of the one-time transition tax on unremitted earnings, our effective tax rate increased by 3.52% . Additionally, due to increased fee revenue at KKR Management Holdings Corp., a greater percentage of KKR's overall income was subject to U.S. federal and state tax than in prior years, increasing our effective tax rate by approximately 4.04% compared to 2016.

Deferred income taxes reflect the net tax effects of temporary differences that may exist between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes using enacted tax rates in effect for the year in which the differences are expected to reverse. A summary of the tax effects of the temporary differences is as follows:

	December 31, 2017 (3)	December 31, 2016
Deferred Tax Assets		
Fund Management Fees	$ 51,662	$ 59,963
Equity Based Compensation	19,749	30,094
KKR Holdings Unit Exchanges (1)	93,229	156,624
Depreciation and Amortization	13,421	24,919
Federal Foreign Tax Credit	15,028	15,028
Interest Limitation Carryforward (2)	—	13,494
Net Operating Loss Carryforwards	4,346	33,867
Other	5,875	12,599
Total Deferred Tax Assets before Valuation Allowance	203,310	346,588
Valuation Allowance	(11,872)	(9,768)
Total Deferred Tax Assets	191,438	336,820
Deferred Tax Liabilities		
Investment Basis Differences / Net Unrealized Gains	59,494	49,872
Total Deferred Tax Liabilities	59,494	49,872
Total Deferred Taxes, Net	**$ 131,944**	**$ 286,948**

(1) In connection with exchanges of KKR Holdings units into common units of KKR & Co. L.P., KKR records a deferred tax asset associated with an increase in KKR Management Holdings Corp.'s share of the tax basis of the tangible and intangible assets of KKR Management Holdings L.P. This amount is offset by an adjustment to record amounts due to KKR Holdings and principals under the tax receivable agreement, which is included

within Due to Affiliates in the consolidated statements of financial condition. The net impact of these adjustments was recorded as an adjustment to equity at the time of the exchanges.

(2) Represents interest expense limitations under IRC Section 163(j) (as existing prior to the 2017 Tax Act), which has an indefinite carryforward.

(3) A provisional adjustment in the amount of $97.9 million was recorded to adjust our U.S. federal deferred income tax assets and liabilities as of December 31, 2017 in order to reflect the impact of the 2017 Tax Act. A majority of this charge was due to the reduction in the U.S. statutory corporate tax rate from 35% to 21% .

Future realization of the above deferred tax assets is dependent on KKR generating sufficient taxable income within the period of time that the tax benefits are expected to reverse. KKR considers projections of taxable income in evaluating its ability to utilize those deferred tax assets. In projecting its taxable income, KKR begins with historical results and incorporates assumptions concerning the amount and timing of future pretax operating income. Those assumptions require significant judgment and are consistent with the plans and estimates that KKR uses to manage its business.

As of December 31, 2017, KKR has a U.S. federal income tax net operating loss ("NOL") carryforward of $106.8 million and a cumulative state and local NOL carryforward of $14.3 million that will begin to expire in 2036. KKR intends to carry back its U.S. federal NOL to past years during 2018, and is reflecting the estimated refund amount related to the carryback within other assets as a prepaid tax. In addition, KKR has U.S. federal foreign tax credit ("FTC") carryforwards of $15.0 million as of December 31, 2017. The FTC carryforwards are related to taxes paid in foreign jurisdictions, which if not utilized, will begin to expire in 2024. KKR has determined that a portion of the FTC carryforwards will not ultimately be realized due to U.S. federal limitations on FTC utilization. Therefore, KKR has established a valuation allowance of $11.9 million as of December 31, 2017 against the deferred tax asset. For all other deferred tax assets, including net operating loss carryforwards, KKR has determined that it is more likely than not that they will be realized and that a valuation allowance is not needed as of December 31, 2017.

KKR files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, KKR is subject to examination by U.S. federal and certain state, local and foreign tax regulators. As of December 31, 2017, the U.S. federal, state and local tax returns of KKR and its predecessor entities for the years 2011 through 2016 are open under general statute of limitations provisions and therefore subject to examination.

At December 31, 2017, 2016 and 2015, KKR's unrecognized tax benefits, excluding related interest and penalties, were:

	For the Years Ended December 31,		
	2017	**2016**	**2015**
Unrecognized Tax Benefits, beginning of period	$ 43,996	$ 22,792	$ 7,180
Gross increases in tax positions in prior periods	—	—	—
Gross decreases in tax positions in prior periods	—	(1,351)	(116)
Gross increases in tax positions in current period	4,406	22,810	15,959
Lapse of statute of limitations	(232)	(255)	(231)
Unrecognized Tax Benefits, end of period	**$ 48,170**	**$ 43,996**	**$ 22,792**

If the above tax benefits were recognized it would reduce the annual effective income tax rate. KKR believes that there will not be a significant increase or decrease to the tax positions within 12 months of the reporting date.

The unrecognized tax benefits are recorded in Accounts Payable, Accrued Expenses and Other Liabilities. KKR recognizes interest and penalties accrued related to unrecognized tax benefits as income tax expense. Related to the unrecognized tax benefits, KKR accrued penalties of $0.1 million and interest of $2.2 million during 2017 and in total, as of December 31, 2017, recognized a liability for penalties of $2.3 million and interest of $7.9 million . During 2016, penalties of $0.6 million and interest of $1.2 million were accrued and in total, as of December 31, 2016, recognized a liability for penalties of $2.3 million and interest of $5.7 million .

12. EQUITY BASED COMPENSATION

The following table summarizes the expense associated with equity based compensation for the years ended December 31, 2017 , 2016 and 2015, respectively.

	For the Years Ended December 31,		
	2017	2016	2015
Equity Incentive Plan Units	$ 204,308	$ 186,227	$ 186,346
KKR Holdings Principal Awards	143,204	44,837	6,726
Other Exchangeable Securities	—	12,091	16,119
KKR Holdings Restricted Equity Units	—	—	132
Total (1)	**$ 347,512**	**$ 243,155**	**$ 209,323**

(1) Includes $11,214 of equity based charges for the year ended December 31, 2017 related to employees of equity method investees. Such amounts are included in Net Gains (Losses) from Investment Activities in the consolidated statements of operations.

Equity Incentive Plan

Under the Equity Incentive Plan, KKR is permitted to grant equity awards representing ownership interests in KKR & Co. L.P. common units. Vested awards under the Equity Incentive Plan dilute KKR & Co. L.P. common unitholders and KKR Holdings pro rata in accordance with their respective percentage interests in the KKR Group Partnerships.

The total number of common units that may be issued under the Equity Incentive Plan is equivalent to 15% of the number of fully diluted common units outstanding, subject to annual adjustment. Equity awards have been granted under the Equity Incentive Plan and are generally subject to service-based vesting, typically over a three to five year period from the date of grant. In certain cases, these awards are subject to transfer restrictions and/or minimum retained ownership requirements. The transfer restriction period, if applicable, lasts for (i) one year with respect to one-half of the interests vesting on any vesting date and (ii) two years with respect to the other one-half of the interests vesting on such vesting date. While providing services to KKR, if applicable, certain of these awards are also subject to minimum retained ownership rules requiring the award recipient to continuously hold common unit equivalents equal to at least 15% of their cumulatively vested awards that have the minimum retained ownership requirement.

Expense associated with the vesting of these awards is based on the closing price of the KKR & Co. L.P. common units on the date of grant, discounted for the lack of participation rights in the expected distributions on unvested units. Beginning with the financial results reported for the first quarter of 2017, KKR has made equal quarterly distributions to common unitholders of $ 0.17 per common unit per quarter or $ 0.68 per year. Therefore, for units granted on or after January 1, 2017, the discount for lack of participation rights in the expected distributions on unvested units was based on the $ 0.68 annual distribution. KKR has made equal quarterly distributions to holders of its common units of $0 .16 per common unit per quarter or $ 0.64 per year in respect of financial results reported for the first quarter of 2016 through the fourth quarter of 2016. Accordingly, for units granted subsequent to December 31, 2015 but before January 1, 2017, the discount for the lack of participation rights in the expected distributions on unvested units was based on the $0.64 annual distribution. The discount range for awards granted prior to December 31, 2015 was based on management's estimates of future distributions that the unvested equity awards would not be entitled to receive between the grant date and the vesting date which ranged from 8% to 56% .

Expense is recognized on a straight line basis over the life of the award and assumes a forfeiture rate of up to 7% annually based upon expected turnover by class of recipient.

Market Condition Awards

On November 2, 2017, KKR's Co-Presidents and Co-Chief Operating Officers were each granted 2.5 million KKR common units subject to a market-price based vesting condition ("Market Condition Awards"). These units were granted under the Equity Incentive Plan. All of such units will vest upon the market price of KKR common units reaching and maintaining a closing market price of $40 per unit for 10 consecutive trading days on or prior to December 31, 2022, subject to the employee's continued service to the time of such vesting. If the $40 price target is not achieved by the close of business on December 31, 2022, the unvested Market Condition Awards will be automatically canceled and forfeited. These Market Condition Awards are subject to additional transfer restrictions and minimum retained ownership requirements after vesting. Due to the existence of the market condition, the vesting period for the Market Condition Awards is not explicit, and as such, compensation expense will be recognized over the period derived from the valuation technique used to estimate the grant-date fair value of the award (the "Derived Vesting Period").

The fair value of the Market Condition Awards at the date of grant was $4.02 per unit based on a Monte-Carlo simulation valuation model due to the existence of the market condition described above. Below is a summary of the significant assumptions used to estimate the grant date fair value of the Market Condition Awards.

Closing KKR unit price as of valuation date	$19.90
Risk Free Rate	2.02%
Volatility	25.00%
Dividend Yield	3.42%
Expected Cost of Equity	11.02%

In addition, the grant date fair value assumes that holders of the Market Condition Awards will not participate in distributions until such awards have met their vesting requirements.

Compensation expense is recognized over the Derived Vesting Period, which was estimated to be 3 years from the date of grant, on a straight-line basis.

As of December 31, 2017, there was approximately $19.0 million of estimated unrecognized compensation expense related to unvested Market Condition Awards and such awards did not meet their market-price based vesting condition.

As of December 31, 2017 , there was approximately $538.1 million of total estimated unrecognized expense related to unvested awards, including Market Condition Awards. That cost is expected to be recognized as follows:

Year	**Unrecognized Expense (in millions)**
2018	227.5
2019	163.9
2020	103.0
2021	33.6
2022	9.2
2023	0.9
Total	**$ 538.1**

A summary of the status of unvested awards granted under the Equity Incentive Plan, excluding Market Condition Awards as described above, from January 1, 2017 through December 31, 2017 is presented below:

	Units	Weighted Average Grant Date Fair Value
Balance, January 1, 2017	37,498,333	$ 13.85
Granted	24,209,434	16.45
Vested	(12,077,165)	14.79
Forfeitures and Other	(3,207,869)	13.52
Balance, December 31, 2017	**46,422,733**	**$ 14.98**

The weighted average remaining vesting period over which unvested awards are expected to vest is 1.6 years .

A summary of the remaining vesting tranches of awards granted under the Equity Incentive Plan is presented below:

Vesting Date	Units
April 1, 2018	10,477,750
October 1, 2018	5,810,795
April 1, 2019	9,523,248
October 1, 2019	4,385,817
April 1, 2020	6,588,617
October 1, 2020	3,297,528
April 1, 2021	3,309,863
October 1, 2021	1,830,239
April 1, 2022	116,532
October 1, 2022	991,172
October 1, 2023	91,172
	46,422,733

KKR Holdings Awards

KKR Holdings units are exchangeable for KKR Group Partnership Units and allow for their exchange into common units of KKR & Co. L.P. on a one -for one basis. As of December 31, 2017 and 2016, KKR Holdings owned approximately 40.9% or 335,971,334 units and 43.9% or 353,757,398 units, respectively, of outstanding KKR Group Partnership Units. Awards for KKR Holdings units that have been granted are generally subject to service based vesting, typically over a three to five year period from the date of grant. They are also generally subject to transfer restrictions which last for (i) one year with respect to one-half of the interests vesting on any vesting date and (ii) two years with respect to the other one-half of the interests vesting on such vesting date. While providing services to KKR, the recipients are also subject to minimum retained ownership rules requiring them to continuously hold 25% of their vested interests. Upon separation from KKR, award recipients are subject to the terms of a confidentiality and restrictive covenants agreement that would require the forfeiture of certain vested and unvested units should the terms of the agreement be violated. Holders of KKR Holdings units are not entitled to participate in distributions made on KKR Group Partnership Units underlying their KKR Holdings units until such units are vested.

Because KKR Holdings is a partnership, all of the 335,971,334 KKR Holdings units have been legally allocated, but the allocation of 199,929 of these units has not been communicated to each respective principal and the final allocation and terms of vesting for these units are subject to change and the exercise of judgment by the general partner of KKR Holdings. It was therefore determined that the grant date and service inception date had not occurred and these units do not yet meet the criteria for recognition of compensation expense.

The fair value of awards granted out of KKR Holdings is generally based on the closing price of KKR & Co. L.P. common units on the date of grant. KKR determined this to be the best evidence of fair value as a KKR & Co. L.P. common unit is traded in an active market and has an observable market price. Additionally, a KKR Holdings unit is an instrument with terms and conditions similar to those of a KKR & Co. L.P. common unit. Specifically, units in both KKR Holdings and KKR & Co. L.P. represent ownership interests in KKR Group Partnership Units and, subject to any vesting, minimum retained ownership requirements and transfer restrictions, each KKR Holdings unit is exchangeable into a KKR Group Partnership Unit and then into a KKR & Co. L.P. common unit on a one -for-one basis.

In February 2016, approximately 28.9 million KKR Holdings units were granted that were originally subject to market condition and service-based vesting that were subsequently modified in November 2016 to eliminate the market condition vesting and instead require only service-based vesting in equal annual installments over a five year period. At the date of modification, total future compensation expense amounted to $320.9 million , net of estimated forfeitures, to be recognized over the remaining vesting period of the modified awards.

The awards described above were granted from outstanding but previously unallocated units of KKR Holdings, and consequently these grants did not increase the number of KKR Holdings units outstanding or outstanding KKR common units on a fully-diluted basis. If and when vested, these awards will not dilute KKR's respective ownership interests in the KKR Group Partnerships.

KKR Holdings Awards give rise to equity-based compensation in the consolidated statements of operations based on the grant-date fair value of the award discounted for the lack of participation rights in the expected distributions on unvested units. Beginning with the financial results reported for the first quarter of 2017, KKR intends to make quarterly distributions to common unitholders of $ 0.17 per common unit per quarter or $ 0.68 per year. Therefore, for awards granted on or after January 1, 2017, the discount for lack of participation rights in the expected distributions on unvested units is based on the $ 0.68 annual distribution. KKR has made equal quarterly distributions to holders of its common units of $0.16 per common unit per quarter or $0.64 per year in respect of financial results reported for the first quarter of 2016 through the fourth quarter of 2016. Accordingly, for awards granted subsequent to December 31, 2015 but before January 1, 2017, the discount for the lack of participation rights in the expected distributions on unvested units was based on the $0.64 annual distribution.

Expense is recognized on a straight line basis over the life of the award and assumes a forfeiture rate of up to 7% annually based on expected turnover by class of recipient.

As of December 31, 2017 , there was approximately $358.4 million of estimated unrecognized expense related to unvested KKR Holdings awards. That cost is expected to be recognized as follows:

Year		**Unrecognized Expense (in millions)**
2018	$	101.5
2019		96.2
2020		88.1
2021		47.4
2022		25.2
Total	**$**	**358.4**

A summary of the status of unvested awards granted under the KKR Holdings Plan from January 1, 2017 through December 31, 2017 is presented below:

	Units		**Weighted Average Grant Date Fair Value**
Balance, January 1, 2017	28,245,886	$	12.10
Granted	14,700,000		17.64
Vested	(6,062,425)		13.87
Forfeitures and Other	(6,034,878)		11.94
Balance, December 31, 2017	**30,848,583**	**$**	**14.42**

The weighted average remaining vesting period over which unvested awards are expected to vest is 2.4 years.

A summary of the remaining vesting tranches of awards granted under the KKR Holdings Plan is presented below:

Vesting Date	Units
April 1, 2018	574,590
May 1, 2018	3,805,000
October 1, 2018	1,970,000
April 1, 2019	229,514
May 1, 2019	3,805,000
October 1, 2019	2,455,000
April 1, 2020	124,479
May 1, 2020	3,805,000
October 1, 2020	2,940,000
May 1, 2021	3,805,000
October 1, 2021	3,425,000
October 1, 2022	3,910,000
	30,848,583

Other Exchangeable Securities

As of October 1, 2016, all equity securities of a subsidiary of a KKR Group Partnership and of KKR & Co. L.P. both of which are exchangeable into common units of KKR & Co. L.P. on a one -for-one basis issued in connection with the acquisition of Avoca ("Other Exchangeable Securities") have either vested or were forfeited, and there is no unrecognized expense associated with Other Exchangeable Securities as of December 31, 2017 .

13. RELATED PARTY TRANSACTIONS

Due from Affiliates consists of:

	December 31, 2017	December 31, 2016
Amounts due from portfolio companies	$ 129,594	$ 66,940
Amounts due from unconsolidated investment funds	415,907	170,219
Amounts due from related entities	8,848	13,293
Due from Affiliates	**$ 554,349**	**$ 250,452**

Due to Affiliates consists of:

	December 31, 2017	December 31, 2016
Amounts due to KKR Holdings in connection with the tax receivable agreement	$ 84,034	$ 128,091
Amounts due to unconsolidated investment funds	239,776	231,388
Due to Affiliates	**$ 323,810**	**$ 359,479**

Tax Receivable Agreement

KKR and certain intermediate holding companies that are taxable corporations for U.S. federal, state and local income tax purposes, may be required to acquire KKR Group Partnership Units from time to time pursuant to the exchange agreement with KKR Holdings. KKR Management Holdings L.P. made an election under Section 754 of the Internal Revenue Code of 1986, as amended, that will remain in effect for each taxable year in which an exchange of KKR Group Partnership Units for common units occurs, which may result in an increase in KKR's intermediate holding companies' share of the tax basis of the assets of the KKR Group Partnerships at the time of an exchange of KKR Group Partnership Units. Certain of these exchanges are expected to result in an increase in KKR's intermediate holding companies' share of the tax basis of the tangible and intangible assets of the KKR Group Partnerships, primarily attributable to a portion of the goodwill inherent in KKR's business that would not otherwise have been available. This increase in tax basis may increase depreciation and amortization deductions for tax purposes and therefore reduce the amount of income tax KKR's intermediate holding companies would otherwise be required to pay in the future. This increase in tax basis may also decrease gain (or increase loss) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

KKR has entered into a tax receivable agreement with KKR Holdings, which requires KKR's intermediate holding companies to pay to KKR Holdings, or to current and former principals who have exchanged KKR Holdings units for KKR common units (as transferees of KKR Group Partnership Units), 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that the intermediate holding companies realize as a result of the increase in tax basis described above, as well as 85% of the amount of any such savings the intermediate holding companies realize as a result of increases in tax basis that arise due to future payments under the agreement. A termination of the agreement or a change of control could give rise to similar payments based on tax savings that KKR would be deemed to realize in connection with such events. In the event that other of KKR's current or future subsidiaries become taxable as corporations and acquire KKR Group Partnership Units in the future, or if KKR becomes taxable as a corporation for U.S. federal income tax purposes, KKR expects that each will become subject to a tax receivable agreement with substantially similar terms.

These payment obligations are obligations of KKR's intermediate holding companies and not the KKR Group Partnerships and are recorded within Due to Affiliates in the accompanying consolidated statements of financial condition. As such, cash payments received by common unitholders may vary from those received by holders of KKR Group Partnership Units held by KKR Holdings and KKR's current and former principals to the extent payments are made to those parties under the tax receivable agreement. Payments made under the tax receivable agreement are required to be made within 90 days of the filing of the tax returns of KKR's intermediate holding companies which may result in a timing difference between the tax savings received by KKR's intermediate holdings companies and the cash payments made to the selling holders of KKR Group Partnership Units.

As a result of the 2017 Tax Act, which lowered the federal corporate tax rate from 35% to 21%, expected future cash savings generated as a result of KKR Holdings exchanges are expected to decrease. Accordingly, KKR has decreased the liability associated with the tax receivable agreement to reflect lower future payments to individuals who exchanged KKR Holdings units for KKR common units. The amount of this reduction was $67.2 million and is included in Net Gains (Losses) from Investment Activities in the consolidated statements of operations.

For the year ended December 31, 2017, no cash payments have been made under the tax receivable agreement. For the years ended December 31, 2016 and 2015, cash payments that have been made under the tax receivable agreement were $5.0 million and $5.7 million , respectively. KKR expects its intermediate holding companies to benefit from the remaining 15% of cash savings, if any, in income tax that they realize. As of December 31, 2017, $4.2 million of cumulative income tax savings have been realized.

Discretionary Investments

Certain of KKR's current and former employees and other qualifying personnel are permitted to invest, and have invested, their own capital in KKR's funds, in side-by-side investments with these funds and the firm, as well as in funds managed by its strategic manager partnerships. Side-by-side investments are made on the same terms and conditions as those acquired by the applicable fund or the firm, except that the side-by-side investments do not subject the investor to management fees or a carried interest. The cash contributed by these individuals aggregated $505.1 million , $328.3 million and $434.9 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Aircraft and Other Services

Certain of the senior employees own aircraft that KKR uses for business purposes in the ordinary course of its operations. These senior employees paid for the purchase of these aircraft with personal funds and bear all operating, personnel and maintenance costs associated with their operation. The hourly rates that KKR pays for the use of these aircraft are based on current market rates for chartering private aircraft of the same type. KKR incurred $3.9 million , $5.1 million and $4.4 million for the use of these aircraft for the years ended December 31, 2017, 2016 and 2015, respectively.

Facilities

Certain trusts, whose beneficiaries include children of Mr. Kravis and Mr. Roberts, and certain other senior employees who are not executive officers of KKR, are partners in a real-estate based partnership that maintains an ownership interest in KKR's Menlo Park location. Payments made to this partnership were $7.6 million , $7.4 million and $7.3 million for the years ended December 31, 2017, 2016 and 2015, respectively.

14. SEGMENT REPORTING

KKR operates through four reportable business segments. These segments, which are differentiated primarily by their business objectives and investment strategies, are presented below. These financial results represent the combined financial results of the KKR Group Partnerships on a segment basis. KKR earns the majority of its fees from subsidiaries located in the United States.

Private Markets

Through KKR's Private Markets segment, KKR manages and sponsors private equity funds and co-investment vehicles, which invest capital for long-term appreciation, either through controlling ownership of a company or strategic minority positions. KKR also manages and sponsors investment funds and co-investment vehicles that invest capital in real assets, such as infrastructure, energy and real estate.

Public Markets

KKR operates and reports its combined credit and hedge funds businesses through the Public Markets segment. KKR's credit business invests capital in leveraged credit strategies, including leveraged loans, high-yield bonds, opportunistic credit and revolving credit strategies, and alternative credit strategies including special situations and private credit opportunities, such as direct lending and private opportunistic credit investment strategies. KKR's hedge funds business consists of strategic manager partnerships with third-party hedge fund managers in which KKR owns a minority stake.

Capital Markets

KKR's capital markets business supports the firm, portfolio companies, and third-party clients by developing and implementing both traditional and non-traditional capital solutions for investments or companies seeking financing. These services include arranging debt and equity financing, placing and underwriting securities offerings and providing other types of capital markets services.

Principal Activities

Through KKR's Principal Activities segment, KKR manages the firm's assets and deploy capital to support and grow its businesses.

KKR's Principal Activities segment uses its balance sheet assets to support KKR's investment management and capital markets businesses, including to make capital commitments as general partner to its funds, to seed new businesses or investments for new funds or to bridge capital selectively for its funds' investments.

The Principal Activities segment also provides the required capital to fund the various commitments of KKR's Capital Markets business or to meet regulatory capital requirements.

Key Performance Measure - Economic Net Income ("ENI")

ENI is used by management in making operating and resource deployment decisions as well as assessing the overall performance of each of KKR's reportable business segments. The reportable segments for KKR's business are presented prior to giving effect to the allocation of income (loss) between KKR & Co. L.P. and KKR Holdings and as such represents the business in total. In addition, KKR's reportable segments are presented without giving effect to the consolidation of the funds that KKR manages.

ENI is a measure of profitability for KKR's reportable segments and is used by management as an alternative measurement of the operating and investment earnings of KKR and its business segments. ENI is comprised of total segment revenues; less total segment expenses and certain economic interests in KKR's segments held by third parties.