



KFL, Manager of KKR's Credit Business, Becomes Wholly-Owned Subsidiary of KKR

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June 16, 2008 - We are pleased to announce that KKR Financial LLC ("KFL"), a majority-owned subsidiary of Kohlberg Kravis Roberts & Co. L.P. ("KKR") and the external management company for both KKR Financial Holdings LLC (NYSE: KFN) ("KFN") and the KKR Strategic Capital Funds ("SCF"), has become a wholly-owned subsidiary of KKR. We believe that this change will allow KFL to further build upon the substantial benefits of its KKR relationship in providing management services to both KFN and SCF. In addition, we have decided to rebrand KKR's credit business from KFL to "KKR Fixed Income" to reinforce the full integration of the credit business both internally and externally.

To date, the wealth of experience, deep industry expertise, and global network provided through our affiliation with KKR has helped position us as a leading market participant. The full integration of KFL into KKR will further exploit this franchise advantage. The ability to expand the scale and scope of the KKR Fixed Income platform is substantially augmented by the full commitment and backing of KKR. In addition, knowledge sharing and idea generation are only enhanced through the efficiencies realized in a one-firm culture.

As Henry Kravis and George Roberts, Founding Members of KKR and members of our investment committee, said during our firm meeting last week, "These initiatives will strengthen our Fixed Income activities by reducing the time spent by Nino, Dave and their team on day-to-day administrative functions and allowing them to maximize their successful collaboration with KKR's investment professionals. KKR has long operated with a "one firm" approach where all executives share both resources and responsibility for our activities. We believe this change in structure will enhance the existing collaboration between KFL and KKR to the benefit of all of our public and private investors."

As part of the integration, we have been named Members of KKR and will continue with oversight responsibility for the firm's fixed income business particularly focused on investment and financing activities. Our involvement in the day-to-day reporting and administrative responsibilities associated with the functional disciplines of legal, finance, treasury and fund raising have been substantially reduced through integration with the broader KKR professional team freeing us to focus on fostering strategic relationships, identifying new mezzanine and distressed opportunities, and providing focused-oversight of investments to create and preserve value for you, our shareholders.

KKR's private equity executives will continue to recuse themselves from any investment decision that may suggest a conflict between a Private Equity investment and a Fixed Income investment. Furthermore, we will remain as officers of the KKR Fixed Income business and maintain our significant personal ownership stake in both of our fixed income investment vehicles. This structure ensures that we are incentivized to act in the best interest of our investors. The potential for conflict is further mitigated through the fully dedicated compliance functions for the Private Equity and Fixed Income businesses.

As a single firm with a common culture, our scale, global resources and relationships and management expertise will continue to differentiate us as we work to forge the preeminent global asset management business.

Saturnino S. Fanlo
David A. Netjes