KKR & Co. L.P.
Form S-1/A
September 22, 2008

QuickLinks -- Click here to rapidly navigate through this document

As filed with the Securities and Exchange Commission on September 22, 2008

Registration No. 333-144335

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 4 to FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Amendment No. 1 to FORM S-4

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

KKR & CO. L.P.

(Exact name of Registrant as specified in its charter)

Delaware	**6282**	**26-0426107**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

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

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

Copy to:
Joseph H. Kaufman, Esq.
Simpson Thacher & Bartlett LLP

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

Approximate date of commencement of the proposed sale of the securities to the public: As soon as practicable after the Registration Statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ý

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

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

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

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

Large accelerated filer o Accelerated filer o Non-accelerated filer ý Smaller reporting company o

CALCULATION OF REGISTRATION FEE

Title Of Each Class Of Securities To Be Registered	Amount to be Registered	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Units	(1)	(2)	(3)
Contingent Value Interests(4)	(1)		
Common Units Issuable upon Settlement of the Contingent Value Interests(4)	(1)		
Total	(1)	(2)	(3)

(1) The number of common units and contingent value interests of the registrant being registered is based upon an estimate of (i) the maximum number of common units and contingent value interests expected to be issued in connection with the acquisition of all of the assets and assumption of all of the liabilities of KKR Private Equity Investors, L.P. by the registrant and (ii) the maximum number of common units that may be issuable upon settlement of the contingent value interests.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(f) under the Securities Act.

(3) Registration fees of $38,375 have previously been paid.

(4) No separate consideration will be received for the contingent value interests or any common units issuable upon settlement of the contingent value interests. Pursuant to Rule 457(n) under the Securities Act of 1933, no separate registration fee will be paid in respect of any such contingent value interests or such common units.

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

SUBJECT TO COMPLETION, SEPTEMBER 22, 2008

PRELIMINARY PROSPECTUS

Common Units Representing Limited Partner Interests
Contingent Value Interests

We have entered into a purchase and sale agreement with KKR Private Equity Investors, L.P., or KPE, pursuant to which we have agreed to acquire all of the assets of KPE and assume all of the liabilities of KPE and its general partner in exchange for our common units representing limited partner interests in our partnership and contingent value interests representing possible additional consideration, which we refer to as the KPE Purchase. As promptly as practicable after the KPE Purchase, KPE will distribute our common units and contingent value interests to its unitholders, which we refer to as the KPE Distribution. We refer to the KPE Purchase and the KPE Distribution collectively as the KPE Transaction. The KPE Transaction will build on our foundation as a leading global alternative asset manager and we believe will more fully align our economic and strategic interests with those of KPE's unitholders and other stakeholders.

Upon completion of the KPE Transaction, KPE unitholders would receive our common units representing 21% of our fully diluted equity (prior to taking into account the issuance of any common units under our employee equity incentive plan) as well as contingent value interests, or CVIs, providing consideration of up to an additional 6% of our fully diluted equity as of the completion of the KPE Transaction, depending on the trading price of our common units three years after completion of the KPE Transaction. KPE unitholders will receive one of our common units and one CVI for each KPE unit they hold. Each CVI will be settled at maturity for an amount of consideration (payable, at the option of our principals, in cash or our common units) equal to the amount, if any, by which a strike price (based upon the net asset value of KPE as of June 30, 2008) exceeds the greater of (a) the market value of our common units (based on a volume-weighted average over a specified period) and (b) a floor price, provided that such consideration will not exceed the product of the market value of our common units and a unit cap. Prior to the KPE Transaction, there has been no public market for our common units. We intend to list our common units on the New York Stock Exchange under the symbol "KKR." The KPE Transaction will be consummated subsequent to the completion of the Reorganization Transactions described in this prospectus and prior to the listing of the common units on the NYSE. We refer to the Reorganization Transactions, the KPE Transaction and other related transactions contemplated by the purchase and sale agreement as the Transactions.

KPE will undertake a consent solicitation pursuant to which its unitholders will be asked to consent to the KPE Transaction. The consent of unitholders representing at least a majority of the outstanding KPE units (excluding KPE units whose consent rights are controlled by us or our affiliates) and the completion of the Reorganization Transactions are conditions to completing the KPE Transaction. KPE units are currently admitted to listing and trading on Euronext Amsterdam by NYSE Euronext, the regulated market of Euronext Amsterdam N.V., or Euronext Amsterdam, under the symbol "KPE." If the unitholder consent described above is obtained and the other conditions precedent in the purchase and sale agreement are satisfied or waived, we will hold a closing of the KPE Purchase as soon as reasonably practicable thereafter. KPE units are expected to cease to trade on Euronext Amsterdam following the completion of the KPE Distribution. Upon completion of the KPE Transaction, KPE will be dissolved and delisted from Euronext Amsterdam.

In reviewing this prospectus, you should carefully consider the matters described under the caption "Risk Factors" beginning on page 28 of this prospectus. These risks include but are not limited to the following:

- We are managed by a general partner, which we refer to as our Managing Partner, and do not have our own directors or officers. Unlike the holders of common stock in a corporation, our unitholders will have only limited voting rights and will have no right to elect or remove our Managing Partner or its directors. Upon completion of the KPE Transaction, our principals will generally have sufficient voting power to determine the outcome of any matters that may be submitted for a vote of our unitholders.

We believe that we will be treated as a partnership for U.S. federal income tax purposes and you therefore will be required to take into account your allocable share of items of our income, gain, loss and deduction in computing your U.S. federal income tax liability. You may not receive cash distributions equal to your allocable share of our net taxable income or even the tax liability that results from that income.

Legislation has been introduced that would, if enacted, preclude us from qualifying as a partnership for U.S. federal income tax purposes under the rules governing publicly traded partnerships and would require that we be treated as a corporation for U.S. federal income tax purposes. Separately, legislation has been introduced that would, if enacted, treat income received by a partner with respect to an investment services partnership interest as ordinary income received for the performance of services, which would also preclude us from qualifying for treatment as a partnership for U.S. federal income tax purposes. If the above or any similar legislation or regulation were to be enacted and apply to us, we would incur a material increase in our tax liability that could result in a reduction in the value of our common units.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense. The date of this prospectus is , 2008.

TABLE OF CONTENTS

You should rely only on the information contained in this prospectus, any free writing prospectus or consent solicitation materials we may authorize to be delivered to you or any subsequent filings we may make pursuant to Rule 425 of the Securities Act of 1933, or the Securities Act. We have not authorized anyone to provide you with additional or different information. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of our common units.

This prospectus incorporates important information about the company that is not included in or delivered with the prospectus. We will provide without charge to each person to whom a copy of this prospectus has been delivered, upon the written or oral request of such person, a copy of any and all of the documents that have been incorporated by reference into this prospectus. Requests for copies of any such document should be directed to KKR & Co. L.P. at: 9 West 57th Street, Suite 4200, New York, NY 10019, Attention: Investor Relations; telephone: (212) 750-8300. In order to obtain timely delivery, you must request the information no later than .

We have prepared this prospectus using a number of conventions, which you should consider when reading the information contained herein. Prior to the completion of the KPE Transaction, we will complete a series of transactions, which we refer to as the Reorganization Transactions, pursuant to which our business will be reorganized into a holding company structure. We refer to the KPE Transaction, the Reorganization Transactions and other related transactions described herein as the Transactions.

Unless the context suggests otherwise, references in this prospectus to "KKR," "we," "us," "our" and "our partnership" refer:

- prior to the Reorganization Transactions, to the KKR Group, which comprises certain consolidated and combined entities under the common control of our senior principals, and under the common ownership of our principals and certain other individuals who have been involved in our business, whom we refer to collectively as our existing owners; and

- after the Reorganization Transactions, to KKR & Co. L.P. and its consolidated subsidiaries, which will continue to be under the common control of our senior principals.

The KKR Group will be our predecessor for accounting purposes upon completion of the Reorganization Transactions, which will take place subsequent to the time the registration statement, of which this prospectus forms a part, is declared effective, and its combined financial statements will be our historical financial statements following the Transactions. We will not acquire all of the interests in the KKR Group in connection with the Reorganization Transactions and, accordingly, the combined financial statements of the KKR Group may not be indicative of the results of operations and financial condition that we will have following the completion of the Transactions. In addition, we will not be allocated any of the capital contributions made by the general partners of our funds prior to the completion of the Transactions or any returns generated on those contributions. See "Organizational Structure," "Unaudited Pro Forma Financial Information" and "Our Management's Discussion and Analysis of Financial Condition and Results of Operations."

References in this prospectus to "KPE" are to KKR Private Equity Investors, L.P., a Guernsey limited partnership. Unless otherwise specifically stated, references herein to units of KPE include any such units that may be represented by restricted depositary units. References in this prospectus to the "Acquired KPE Partnership" are to KKR PEI Investments, L.P., a Guernsey limited partnership whose limited partner interests are held by KPE.

References in this prospectus to "KFN" are to KKR Financial Holdings LLC, a publicly traded specialty finance company that is one of our fixed income funds and whose limited liability company interests are listed on the NYSE under the symbol "KFN." References in this prospectus to "KFI" are to

Kohlberg Kravis Roberts & Co. (Fixed Income) LLC, formerly known as KKR Financial LLC, which has become one of our wholly-owned subsidiaries, and its subsidiaries.

References in this prospectus to our (i) "principals" are to our senior investment and other professionals who hold interests in our Group Partnerships and (ii) "senior principals" are to those identified as senior principals in "Business Employees." References in this prospectus to our "traditional private equity funds" are to our private equity funds other than KPE.

In this prospectus, we also periodically refer to our "assets under management" or "AUM" which represent the assets as to which we are entitled to receive a fee or carried interest. We calculate the amount of AUM as of any date as the sum of:

- the fair value of the investments of our traditional private equity funds and our carry-yielding co-investment vehicles plus the capital that we are entitled to call from investors in our traditional private equity funds with respect to their unfunded capital commitments;
- the net asset value, or "NAV," of the KKR Strategic Capital Funds (our three private side-by-side fixed income funds), the separately managed accounts managed by KFI and our principal protected private equity product;
- prior to the Transactions, the NAV of KPE and, after the Transactions, the NAV of the assets of the Acquired KPE Partnership;
- the equity of KFN; and
- the capital raised by structured finance vehicles that we manage.

You should bear in mind that our calculation of AUM may differ from the calculations of other asset managers and, as a result, our measurements of our AUM may not be comparable to similar measures presented by other asset managers. Our definition of AUM is not based on any definition of AUM that is set forth in the agreements governing the investment funds that we manage. See "Private Equity Valuations and Related Data" for more information.

Unless otherwise indicated, references in this prospectus to our fully diluted common units outstanding, or to our common units outstanding on a fully diluted basis, reflect both actual common units outstanding as well as common units in to which Group Partnership units not held by us are exchangeable pursuant to the terms of the exchange agreement to be entered into in connection with the Transactions, but do not reflect common units that may be issuable pursuant to awards that may be granted under our 2008 Equity Incentive Plan.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, 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" or the negative version of these words or other comparable words. 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. We believe these factors include, but are not limited to, those described under "Risk Factors," "Our Management's Discussion and Analysis of Financial Condition and Results of Operations" and "KPE Management's Discussion and Analysis of Financial Condition and Results of Operations." These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this prospectus. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

MARKET AND INDUSTRY DATA

This prospectus includes market and industry data and forecasts that we have derived from independent reports, publicly available information, various industry publications, other published industry sources and our internal data and estimates. Independent reports, industry publications and other published industry sources generally indicate that the information contained therein was obtained from sources believed to be reliable. Our internal data and estimates are based upon information obtained from investors in our funds, trade and business organizations and other contacts in the markets in which we operate and our understanding of industry conditions. Although we believe that such information is reliable, we have not had this information verified by any independent sources.

SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all the information you should consider in connection with your receipt of our common units and contingent value interests. You should read this entire prospectus carefully, including the section entitled "Risk Factors" and the historical financial statements and related notes included elsewhere herein.

KKR

Led by Henry Kravis and George Roberts, KKR is a global alternative asset manager with $60.7 billion in AUM and a 32-year history of leadership, innovation and investment excellence. When our founders started our firm in 1976, they established the principles that guide our business approach today, including a patient and disciplined investment process; the alignment of our interests with those of our investors, portfolio companies and other stakeholders; and a focus on attracting world-class talent.

We have consistently been a leader in the private equity industry. Our achievements include completing the first leveraged buyout in excess of $1 billion, several of the largest leveraged buyouts completed worldwide to date, the first buyout of a public company by tender offer and more than 165 private equity investments with a total transaction value in excess of $423 billion. We have experienced significant growth and expect to continue to expand our platform to include complementary businesses that leverage our business model, our brand and the intellectual capital of our people. Today, with over 500 employees and more than 120 world-class investment professionals across the globe, we believe we have a preeminent global platform for sourcing and making investments in multiple asset classes and throughout a company's capital structure.

Through our offices in New York, Menlo Park, San Francisco, Houston, London, Paris, Hong Kong, Beijing, Tokyo and Sydney, we provide asset management services to a broad range of investors, including public and private pension plans, university endowments, other institutional investors and public market investors. We have grown our AUM significantly, from $15.1 billion as of December 31, 2004 to $60.7 billion as of June 30, 2008, representing a compounded annual growth rate of 48.8%. Our growth has been driven by the success of our investments, our expansion into new lines of business, value that we have created through our operationally focused investment approach, innovation in the products that we offer investors and an increased focus on capital raising and distribution activities. Our relationships with investors have provided us with a stable source of capital for investments, and we anticipate that they will continue to do so.

Summary of the Transactions

The KPE Transaction. On July 27, 2008, we entered into a purchase and sale agreement with KPE pursuant to which we have agreed to acquire all of the assets of KPE and assume all of the liabilities of KPE and its general partner in exchange for our common units and contingent value interests, which we refer to as CVIs. The assets that we will acquire from KPE are expected to provide us with a significant source of capital to further grow and expand our business, increase our participation in our existing portfolio of businesses and further align our interests with those of our investors and other stakeholders.

Common Units. The common units received by KPE unitholders in connection with the KPE Transaction will represent 21% of our fully diluted outstanding common units upon completion of the Transactions, prior to taking into account any adjustments relating to the CVIs.

CVIs. In the aggregate, the CVIs will entitle KPE unitholders to receive additional common units representing up to 6% of our fully diluted common units as of the completion of the Transactions (or the cash equivalent thereof), in the event that three years after the issue date the trading price of our common units over an averaging period plus the cumulative amount of distributions made on our common units is below a strike price based upon the NAV of KPE as of June 30, 2008 ($22.25 per unit).

KPE. KPE is a permanent capital vehicle that has historically focused primarily on making private equity investments in our portfolio companies and funds, but has the flexibility to make other types of investments, including in fixed income and public equity. KPE's units were issued at an initial offering price of $25.00 per unit on April 21, 2006 and the closing price of the KPE units, which trade on Euronext Amsterdam, on September 19, 2008 was $10.25 per unit.

The Transactions. KPE will undertake a consent solicitation pursuant to which its unitholders will be asked to consent to the KPE Transaction. The consent of unitholders representing at least a majority of the outstanding KPE units (excluding KPE units whose consent rights are controlled by us or our affiliates) and the completion of the Reorganization Transactions are conditions to completing the Transactions. If the unitholder consent described above is obtained and the other conditions precedent in the purchase and sale agreement are satisfied or waived, we will undertake the following steps, which are described in greater detail under "The KPE Transaction" and "Organizational Structure":

- Prior to the completion of the KPE Transaction, we will complete the Reorganization Transactions pursuant to which our business will be reorganized under the Group Partnerships, which will involve a contribution of equity interests in our business that are held by our principals to the Group Partnerships.

- Upon completion of the Reorganization Transactions, the entities included in the financial statements of the KKR Group, other than the 1996 Fund and its general partner, will be reorganized under the Group Partnerships, and we will serve as the ultimate general partner of the Group Partnerships.

- Following the completion of the Reorganization Transactions, we will acquire all of the assets of KPE, including all of the interests in the Acquired KPE Partnership held by KPE, and assume all of the liabilities of KPE and its general partner, in exchange for common units and CVIs that will be issued by us.

- We intend to list our common units on the New York Stock Exchange under the symbol "KKR". Our common units will not be listed on any other securities exchange.

- As promptly as practicable following the receipt of the common units and CVIs issued by us, KPE will distribute the common units and CVIs to its unitholders.

- Following such actions, KPE units are expected to cease to trade on Euronext Amsterdam and KPE will be dissolved and delisted from Euronext Amsterdam.

- Upon completion of the KPE Transaction, we will directly or indirectly contribute all of the assets acquired from KPE, including all of the interests in the Acquired KPE Partnership held by KPE, to the Group Partnerships.

Why We Are Undertaking the KPE Transaction

Our decision to undertake the KPE Transaction is based on our conclusion that the transaction will benefit KPE unitholders and other stakeholders over the long term. We view the KPE Transaction as part of our continued commitment to KPE and its unitholders, who supported us in KPE's initial offering and have remained committed to us. We believe that the KPE Transaction offers a superior opportunity to KPE unitholders. In particular:

Unlocks Value and Enhances Liquidity

Through a listing on the NYSE, KPE unitholders will have access to a broader investor base and a significantly more liquid trading market for their securities. In addition to obtaining greater liquidity, as our unitholders, KPE investors will receive regular distributions of substantially all of the cash earnings generated by our asset management business annually. See "Distribution Policy."

Ownership of a Global Alternative Asset Manager with Significant Growth Potential and Diversity

The KPE Transaction provides KPE unitholders with a new opportunity to participate in all the economics of our business, as opposed to only our private equity investments, and will allow our principals and KPE unitholders to share together in attractive growth opportunities. We believe that the KPE Transaction will bolster our position as one of the world's leading alternative asset managers and further enhance our business diversity, scale, capital and growth prospects, all to the benefit of KPE unitholders.

Further Aligns Our Economic and Strategic Interests

The KPE Transaction will more fully align the interests of our principals and KPE unitholders, as we all will own the same equity and share in the same income streams. KPE unitholders will gain broad exposure to all of our activities and will no longer bear the expense of fees and carry on their investments, which are currently paid out of KPE's assets.

Significant Valuation Protection

KPE unitholders are being provided with significant valuation protection through the opportunity to obtain additional consideration in the event that the trading price of our common units over an averaging period plus the cumulative amount of distributions on our common units is below a strike price tied to the NAV of KPE as of June 30, 2008 ($22.25 per unit). This additional consideration may result in the issuance to KPE unitholders of up to an additional 6% of our fully diluted common units as of the completion of the Transactions or the cash equivalent thereof. The 6% cap is subject to adjustment to account for dividends, distributions and certain other transactions, and we will not be obligated to deliver, in consideration for the CVIs, common units exceeding 6% of our fully diluted common units as of the completion of the Transactions. In addition, any consideration to be paid to holders of the CVIs will not be delivered prior to the date that is three years after the completion of the KPE Purchase, except in limited circumstances.

Why We Are Going Public

Our decision to go public is based on our belief that such a change will benefit our firm, our investors and other stakeholders by enhancing our ability to do what we do best grow and improve companies around the world and produce superior returns for our investors from a larger platform and a deeper capital base. Through the Transactions and the integration of KPE, we believe we are taking the right steps to build for our future. Specifically, an NYSE listing accomplishes the following:

Enhances Our Ability to Build New Businesses

We believe there are significant opportunities for us to build new businesses by leveraging the intellectual capital of our firm and increasing the utilization of our people. While our industry teams conduct in-depth research and have developed specific views on trends and companies in their industries, a large number of opportunities that we consider do not result in actual transactions. Historically, when we have been unable to complete a transaction, much of the work that we had completed remained unused. With our integrated efforts in fixed income and public market investments, we have in recent years been able to leverage, where appropriate, the work and contacts of our industry teams and deploy more capital behind our ideas. We believe that gaining access to additional capital will better enable us to invest more heavily behind our activities and the ideas that we develop in the normal course of our business.

Enhances Our Ability to Continue to Attract and Incentivize World-Class People

We place a strong emphasis on our culture and our values, and we intend to continue to operate our firm in the same manner we have throughout our 32-year history. We have attracted and incentivized world-class people by allowing them to participate in our investments and by sharing economics throughout our firm. Becoming a public company will expand the range of financial incentives that we can offer our people by providing us with a publicly traded security that represents an interest in the value and performance of our firm as a whole.

In connection with the Transactions, everyone at our firm will become an owner and will have a stake in our future. More importantly, because our founders and other principals do not want our people to be advantaged or disadvantaged as a result of their title or tenure at our firm at the time of the Transactions, we have structured the equity ownership of our firm in a manner that will allow us to provide additional equity participation to our people without dilution to our public unitholders.

Creates a Currency to Finance Acquisitions

Acquisitions provide another means to enter or expand into complementary lines of business and leverage our strong global brand. By combining our capabilities and brand with those of acquired companies, we believe that we will be well positioned to create significant value for our investors and other stakeholders. Becoming a public entity will provide us with a currency that we may use to pursue attractive opportunities as they arise.

Our Business Approach

Over our 32-year history, we have developed a unique business approach that centers around three key principles: adhere to a patient and disciplined investment process; align our interests with those of our investors and other stakeholders; and attract world-class talent for our firm and portfolio companies. We apply these principles to all aspects of our business, and we believe that they have been critical to both our success and our ability to create value for our constituencies. The Transactions are designed to enhance these fundamentals.

Patient and Disciplined Investment Process

We are a patient investor that seeks to create and realize value over the long-term. We believe that the best way to generate value for stakeholders is to build on our strong industry and operational expertise and improve assets over time. Across our businesses, our investment professionals are organized into industry teams and work closely with operational consultants from KKR Capstone and our senior advisors to identify businesses that we can grow and improve. 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 will benefit from our involvement. Our industry teams possess a detailed understanding of the economic drivers, opportunities for value creation and strategies for improving companies across the industries in which we invest.

When we make a controlling investment, we partner with world-class management teams to execute on our investment thesis and rigorously track performance through regular reporting and detailed operational and financial metrics. We have developed a global network of experienced managers and operating executives who assist our portfolio companies in making operational improvements and achieving growth. We augment these resources with operational guidance from KKR Capstone, our senior advisors and our investment teams, and with "100-Day Plans" that focus our efforts and drive our strategy. We emphasize efficient capital management, top-line growth, R&D spending, geographical expansion, cost optimization and investment for the long-term. As we enter new lines of business, such as infrastructure, we will apply the same approach.

Alignment of Interests

Since our inception, one of our fundamental philosophies has been to align the interests of our firm and our people with the interests of our investors, portfolio companies and other stakeholders. We do this by putting our own capital behind our ideas. Since we were founded, our people have invested or committed to invest approximately $1.9 billion of their personal capital in our portfolio companies and transactions, and we and our people have been compensated substantially based on the returns generated. Through the Transactions, we will achieve an even greater alignment of interests as a result of the approximately $7.0 billion that we and our people will have invested in or committed to our portfolio companies and transactions. In addition, our principals will not receive any proceeds from the Transactions and their interests in our business will be subject to significant vesting and transfer restrictions, further ensuring long-term alignment of interests.

World-Class Talent

We have built our firm with the intellectual capital of our people, and we are guided daily by the diversity, depth and breadth of their collective knowledge and experience. Led by Henry Kravis and George Roberts, our people have demonstrated an ability to address the challenges of cyclical markets; design and implement investment strategies and operational improvement plans; and create innovative investment products and structures. Through our people, we have access to a global network of business relationships with leading executives from major companies, financial institutions and investment and advisory institutions. We believe our people and the breadth of their experience position us to thrive in an increasingly global and constantly changing economy.

Track Record of Superior Returns for Investors

We believe that our business approach is among the reasons that we have been able to generate strong and stable returns for our investors. In our private equity business, for example, our traditional private equity funds generated a cumulative gross IRR of 26.2% from our inception in 1976 through June 30, 2008, compared to the 8.8% gross IRR achieved by the S&P 500 Index over the same period, despite the cyclical and sometimes economically challenging environments in which we have operated. We have nearly doubled the value of capital that we have invested in private equity, turning $43.9 billion of invested capital into $87.6 billion of value. Excluding our less mature funds, we have nearly tripled the value of capital invested, turning $25.4 billion of capital into $68.3 billion of value as reflected in the chart below. Mature funds consist of funds that were formed more than 36 months prior to the valuation date and do not include the European Fund II, the 2006 Fund, the Asian Fund and the European Fund III. We therefore have not calculated gross IRRs, net IRRs and multiples of invested capital with respect to those funds as of

June 30, 2008. For a description of the amounts committed and invested and the fair value of the investments with respect to those funds, see "Business Private Equity Private Equity Experience."

Amount Invested and Total Value
All Investments
As of June 30, 2008

Amount Invested and Total Value
Mature Funds
As of June 30, 2008

Recent market conditions have not been favorable as compared to prior periods. Weakness in the U.S. housing market and global financial markets, coupled with a large backlog of unsyndicated debt financing related to leveraged acquisitions, has led to a significantly diminished availability of credit and an increase in the cost of financing, which has materially hindered the initiation of new, large-sized transactions for our private equity segment and, together with declines in valuations of equity and debt securities, has adversely impacted our recent operating results.

Our Business

As a global alternative asset manager, we earn ongoing management, advisory and incentive fees for providing investment management, advisory and other services to our funds, managed accounts and portfolio companies, and we generate transaction-specific advisory income from our capital markets transactions. We earn additional investment income from investing our own capital alongside fund investors and from the carried interest we receive from private equity funds and carry-yielding co-investment vehicles. Our carried interest allocates to us a share of the investment gains that are generated on third-party capital that we invest and typically equals 20% of the net realized returns generated on private equity investments. Following the completion of the Transactions, our net income will include additional returns on assets acquired from KPE.

Private Equity Segment

Through our private equity segment, we sponsor and manage a number of funds and co-investment vehicles that make primarily control-oriented investments in connection with leveraged buyouts and other similarly-yielding investment opportunities. We are a world leader in private equity, having raised 14 traditional private equity funds with approximately $59.9 billion of capital commitments. We have also developed innovative private equity products, such as KPE, various co-investment structures and a principal protected private equity product, that allow a broader base of investors to participate in our deals and increase the amount of capital that we may commit to transactions.

Our private equity activities focus on the largest end of the leveraged buyout market, which we believe allows us to invest in industry-leading franchises with global operations, attract world-class management teams, deploy large amounts of capital in individual transactions and optimize the income that we earn on a per transaction basis. We source these investments through our global relationships based upon the in-depth industry analysis conducted by our industry teams. When we make private equity investments, we partner with highly motivated management teams who put their own capital at risk and we design and implement strategic and operational changes that create value in the businesses we acquire. Our approach leverages our capital base, sourcing advantage, industry knowledge, operating expertise, global investment platform and unique access to KKR Capstone and our senior advisors, which we believe sets us apart from others.

We manage three traditional private equity funds that are currently in their investment period as well as a number of other funds that are fully invested. Our three active funds are geographically differentiated and consisted of the 2006 Fund (a $17.6 billion fund with $5.7 billion of uninvested capital commitments), the European Fund III (a $6.9 billion fund with $6.7 billion of uninvested capital commitments) and the Asian Fund (a $4.0 billion fund with $3.4 billion of uninvested capital commitments) as of June 30, 2008. Our other private equity products, such as co-investment structures, allow us to commit additional capital to our transactions and capture additional income streams. As of June 30, 2008, our private equity segment had $47.6 billion of AUM.

Our current private equity portfolio, which is held among a number of private equity funds and co-investment vehicles, consists of 51 companies with more than $205 billion of annual revenues and 855,000 employees worldwide. These companies are headquartered in more than 14 countries and operate in 14 general industries which take advantage of our broad and deep industry and operating expertise. They are leading franchises with global operations, strong management teams, attractive capital structures, defensible market positions and appealing growth prospects, which we believe will provide benefits through a broad range of business conditions.

We believe many of our portfolio companies have a defensive outlook and are well positioned for the current economic cycle. Examples of these companies include Energy Future Holdings (the largest producer of energy in Texas and an operator in both competitive and regulated utility markets); First Data Corporation (a leading provider of electronic commerce and payment solutions for merchants, financial institutions and card issuers with operations in 38 countries); HCA (the largest investor-owned health care services provider in the United States); Alliance Boots (an international pharmacy-led health and beauty group operating in more than 15 countries); and Dollar General (a distributor of low-price, everyday items with more than 8,000 stores in 35 states).

The following charts present information concerning the composition of our private equity portfolio by geography and industry as of June 30, 2008 based on fair value.

Fair Value by Geography

(1996 Fund and Subsequent Funds as of June 30, 2008)

Fair Value by Industry

(1996 Fund and Subsequent Funds as of June 30, 2008)

We will not acquire interests in the general partners of the 1996 Fund or prior funds in connection with the Transactions. If the 1996 Fund is not included in the "Fair Value by Geography" chart above, the fair value of investments is 56.7% in North America, 34.1% in Europe and 9.2% in Asia. If the 1996 Fund is not included in the "Fair Value by Industry" chart above, only the fair value of investments in the Chemicals industry changed by at least 1.0% (-1.2%).

Fixed Income Segment

We believe the experience of our people, our global platform and our ability to effectively adapt our investment strategies to different market conditions allow us to capitalize on investment opportunities throughout a company's capital structure. Commencing in 2004, we began to actively pursue debt investments as a separate asset class and, through KFI, we now sponsor and manage a group of fixed income funds, structured finance vehicles and managed accounts that focus on corporate debt investments. As of June 30, 2008, our fixed income segment had $13.1 billion of AUM, including $2.0 billion of AUM at KKR Financial Holdings, an NYSE listed specialty finance company, $1.1 billion of AUM at the KKR Strategic Capital Funds, which consist of three side-by-side entities, and $10.0 billion of AUM managed through our structured finance vehicles.

The following chart presents the growth in the AUM of our fixed income segment from the commencement of operations through June 30, 2008. We believe there is a significant opportunity to leverage our strengths to drive additional strong growth in this business.

Our fixed income funds, structured finance vehicles and managed account platform are managed through KFI, which previously allocated a portion of its annual net income to non-controlling interest holders. On May 30, 2008, we acquired all of the outstanding non-controlling interests in KFI in order to further integrate our operations, enhance existing collaboration among all of our investment professionals and accelerate the growth of our business. As a result of this transaction, which we refer to as the KFI Transaction, we presently own 100% of the equity in KFI and are entitled to all of the net income and related cash flows generated through our fixed income segment.

Principal Segment

Upon completion of the Transactions, the assets, liabilities, income, expenses and cash flows of KPE and its general partner will become ours. We intend to manage these assets separately from our private equity and fixed income segments and account for them in a newly created reportable business segment referred to as our principal segment. As of June 30, 2008, KPE had an NAV of $4.6 billion, representing its interests in the Acquired KPE Partnership. We intend to use the assets that we acquire from KPE as a source of capital to further grow and expand our business, increase our participation in our existing portfolio of businesses and further align our interests with our investors and other stakeholders.

Capital Markets Activities

Within each of our private equity and fixed income segments, we carry out capital markets activities that support our asset management business, increase our investable capital, improve our margins and allow us to capture additional income streams. These activities capitalize on our natural sourcing opportunities and include raising additional capital for our funds, providing capital markets advice, structuring new investment products and placing, arranging or underwriting equity and debt transactions for our portfolio companies and public vehicles. We believe that these activities are particularly attractive in the current economic environment as they facilitate the raising of capital from non-traditional sources and allow us to take greater control over both the capital formation process and the manner in which we exit investments.

We have hired a number of experienced professionals with long-standing investor relationships and industry experience to help us build our capital markets business. We have also obtained broker-dealer licenses in the United States and the United Kingdom, which allow us to engage in a broad range of capital markets and distribution activities, and a more limited license in Japan that allows us to raise capital for our funds. Today, our capital markets activities are focused on our funds, our portfolio companies and our private equity and fixed income segments. Following the completion of the Transactions, we intend to use our capital markets professionals as an additional resource in managing some of the assets acquired from KPE. Over time, we may expand our business and grow our capabilities in a manner that further complements our business.

KKR Capstone and Our Senior Advisors

Given the substantial emphasis we place on operational achievement, we have a team of over 30 operational consultants from KKR Capstone who work exclusively with our investment professionals and portfolio companies, and we are advised by a group of senior advisors that includes active or former leaders of a number of *Fortune 500* companies and public agencies, including Wells Fargo, HSBC Holdings, Eastman Kodak Company, Honeywell International and Accenture. KKR Capstone consultants and our senior advisors provide us with significant operational and strategic insights, serve as directors or executives of our portfolio companies, help us evaluate individual investment opportunities and assist our portfolio companies in addressing issues relating to top-line growth, cost optimization, efficient capital allocation and other challenges and opportunities that they face. They are an integral part of the way we approach our investments and our business.

Our Strategic Growth Initiatives

We are currently pursuing opportunities to develop additional lines of business and create new investment structures that will allow us to apply our business approach to a broader range of asset classes in a manner that benefits our firm, our investors and other stakeholders. Having organically grown our fixed income business from 2 executives and approximately $800 million of AUM in 2004 to more than 70 people and over $13.1 billion of AUM as of June 30, 2008, we have experience in identifying and branching out into new lines of business that naturally flow from our core competency. We believe that our expansion into new areas represents a natural next step in the evolution of our firm and will allow us to grow our AUM, generate additional income and capitalize on the global platform, infrastructure, industry knowledge, operational experience and intellectual capital of our firm.

Infrastructure

We recognize the important role that infrastructure plays in the growth of both developed and developing economies, and we believe that the global infrastructure market provides an opportunity for our unique combination of private investment, operational improvement and public affairs skills.

Accordingly, in May 2008, we announced plans to begin a new initiative to invest in infrastructure assets on a global basis. We believe that this initiative is an extension of our private equity business, building on the significant expertise we have established by managing investments in large, complex and regulated businesses and our record of driving operational improvements in a wide range of industries. We are currently building an investment team to focus specifically on global infrastructure opportunities. We have hired a highly experienced professional and engaged a new senior advisor for this effort, and we expect to identify other highly experienced professionals and operating executives who, along with our existing professionals and senior advisors, will support this initiative. The team, which will have a presence in the United States, Europe and Asia, will collaborate with our other industry teams worldwide.

Mezzanine

Mezzanine financing represents a hybrid of debt and equity financing. Mezzanine financing has become an increasingly attractive form of investment in recent years, and interest in mezzanine products has grown considerably given the favorable position of mezzanine in the capital structure and the historically attractive risk-reward characteristics of mezzanine investments. Given the debt- and equity-like characteristics of mezzanine financing, the returns that it generates and its presence in the leveraged loan market, we believe that expanding into mezzanine products will allow us to take advantage of synergies with our existing fixed income and private equity businesses.

Other Opportunities

We believe that other asset classes, including public equity and real estate, will present additional growth opportunities for us over the longer-term. We also intend to develop additional investment products and structures that allow us to access a broader base of investors and manage their assets in a manner that is tailored to their investment needs and objectives. Examples of our new product initiatives include the launching of a managed account platform for fixed income investors and the development of our principal protected private equity product, which provides investors who seek downside protection or have regulatory capital constraints with access to our private equity investments.

Our Strengths

Over our 32-year history, we have developed a business approach that centers around three key principles: adhere to a patient and disciplined investment process; align our interests with those of our investors and other stakeholders; and attract world-class talent for our firm and portfolio companies. Other aspects of our firm help further differentiate us as an alternative asset manager and provide us with additional competitive advantages for growing our business and creating value. These include:

Firm Culture and Values

When our founders started our firm in 1976, leveraged buyouts were a novel form of corporate finance. With no financial services firm to model ourselves on and with little interest in copying an existing formula, we sought to build a firm based on principles and values that would provide a proper institutional foundation for years to come. We believe that our success to date has been largely attributable to the unique culture within our firm and the values that we live by: honesty; respect for our colleagues and others with whom we deal; teamwork; excellence, innovation and creativity; shared accountability for our successes and shortcomings; the fortitude to say no; and sharing of financial results and credit throughout our firm. Our values and our "one firm" culture will not change as a result of the Transactions.

Sourcing Advantage

We believe that we have a competitive advantage in sourcing new investment opportunities as a result of our internal deal generation strategies, our industry expertise and our global network. We maintain relationships with leading executives from major companies, commercial and investment banks and other investment and advisory institutions, including by our own estimate chief executives and directors of two-thirds of the companies in the S&P 500 and the Global S&P 100. Our industry teams work across our offices to develop a list of industry themes and trends, identify companies that will benefit from those trends and determine which of those companies would make an attractive investment. Through our industry focus and global network, we often are able to obtain exclusive or limited access to investments that we identify. Our reputation as a patient and long-term investor also makes us an attractive source of capital for public companies, and through our relationships with major financial institutions, we are frequently one of the first parties considered for a potential transaction.

Sizeable Long-Term Capital Base

As of June 30, 2008, we had $60.7 billion of AUM, making us one of the largest independent alternative asset managers in the world. Our traditional private equity funds receive capital commitments from investors that may be called during an investment period that typically lasts for six years and remain invested for up to approximately 10 years. Our fixed income funds, structured finance vehicles and managed account platform include capital that is either not subject to optional redemption, has a maturity of at least 10 years or is otherwise subject to withdrawal only after a lock-up period ranging from 2 to 5 years. As of June 30, 2008, approximately 98.1%, or $59.7 billion, of our AUM had a contractual life at inception of at least 10 years, providing us with a stable source of long-term capital for our business.

Global Scale and Infrastructure

With offices in 10 major cities located on four continents, we are truly a global firm. Our global and diversified operations are supported by our sizeable capital base and extensive local market knowledge, which allow us to raise and deploy capital across a number of geographical markets and make investments in a broad range of companies, industry sectors and asset classes globally. As of June 30, 2008, approximately 43% of our investment professionals were based outside the United States and approximately 45% of the unrealized value of our private equity portfolio consisted of investments made outside the United States. Our executives come from more than 25 countries and speak over 18 different languages. Although our operations span multiple continents and business lines, we have maintained a common culture and are focused on sharing knowledge, resources and best practices throughout our offices. We believe that operating as an integrated global firm enhances the growth and stability of our business and helps optimize the decisions we make across asset classes and geographies.

Creativity and Innovation

We pioneered the development of the leveraged buyout and have worked throughout our history on creating new and innovative structures for both raising capital and making investments. Our history of innovation includes establishing permanent capital vehicles for our fixed income and private equity segments, creating a new principal protected product for private equity investments and developing new capital markets and distribution capabilities in the United States, Europe and Asia. An example of our achievements at portfolio companies include using an innovative power hedging program in connection with our acquisition of Texas Genco that allowed the company to lock in significant future cash flows.

Leading Brand Name

We believe the "KKR" name is associated with: the successful execution of many of the largest and most complex private equity transactions worldwide; a focus on operational value creation; a strong investor base; creativity and innovation; a global network of leading business relationships; a reputation for integrity and fair dealing; and superior investment performance. We intend to leverage the strength of our brand as we seek to grow our business.

Benefits to Multiple Stakeholders

By building world-class enterprises that thrive long after we exit our investment, our business approach benefits multiple stakeholders. Our patient and long-term focus allows our companies to become stronger and more competitive, creates employment opportunities, promotes R&D investment and allows businesses to build for the long-term. These changes improve the products and services that our companies are able to offer, benefits the communities that they serve and the workers that they employ and grows economic value in its broadest sense.

Our business approach also benefits another important group of stakeholders: the pension plans, university endowments, foundations and others who are our investment partners. The public pension plans that have invested in one of our recent private equity funds have nearly 9 million members. We take great pride in the fact that our investments have generated strong and stable returns for our investors across all economic cycles and, in doing so, have helped secure the retirements of teachers, firefighters, police officers, state and municipal employees and many others. These returns have helped reduce the size of annual pension contributions by both employees and employers and improved the funding ratio of pension plans.

Our long-term outlook also enables us to consider the perspectives of, and offer many benefits to, additional stakeholders. For example, our recent acquisition of Energy Future Holdings (previously known as TXU) included a substantial commitment to strengthen the company's environmental policies, make significant investments in alternative energy and institute corporate policies tied to climate stewardship. These efforts, among others, helped earn the endorsement of that acquisition by the Environmental Defense Fund, the Natural Resources Defense Council and labor organizations, including the AFL-CIO, International Brotherhood of Electrical Workers Seventh District and Lonestar Lodge of the International Brotherhood of Boilermakers.

Our experience with Energy Future Holdings has led to a partnership with the Environmental Defense Fund on a first-of-its kind "Green Portfolio Project" that seeks to find cost-effective ways to measure and improve the efficiency and environmental performance of our U.S. portfolio companies, similar to the way we drive operational and financial improvement. Our hope is that the knowledge and tools developed in this process will be replicated and implemented across our portfolio and serve as an example for other businesses worldwide.

KPE Transaction

On July 27, 2008, we entered into a purchase and sale agreement with KPE, pursuant to which we have agreed to acquire all of the assets of KPE and assume all of the liabilities of KPE and its general partner in exchange for newly issued common units and CVIs to be issued by us. As promptly as practicable after the KPE Purchase, KPE will distribute our common units and CVIs to its unitholders.

The KPE Transaction does not involve the payment of any cash consideration or involve an offering of any newly issued securities directly to the public for cash, and our principals are not selling any equity interests in the transaction. The purchase and sale agreement was unanimously approved by the board of directors of KPE's general partner, acting upon the unanimous recommendation of directors of KPE's general partner who are independent of us under NYSE Rules.

Under the purchase and sale agreement, KPE unitholders will receive one of our common units and one CVI for each KPE unit they hold. Upon completion of the KPE Transaction, KPE unitholders will hold in the aggregate approximately of our common units, which will represent 21% of our outstanding limited partner interests upon the completion of the Transactions on a fully diluted basis, prior to taking into account any adjustment relating to the CVIs. Through their interests in KKR Holdings L.P., which we refer to as KKR Holdings, our principals initially will retain exchangeable equity in certain of our subsidiaries which, if exchanged upon the completion of the Transactions, would represent 79% of our outstanding common units on a fully diluted basis, prior to taking into account any adjustment relating to the CVIs.

The CVIs consist of contingent value interests in our partnership. If three years after the issue date the trading price of our common units over an averaging period plus the cumulative amount of distributions that we make on our common units is below a strike price tied to KPE's NAV as of June 30, 2008 ($22.25 per unit) holders of CVIs will be entitled to receive, in the aggregate, up to (i) an additional 6% of the number of our common units outstanding on a fully diluted basis as of the completion of the Transactions, or (ii) cash having a value equivalent thereto. The CVIs would be issued pursuant to a capital contribution adjustment mechanism described below. Through KKR Holdings, our principals will have the ability to determine whether the CVIs are settled with equity or cash. The actual amount of consideration delivered, if any, will depend on the trading price and the amount of distributions that we make on our common units and is subject to adjustment.

Although under no legal, regulatory or Euronext Amsterdam requirement to do so, as a condition to the completion of the KPE Transaction, KPE will undertake a consent solicitation pursuant to which KPE unitholders will be asked to consent to the KPE Transaction. The consent of unitholders representing at least a majority of the outstanding KPE units (excluding KPE units whose consent rights are controlled by us or our affiliates) will be required. If the unitholder consent described above is obtained, the Reorganization Transactions have been completed and the other conditions precedent are satisfied or waived, we will hold a closing of the KPE Purchase as soon as reasonably practicable thereafter and KPE will distribute all of the common units and CVIs received from us in the transaction to its unitholders as promptly as practicable after the KPE Purchase. Following such actions, KPE will be dissolved and delisted from Euronext Amsterdam. See "The KPE Transaction," "Organizational Structure" and "Description of Our Contingent Value Interests."

Our Common Units Are Intended for Holders with a Long-Term Focus

We have consistently approached our business and investments with a long-term view. We intend to maintain this focus after we become a public company and as we pursue our strategic growth initiatives, even though this may lead to increased volatility in our results from period to period. We believe that by continuing to adhere to the business approach that we have developed over our 32-year history rather than focusing on short-term financial results, we will be best positioned to continue to grow and prosper. We do not intend to allow short-term perspectives to unduly influence our business approach, our operational, strategic or investment decisions, our duties or commitments to investors or our focus on creating value over the long-term. Because of the nature of our businesses and our long-term focus, our common units should be held only by those who expect to remain unitholders for an extended period of time.

Risks Related to Our Common Units and CVIs

Holding our common units involves substantial risks and uncertainties. Some of the more significant challenges and risks related to our common units include:

- recent disruptions in the credit markets that have significantly increased the cost of financing leveraged buyout transactions and limited the availability of that financing;
- our dependence on our principals, including our founders and other key personnel;
- the volatility of our net income and cash flow;
- the potential for our investments to underperform and the adverse impact such performance could have on our ability to maintain or grow our AUM;
- the limited ability of our unitholders to influence decisions regarding our business;
- extensive regulation of and the possibility of increased regulatory focus on our businesses;
- the valuation methodologies for certain assets in our funds are subject to significant judgment;
- potential conflicts of interest among our Managing Partner, its affiliates and us;
- our dependence on leverage in making investments;
- the illiquidity of investments made by many of our funds;
- the absence of a historical trading market for our common units;
- our emphasis on private equity investments that are among the largest in the industry, which involve particular risks and uncertainties; and
- our investment in companies that are based outside of the United States.

Our CVIs involve certain additional risks and uncertainties separate from those affecting our common units, including the following:

- it is possible that you will receive no consideration for our CVIs;
- even if we become obligated to deliver consideration for our CVIs, that obligation will not arise until three years from the completion of the KPE Transaction, except in certain limited circumstances; and
- the CVIs are not transferable except in very limited circumstances as described under "Description of our Contingent Value Interests Transferability."

In addition, members of the U.S. Congress have introduced legislation that would, if enacted, preclude us from qualifying for treatment as a partnership for U.S. federal income tax purposes under the publicly traded partnership rules. Separately, members of the U.S. Congress have introduced legislation that would, if enacted, treat income received for performing investment management services as ordinary income received for the performance of services, which would also preclude us from qualifying for treatment as a partnership for U.S. federal income tax purposes. If any of these pieces of legislation or any similar legislation or regulation were to be enacted and apply to us, we would incur a material increase in our tax liability, which could result in a reduction in the value of our common units. Please see "Risk Factors" for a discussion of these and additional factors related to our common units and CVIs.

Organizational Structure

The following diagram illustrates the ownership and organizational structure that we will have upon the completion of the Transactions.

Notes:

(1) Except for KKR Management Holdings Corp., certain of our foreign subsidiaries and certain subsidiaries of the Acquired KPE Partnership, which will be taxable as corporations for U.S. federal income tax purposes, all entities are treated as partnerships or disregarded entities for U.S. federal income tax purposes. For a discussion of pending legislation that may preclude us from qualifying for treatment as a partnership for U.S. federal income tax purposes, see "Risk Factors Risks Related to Our Business Legislation has been introduced that would, if enacted, preclude us from qualifying as a partnership for U.S. federal income tax purposes. If this or any similar legislation or regulation were to be enacted and apply to us, we would incur a material increase in our tax liability that could result in a reduction in the value of our common units."

(2) The KKR Group will be our accounting predecessor and its financial statements will be our historical financial statements upon the completion of the Transactions. The KKR Group includes all of our management companies and capital markets companies, the general partners of all of our funds (other than the general partners of the 1987 Fund and the 1993 Fund), all of the entities that are entitled to receive carry from our co-investment vehicles and the consolidated subsidiaries of those entities. We do not consolidate the 1987 Fund or the 1993 Fund, because the general partners of those funds are not included in the KKR Group, and we do not consolidate KFN and one of the side-by-side funds in the KKR Strategic Capital Funds. For information concerning the interests in the KKR Group that will be owned by the Group Partnerships or retained by minority investors upon completion of the Transactions, see " Components of Our Business Owned by the Group Partnerships."

(3) For information concerning the contribution of the Acquired KPE Partnership and the other assets of KPE to the Group Partnerships, see " KPE Transaction" and "Organizational Structure."

KKR & Co. L.P.

We are a Delaware limited partnership. As is commonly the case with limited partnerships, our partnership agreement provides for the management of our business and affairs by a general partner rather than a board of directors. Our general partner, which we refer to as our Managing Partner, is controlled by our senior principals and will have a board of directors that is co-chaired by our founders. Following the Transactions, the board will consist of a majority of independent directors and will have an audit committee and a conflicts committee consisting entirely of independent directors. Our founders will serve as Co-Chairmen of the board and Co-Chief Executive Officers of our business and have a majority of the general voting power of our Managing Partner's shareholders.

The Transactions

Prior to the completion of the KPE Transaction, we will complete a series of transactions, which we refer to as the Reorganization Transactions, pursuant to which our business will be reorganized under two new partnerships, which we refer to as the Group Partnerships. The reorganization will involve a contribution of equity interests in our business that are held by our principals to the Group Partnerships in exchange for newly issued partner interests in the Group Partnerships. No cash will be received in connection with such exchanges. Following the completion of the Reorganization Transactions, the entities included in the financial statements of the KKR Group, other than the 1996 Fund and its general partners, will be reorganized under the Group Partnerships, and we will serve as the ultimate general partner and parent company of those entities. The KKR Group will be our predecessor for accounting purposes upon completion of the Reorganization Transactions, which will take place subsequent to the time the registration statement, of which this prospectus forms a part, is declared effective. Our principals will hold their equity in the Group Partnerships through KKR Holdings, as described under "Organizational Structure."

In connection with the KPE Transaction, we will acquire all of the assets of KPE, including all of the partner interests in the Acquired KPE Partnership held by KPE, and assume all of the liabilities of KPE and its general partner, in exchange for common units and CVIs that will be issued by us. Upon completion of the KPE Purchase, we will directly or indirectly contribute all of the assets acquired from KPE and its general partner, including all of the interests in the Acquired KPE Partnership held by KPE, to the Group Partnerships in exchange for newly issued partner interests in the Group Partnerships. Interests in one of the Group Partnerships will be held through an intermediate holding company that is taxable as a corporation for U.S. federal income tax purposes.

Group Partnership Units

Each Group Partnership will have an identical number of partner interests and, when held together, one partner interest in each of the Group Partnerships will represent a Group Partnership unit. Upon the completion of the Transactions, we will initially hold 21% of the outstanding Group Partnership units and our principals, through KKR Holdings, will initially hold 79% of the outstanding Group Partnership units. These interests will allow us and KKR Holdings to share ratably in the assets, liabilities, profits, losses and distributions of the Group Partnerships based on our respective percentage interests in the Group Partnerships. The governing agreements of our Group Partnerships include a capital contribution adjustment mechanism reflecting the terms of our CVIs. Under the adjustment mechanism, we will receive additional Group Partnership units, or cash contributed by KKR Holdings, to the extent any consideration is due in respect of the CVIs.

Components of Our Business Owned by the Group Partnerships

Upon completion of the Transactions, our business will be conducted through the Group Partnerships and we will serve as the ultimate general partner and parent company of those entities. Except for non-controlling interests in our funds that are held by fund investors, interests in the general partners of the 1996 Fund and the Retained Interests described below, the Group Partnerships will own:

- all of the controlling and economic interests in our fee-generating management companies and capital markets companies, which will allow us to control those entities and share ratably in the management, advisory and incentive fees earned from all of our funds, managed accounts, portfolio companies, capital markets transactions and other investment products;

- all of the controlling and economic interests in the general partners of our funds and all of the entities that are entitled to receive carry from our co-investment vehicles, which will allow us to control those entities and share ratably in the carried interest received by them as well as any returns on investments made by or on behalf of the general partners after the completion of the Transactions; and

- all of the controlling and economic interests in the Acquired KPE Partnership and the other assets of KPE, which will allow us to control the Acquired KPE Partnership and such other assets and share ratably in the returns that they generate.

In connection with the Transactions, certain minority investors will retain the following interests in our business and such interests will not be acquired by the Group Partnerships:

- controlling and economic interests in the general partners of the 1996 Fund, which interests will not be contributed to the Group Partnerships due to the fact that the general partners are not expected to receive meaningful proceeds from further realizations;

- non-controlling economic interests that will allocate to a former principal and such person's designees an aggregate of 1% of the carried interest received by general partners of our funds and 1% of our other profits until a future date;

- non-controlling economic interests that will allocate to certain of our former principals and their designees a portion of the carried interest received by the general partners of our private equity funds with respect to private equity investments made during such former principals' tenure with our firm;

non-controlling economic interests that will allocate to certain of our current and former principals all of the capital invested by or on behalf of the general partners of our private equity funds before the completion of the Transactions and any returns thereon; and

a non-controlling economic interest that will allocate to a third party an aggregate of 2% of the equity in the KKR Group's capital markets business.

The interests described in the immediately preceding bullets (other than interests in the general partners of the 1996 Fund) are referred to as the Retained Interests. Following the completion of the Transactions, the Retained Interests will be reflected in our financial statements as non-controlling interests in consolidated entities. Except for the Retained Interest in our capital markets business, these interests generally are expected to run-off over time, thereby increasing the interests of the Group Partnerships in the entities that comprise our business.

You should note that the interests that the Group Partnerships will own as described above do not represent all of the interests in the KKR Group that are reflected in the predecessor combined financial statements included elsewhere in this prospectus or interests in all of the entities that we have sponsored over time. In particular, in addition to the Retained Interests, the Group Partnerships will not acquire any interests in the general partners of the 1987 Fund, the 1993 Fund or the 1996 Fund, because those general partners are not expected to receive meaningful proceeds from further realizations. In addition, as described elsewhere in this prospectus, we are required to consolidate in our financial statements the funds over which we exercise substantive controlling rights and operational discretion, despite the fact that the substantial majority of the economic interests in those entities are held by third party fund investors. Except for interests in the Acquired KPE Partnership that will be acquired from KPE in the KPE Transaction, we will not acquire any of the economic interests in our funds that are held by fund investors. See "Organizational Structure" and "The KPE Transaction."

KKR Holdings

Upon completion of the Transactions, our principals will hold interests in our business through KKR Holdings, which will own all of the outstanding Group Partnership units that are not held by us. These individuals will receive financial benefits from our business in the form of distributions and payments received from KKR Holdings and through their direct and indirect participation in the value of Group Partnership units held by KKR Holdings, and KKR Holdings will bear the economic costs of any executive bonuses paid to them. Our principals' interests in Group Partnership units that are held by KKR Holdings will be subject to transfer restrictions that lapse over 8 to 10 year periods and, except for certain interests that will vest upon completion of the Transactions, will vest over 6 to 8 year periods.

Our founders and other principals do not want our people to be advantaged or disadvantaged as a result of their title or tenure at our firm when we complete the Transactions. Our principals intend to allocate approximately 20% of the Group Partnership units that are initially held by KKR Holdings in a manner that will allow us to continue to provide our people and others we may hire with additional equity participation in our firm in future periods. See "Organizational Structure KKR Holdings."

Distribution Policy

We intend to make quarterly cash distributions to our unitholders in amounts that in the aggregate are expected to constitute substantially all of the cash earnings of our asset management business each year in excess of amounts determined by our Managing Partner to be necessary or appropriate to provide for the conduct of our business, to make appropriate investments in our business and our funds, to comply with applicable law, any of our debt instruments or other agreements or to provide for future distributions to our unitholders for any one or more of the ensuing four quarters. We expect that our first quarterly distribution will be paid in respect of the period from the completion of the Transactions through .

Our distribution policy reflects our belief that distributing substantially all of the cash earnings of our asset management business will provide transparency for our unitholders and impose on us an investment discipline with respect to the businesses and strategies that we pursue. The actual amount and timing of distributions on our common units will be subject to the discretion of our Managing Partner's board of directors, and we cannot assure you that we will in fact make distributions as intended, or at all. See "Distribution Policy."

Distributions and Benefits to Existing Owners

For the years ended December 31, 2006 and December 31, 2007 and the six months ended June 30, 2008, we made cash and in-kind distributions of $1.1 billion, $1.3 billion and $190.2 million, respectively, to our existing owners. Prior to the completion of the Transactions, we will continue to make distributions to our existing owners in the ordinary course of our business. Prior to the Transactions, we will also make one or more cash and in-kind distributions to certain of our existing owners representing substantially all of our available cash-on-hand, certain receivables of our management companies and capital markets companies and certain personal property (consisting of non-operating assets) of the management company for our private equity funds. If the Transactions had been completed on June 30, 2008, we estimate that the aggregate amount of such distributions would have been $. However, the actual amount of such distributions will depend on the amounts of available cash-on-hand and receivables of our management companies and capital markets companies and the book value of such personal property at the time of distribution. In connection with the KPE Transaction, we will obtain and fully pay the premium for, or cause to be obtained and the premium to be fully paid for, directors' and officers' liability insurance for the benefit of the directors and officers of KPE's general partner, including Messrs. Kravis and Roberts in their capacities as members of the KPE Board. In addition, each present and former director and officer of KPE, and certain of our employees who provide services to KPE, will be indemnified as described under " The Purchase and Sale Agreement Conditions to Completion of the KPE Transaction Indemnification and Insurance".

Exchange Agreement

In connection with the Transactions, we will enter into an exchange agreement with KKR Holdings pursuant to which KKR Holdings and certain of the transferees of its Group Partnership units may, up to four times each year, exchange Group Partnership units held by them (together with corresponding special voting units in our partnership) for our common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. At our election, we may settle exchanges of Group Partnership units with cash in an amount equal to the fair market value of the common units that would otherwise be deliverable in such exchanges. If we elect to settle an exchange of Group Partnership units with cash, we will cancel the Group Partnership units that are acquired in the exchange, which will result in a corresponding reduction in the number of fully diluted common units and special voting units that we have outstanding following the exchange.

Our principals' interests in Group Partnership units that are held by KKR Holdings will be subject to significant transfer restrictions and vesting requirements that, unless waived, will limit the ability of our principals to cause 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 will initially be controlled by our founders, will have sole authority for waiving any applicable vesting or transfer restrictions. Pursuant to a lock-up agreement that we will enter into with KKR Holdings, exchanges of Group Partnership units cannot be effected for 180 days after the closing of the KPE Transaction, subject to certain exceptions.

Tax Receivable Agreement

The acquisition by our intermediate holding company of Group Partnership units from KKR Holdings or transferees of its Group Partnership units is expected to result in an increase in 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 depreciation and amortization for U.S. federal income tax purposes and therefore reduce the amount of income tax that our intermediate holding company would otherwise be required to pay in the future.

In connection with the Transactions, we will enter into a tax receivable agreement with KKR Holdings pursuant to which our intermediate holding company will be required to pay to KKR Holdings or transferees of its 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 company actually realizes as a result of this increase in tax basis, as well as 85% of the amount of any such savings the intermediate holding company actually realizes as a result of increases in tax basis that arise due to payments under the tax receivable agreement. In the event that other of our current or future subsidiaries become taxable as corporations and acquire Group Partnership units in the future, or if we become taxable as a corporation for U.S. federal income tax purposes, each will become subject to a tax receivable agreement with substantially similar terms. See "Certain Relationships and Related Party Transactions Tax Receivable Agreement."

The Transactions

Issuer	KKR & Co. L.P., a Delaware limited partnership.
KPE Transaction	We will acquire all of the assets of KPE, including interests in the Acquired KPE Partnership held by KPE, and assume all of the liabilities of KPE and its general partner, in exchange for common units and CVIs issued by us. As promptly as practicable after the purchase and sale, KPE will distribute our common units and CVIs to its unitholders. Our principals are not selling any equity interests in the Transactions. The purchase and sale agreement was unanimously approved by the board of directors of KPE's general partner, acting upon the unanimous recommendation of directors of KPE's general partner who are independent of us under NYSE Rules.
Consideration	The KPE Transaction does not involve the payment of any cash consideration or involve an offering of any newly issued securities directly to the public for cash. For each common unit of KPE held by a KPE unitholder, the KPE unitholder will receive (i) one common unit issued by us and (ii) one CVI. In the aggregate, we will issue common units and CVIs to KPE unitholders in the Transactions. As of June 30, 2008, KPE had 204,902,226 units outstanding.
Common units	Our common units represent limited partner interests in our partnership. The common units received by KPE unitholders in connection with the Transactions initially will represent 21% of our fully diluted outstanding limited partner interests upon completion of the Transactions, prior to taking into account any adjustment relating to the CVIs. Through their interests in KKR Holdings, our principals initially will retain exchangeable Group Partnership units which, if exchanged upon the completion of the Transactions, would represent 79% of our fully diluted outstanding common units, prior to taking into account any adjustment relating to the CVIs. On a fully diluted basis, we would have an aggregate of common units outstanding upon completion of the Transactions.
CVIs	In the aggregate, the CVIs will entitle KPE unitholders to receive additional common units representing up to 6% of our fully diluted common units as of the completion of the Transactions (or the cash equivalent thereof), in the event that three years after the issue date the trading price of our common units over an averaging period plus the cumulative amount of distributions made on our common units is below a strike price tied to the NAV of KPE as of June 30, 2008 ($22.25 per unit). Through KKR Holdings, our principals will have the right to determine whether CVIs are settled with equity or cash pursuant to a capital contribution adjustment mechanism contained in the governing agreements of our Group Partnerships. The maximum amount of common units deliverable in respect of all of our CVIs is common units. The actual amount of consideration delivered, if any, will depend on the trading price

and the amount of distributions that we make on our common units.

The CVIs will mature on the earlier of (i) the third anniversary of the completion of the KPE Transaction and (ii) the occurrence of certain fundamental changes with respect to our business, including certain mergers, consolidations and asset sales. Each CVI will be settled at maturity for an amount of consideration equal to the amount, if any, by which a strike price (initially $22.25 per CVI) exceeds the greater of (a) the market value of our common units (based on a volume-weighted average over a specified period) and (b) a floor price (initially $17.3056 per CVI), provided that such consideration will not exceed the product of the market value of our common units and a unit cap (initially 0.2857 common units per CVI or $4.9444 of cash per CVI). See "Description of Our Contingent Value Interests Payment at Maturity Date."

If at any time the market value of our common units exceeds a specified price (initially $24.00 per common unit) for 20 consecutive trading days, the CVIs will be automatically extinguished, as described under "Description of our Contingent Value Interests Extinguishment; Determination that No Amount is Payable with Respect to the CVIs."

The strike price, floor price, unit cap and extinguishment threshold will be adjusted to account for certain distributions, transactions and events.

Group Partnership units; exchange rights	Upon the completion of the Transactions, we will initially hold 21% of the outstanding Group Partnership units and our principals, through KKR Holdings, will initially hold 79% of the outstanding Group Partnership units, prior to taking into account any adjustment relating to the CVIs. These interests will allow us and KKR Holdings to share ratably in the assets, liabilities, profits, losses and distributions of the Group Partnerships based on our and their respective percentage interests in the Group Partnerships. In connection with the Transactions, we will enter into an exchange agreement with KKR Holdings pursuant to which KKR Holdings and certain transferees of its Group Partnership units may, up to four times each year, exchange Group Partnership units held by them (together with corresponding special voting units in our partnership) 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 lock-up, vesting and transfer restrictions. At our election, we may settle exchanges of Group Partnership units with cash in an amount equal to the fair market value of the common units that would otherwise be deliverable in such exchanges.
Voting rights; special voting units	Our Managing Partner, which serves as our sole general partner, will manage all of our business and affairs. You will not hold

	securities of our Managing Partner. Unlike the holders of common stock in a corporation, you will have only limited voting rights relating to certain matters affecting your investment and you will not have the right to elect or remove our Managing Partner or its directors, who will be appointed by our senior principals. Through KKR Holdings, our principals will hold special voting units in our partnership in an amount that is equal to the number of exchangeable Group Partnership units that it holds from time to time. These special voting units will entitle our principals to cast an equivalent number of votes on those few matters that may be submitted to a vote of our unitholders. Due to the foregoing, our principals generally will have sufficient voting power to determine the outcome of any matter that may be submitted to a unitholder vote. See "Description of Our Limited Partnership Agreement Meetings; Voting."
Proposed NYSE symbol	We intend to list our common units on the NYSE under the symbol "KKR." The CVIs will not be listed on any exchange and holders of CVIs will not be permitted to directly or indirectly transfer, hedge or monetize their interests in the CVIs, except in very limited circumstances described under "Description of our Contingent Value Interests Transferability."
Risk factors	See "Risk Factors" for a discussion of risks you should carefully consider in connection with our common units and CVIs.

In this prospectus, unless otherwise indicated, the number of fully diluted common units outstanding and other information that is based thereon does not reflect:

- awards that we intend to grant under our 2008 Equity Incentive Plan in connection with the Transactions to employees who do not hold interests in KKR Holdings; or

- additional common units that have been reserved for issuance under our 2008 Equity Incentive Plan.

The total number of our common units that may initially be issued under our 2008 Equity Incentive Plan will be equivalent to 2% of the number of fully diluted common units outstanding upon completion of the Transactions.

KKR & Co. L.P. was formed as a Delaware limited partnership on June 25, 2007. Our Managing Partner was formed as a Delaware limited liability company on June 25, 2007. Our principal executive offices are located at 9 West 57th Street, Suite 4200, New York, New York 10019, and our telephone number is (212) 750-8300. Our website is located at www.kkr.com. KPE's registered office is located in Trafalgar Court, Les Banques, St. Peter Port, Guernsey GY1 3QL, Channel Islands, and its telephone number is +44-1481-745-001. KPE's website is located at www.kkrprivateequityinvestors.com. The information on our and KPE's websites is not part of this prospectus or the registration statement of which this prospectus forms a part and is not being incorporated by reference into either such document.

Summary Historical Financial Data

The following summary historical combined financial information and other data of the KKR Group should be read together with "Organizational Structure," "Unaudited Pro Forma Financial Information," "Our Selected Historical Financial and Other Data," "Our Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical predecessor combined financial statements and related notes included elsewhere in this prospectus. We derived the summary historical combined financial data of the KKR Group as of December 31, 2006 and 2007 and for the years ended December 31, 2005, 2006 and 2007 from our audited predecessor combined financial statements included elsewhere in this prospectus. We derived the summary historical combined financial data of the KKR Group as of June 30, 2008 and for the six months ended June 30, 2007 and 2008 from our unaudited predecessor combined financial statements which are included elsewhere in this prospectus.

The KKR Group will be our predecessor for accounting purposes upon completion of the Reorganization Transactions, which will take place subsequent to the time the registration statement, of which this prospectus forms a part, is declared effective, and its combined financial statements will be our historical financial statements following the Transactions. However, we will not acquire all of the interests in the KKR Group in connection with the Reorganization Transactions and, accordingly, the combined financial statements of the KKR Group may not be indicative of the results of operations and financial condition that we will have following the completion of the Transactions.

	Year Ended December 31,			Six Months Ended June 30,	
	2005	2006	2007	2007	2008
		($ in thousands)		*($ in thousands)*	
Statement of Operations Data:					
Revenues					
Fee income	$ 232,945	$ 410,329	$ 862,265	$ 115,380	$ 135,302
Expenses					
Employee compensation and benefits	79,643	131,667	212,766	50,581	91,704
Occupancy and related charges	13,534	19,295	20,068	9,909	15,326
General, administrative and other	54,336	78,154	128,036	59,506	68,953
Fund expenses	20,778	38,350	80,040	35,821	34,540
Total expenses	168,291	267,466	440,910	155,817	210,523
Investment Income					
Net gains (losses) from investment activities	2,984,504	3,105,523	1,111,572	3,147,328	(1,177,079)
Dividend income	729,926	714,069	747,544	133,160	77,098
Interest income	27,166	210,872	218,920	133,549	51,062
Interest expense	(697)	(29,542)	(86,253)	(40,486)	(67,984)
Total investment income (loss)	3,740,899	4,000,922	1,991,783	3,373,551	(1,116,903)
Income (loss) before non-controlling interests in income (loss) of consolidated entities and income taxes	3,805,553	4,143,785	2,413,138	3,333,114	(1,192,124)
Non-controlling interests in income (loss) of consolidated entities	2,870,035	3,039,677	1,598,310	2,661,912	(1,195,014)
Income (loss) before taxes	935,518	1,104,108	814,828	671,202	2,890
Income taxes	2,900	4,163	12,064	3,806	3,987

	Year Ended December 31,			Six Months Ended June 30,	
Net income (loss)	$ 932,618	$ 1,099,945	$ 802,764	$ 667,396	$ (1,097)

	Year Ended December 31,			Six Months Ended June 30,	
	2005	2006	2007	2007	2008
	($ in thousands)			($ in thousands)	
Statement of Financial Condition Data (period end):					
Total assets		$ 23,292,783	$ 32,842,796		$ 34,012,141
Total liabilities		1,281,923	2,575,636		2,910,410
Non-controlling interests in consolidated entities		20,318,440	28,749,814		29,710,041
Total partners' capital		1,692,420	1,517,346		1,391,690
Statement of Cash Flow Data:					
Net cash used in operating activities	$ (106,448)	$ (5,531,144)	$ (8,522,501)	$ (1,273,286)	$ (1,389,507)
Net cash used in investing activities	$ (5,052)	$ (130,110)	$ (112,469)	$ (136,665)	$ (84,869)
Net cash provided by financing activities	$ 134,271	$ 5,657,952	$ 8,814,024	$ 1,424,204	$ 1,320,323
Segment Data:					
Fee Related Earnings(1)					
Private Equity	56,995	140,044	371,413	12,509	72,813
Fixed Income	26,603	49,871	62,094	38,419	21,334
Economic Net Income (Loss)(2)					
Private Equity	918,971	1,069,562	775,014	645,847	(11,962)
Fixed Income	16,547	34,546	39,814	25,355	14,852
Other Data:					
Assets under management (period end)	23,350,700	43,873,400	53,215,700	54,443,300	60,785,100
Private equity dollars invested(3)	2,913,427	6,661,698	14,854,200	1,786,600	2,564,200
Uncalled private equity commitments (period end)(4)	7,341,600	17,597,400	11,530,400	20,855,100	16,001,500

(1) Fee related earnings is a key performance measure used by management for evaluating our two reportable business segments. The difference between fee related earnings and income before taxes presented in accordance with GAAP is that fee related earnings represents income before taxes adjusted to: (i) include management fees earned from consolidated funds that were eliminated in consolidation; (ii) exclude expenses of consolidated funds, non-cash employee compensation charges associated with equity interests in our business, employee compensation charges relating to compensation borne by unconsolidated persons and charges relating to the amortization of intangible assets; (iii) exclude investment income; and (iv) exclude non-controlling interests in income of consolidated entities.

(2) Economic net income (loss), which we refer to as ENI, is a key performance measure used by management for evaluating our two reportable business segments. Economic net income (loss) represents income before taxes for the periods presented.

(3)

"Private equity dollars invested" is the aggregate amount of capital invested by our private equity funds and carry-yielding co-investment vehicles in private equity transactions. Such amounts include both capital contributed by fund investors and co-investors with respect to which we are entitled to a carried interest and capital contributed by us as the general partner of a private equity fund with respect to which we are entitled to returns generated on the invested capital. From our inception through June 30, 2008, our mature funds achieved a multiple of invested capital of 2.7x the amount of capital they invested in private equity investments.

(4)

"Uncalled private equity commitments" represent unfunded commitments by partners of our traditional private equity funds to contribute capital to fund the purchase price to be paid for future portfolio company investments made by the funds. Such amounts do not include capital of KPE or our fixed income funds that may be used to make private equity investments.

Summary Pro Forma Financial Data

The following table presents our summary condensed unaudited pro forma financial data, which has been derived from the unaudited pro forma financial information included under "Unaudited Pro Forma Financial Information." This data gives pro forma effect to (i) the KFI Transaction, (ii) the Reorganization Transactions, (iii) the KPE Transaction and (iv) certain other arrangements entered into in connection therewith as if such transactions and arrangements had been completed as of January 1, 2007 with respect to the unaudited condensed pro forma statements of operations and as of June 30, 2008 with respect to the unaudited pro forma statement of financial condition.

The pro forma adjustments are described under "Unaudited Pro Forma Financial Information." These adjustments are based on available information and upon assumptions that our management believes are reasonable in order to reflect, on a pro forma basis, the impact of the transactions described above. The adjustments are described in more detail in the notes to the unaudited pro forma statements of operations and the unaudited pro forma statement of financial condition included under "Unaudited Pro Forma Financial Information." Because certain information relating to the transactions is currently not determinable, this data is subject to completion and may change. In addition, this pro forma financial data has been included for informational purposes only and does not purport to reflect the results of operations or financial position that would have occurred had the transactions referred to above occurred on the dates indicated or had we operated as a public company during the periods presented or for any future period or date.

	Year Ended December 31, 2007	Six Months Ended June 30, 2008
	($ in thousands)	
Pro Forma Statements of Operations Data:		
Revenues		
Fee income	$	$
Expenses		
Employee compensation and benefits		
Occupancy and related charges		
General, administrative and other		
Fund expenses		
Total expenses		
Investment Income		
Net gains from investment activities		
Dividend income		
Interest income		
Interest expense		
Total investment income		
Income before non-controlling interests in income of consolidated entities and income taxes		
Non-controlling interests in income of consolidated entities		
Income before taxes		
Income taxes		
Net income		

	Year Ended December 31, 2007	Six Months Ended June 30, 2008
Net Income Per Common Unit		
Basic		
Diluted		
Weighted Average Common Units		
Basic		
Diluted		

	As of June 30, 2008
	($ in thousands)
Pro Forma Statement of Financial Condition Data:	
Total assets	$
Total liabilities	
Non-controlling interests in consolidated entities	
Total partners' capital	

RISK FACTORS

Holding and investing in our common units or CVIs involves risks. You should carefully consider the following information about these risks, together with the other information contained in this prospectus, in connection with a decision to hold or invest in our common units or CVIs.

Risks Related to Our Business

Difficult market conditions can adversely affect our business in many ways, including by reducing the value or performance of the private equity, debt and public equity 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.

Our business is materially affected by conditions in the financial markets and economic conditions 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). These factors are outside our control and may affect the level and volatility of securities prices and the liquidity and the value of investments, and we may not be able to or may choose not to manage our exposure to these conditions. The market conditions surrounding each of our businesses, and in particular our private equity business, have been quite favorable for a number of years. A significant portion of the investments of our private equity funds were made during this period. Recent market conditions, however, have not been favorable. For instance, weakness in the U.S. housing market and global financial markets, coupled with a large backlog of unsyndicated debt financing related to leveraged acquisitions, has led to a significantly diminished availability of credit and an increase in the cost of financing. The lack of credit has materially hindered the initiation of new, large-sized transactions for our private equity segment and, together with declines in valuations of equity and debt securities, has adversely impacted our recent operating results. If conditions further deteriorate, our business could be affected in different ways. Our profitability may also be 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 changes in market and economic conditions.

Our funds may be affected by reduced opportunities to exit and realize value from their investments, by lower than expected returns on investments made prior to the deterioration of the credit markets and by the fact that we may not be able to find suitable investments for the funds to effectively deploy capital, which could adversely affect our ability to raise new funds. During periods of difficult market conditions or slowdowns in a particular sector, companies in which we invest may experience decreased revenues, financial losses, difficulty in obtaining access to financing and increased funding costs. During such periods, these companies may also have difficulty in expanding their businesses and operations or be unable to meet their debt service obligations or other expenses as they become due, including expenses payable to us. In addition, during periods of adverse economic conditions, we may have difficulty accessing financial markets, which could make it more difficult or impossible for us to obtain funding for additional investments and harm our AUM and operating results. A general market downturn, or a specific market dislocation, may result in lower investment returns for our funds, which would adversely affect our net income. Furthermore, such conditions would also increase the risk of default with respect to private equity, credit and public equity investments that we manage.

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 price of our common units to be volatile.

Our earnings are highly variable from quarter to quarter due to the volatility of investment returns of most of our funds and other investment vehicles and the fee income earned from our funds. 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 a decline in realized or unrealized gains, 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 and the fee provisions contained in our funds and other investment products. We may create new funds or investment products or vary the terms of our funds or investment products, which may alter the composition or mix of our income from time to time. We may also experience fluctuations in our results from quarter to quarter due to a number of other factors, including changes in the values of our funds' investments, changes in the amount of dividends or interest earned in respect of investments, changes in our operating expenses, the degree to which we encounter competition and general economic and market conditions. Such variability may lead to variability in the trading price of our common units 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 price of our common units or increased volatility in our common unit price generally.

The timing and receipt of carried interest from our private equity funds are unpredictable and will contribute to the volatility of our cash flows. Carried interest from private equity investments depends on our funds' performance and opportunities for realizing gains, which may be limited. It takes a substantial period of time to identify attractive private equity 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. Even if a private equity 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 particular, since the latter half of 2007, the credit dislocation and related reluctance of many finance providers, such as commercial and investment banks, to provide financing have made it difficult for potential purchasers to secure financing to purchase companies in our investments funds' portfolio, thereby decreasing potential realization events and the potential for carried interest. 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.

In addition, in our traditional private equity funds, if the performance of one of the fund's later investments results in the fund failing to achieve overall profitability over the life of the fund, we may be obligated to repay any excess profits previously distributed to us in respect of a carried interest. This may require some repayment of carried interest previously received. As of June 30, 2008, the amount of carried interest we have received, excluding carried interest received by the general partners of the 1996 Fund, that is subject to this contingent repayment obligation was $776.6 million, assuming that all applicable private equity funds were liquidated at no value. Had the investments in such funds been liquidated at their June 30, 2008 fair values, the contingent repayment obligation would have been $61.5 million.

Because our earnings and cash flow can be highly variable from quarter to quarter and year to year, we do not plan to provide any guidance regarding our expected quarterly and annual operating results and cash flows. The lack of guidance may affect the expectations of public market analysts and could cause increased volatility in the price of our common units.

Changes in the debt financing markets have negatively impacted the ability of our private equity funds and their portfolio companies to obtain attractive financing for their investments and have increased the cost of such financing if it is obtained, which could lead to lower-yielding investments and potentially decreasing our net income.

Since the latter half of 2007, the markets for debt financing have contracted significantly, particularly in the area of acquisition financings for private equity and leveraged buyout transactions. Large commercial and investment banks, which have traditionally provided such financing, have demanded higher rates, more restrictive covenants and generally more onerous terms in order to provide such financing, and in some cases are refusing to provide financing for acquisitions which would have been readily financed during the past several years.

In the event that our private equity 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 which we may have contracted to purchase. Similarly, the portfolio companies owned by our private equity funds regularly utilize the corporate debt markets in order to obtain financing for their operations. To the extent that the current credit markets have rendered 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.

We depend on our founders and other key personnel, the loss of whose services would have a material adverse effect on our business, results and financial condition.

We depend on the efforts, skills, reputations and business contacts of our principals, 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 will depend 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 principals 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 principals were to join or form a competing firm, our business, results and financial condition could suffer.

Furthermore, the agreements governing our traditional private equity funds and the KKR Strategic Capital Funds provide that in the event certain "key persons" in these funds (for example, both of Messrs. Kravis and Roberts) generally cease to actively manage a fund, investors in the fund will be entitled to: (i) in the case of our traditional private equity funds, reduce, in whole or in part, their capital commitments available for further investments; and (ii) in the case of the KKR Strategic Capital Funds, withdraw all or any portion of their capital accounts, in each case on an investor-by-investor basis. The occurrence of such an event with respect to any of our traditional private equity funds or the KKR Strategic Capital Funds would likely have a significant negative impact on our revenue, net income and cash flow.

The asset management business is intensely competitive.

We compete as an alternative asset manager for both investors and investment opportunities. Our competitors consist primarily of sponsors of public and private investment funds, business development companies, investment banks, commercial finance companies and operating companies acting as strategic buyers of businesses. We believe that competition for investors is based primarily on investment performance; business reputation; the duration of relationships with investors; the quality of services provided to investors; pricing; 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. A number of factors serve to increase our competitive risks:

- a number of our competitors in some of our businesses have greater financial, technical, marketing and other resources and more personnel than we do;
- several of our competitors have recently raised, or are expected to raise, significant amounts of capital, and many of them have similar investment objectives to ours, 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;
- 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;
- 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 investors may prefer to invest with an investment manager that is not publicly traded; 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. Alternatively, we may experience decreased investment returns and increased risks of loss if we match investment prices, structures and terms offered by competitors. In addition, if interest rates were to rise or if market conditions for competing investment products improve 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 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 involves complex provisions of U.S. federal income tax laws for which no clear precedent or authority may be available. Our structure also is subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis.

The U.S. federal income tax treatment of 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. You should be aware that the U.S. federal income tax rules are constantly under review by persons involved in the legislative process, the Internal Revenue Service, or IRS, and the U.S. Treasury Department, 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 an investment in 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. Changes to the U.S. federal tax laws and interpretations thereof could make it more difficult or impossible to be treated as a partnership that is not taxable as a corporation for U.S. federal income tax purposes, affect or cause us to change our investments and commitments, affect the tax considerations of an investment in us, change the character or treatment of portions of our income (including, for instance, the treatment of carried interest as ordinary income rather than capital gain) and adversely affect an investment in our common units. On June 22, 2007, legislation was introduced to treat all or part of the capital gain and dividend income that is recognized by an investment partnership and allocable to a partner affiliated with the sponsor of the partnership (a portion of the carried interest) as ordinary income to such partner for U.S. federal income tax purposes, which would have the effect of precluding us from qualifying as a partnership for U.S. federal income tax purposes. Similar legislation was introduced on June 17, 2008. In addition, on June 14, 2007, legislation was introduced that would tax as a corporation any publicly traded partnership that directly or indirectly derives income from investment adviser or asset management services. Similar legislation was introduced on June 20, 2007. If any of these pieces of legislation or any similar legislation or regulation were to be enacted and apply to us, we would incur a material increase in our tax liability that could result in a reduction in the value of our common units. See the discussions below under " Legislation has been introduced that would, if enacted, preclude us from qualifying as a partnership for U.S. federal income tax purposes. If this or any similar legislation or regulation were to be enacted and apply to us, we would incur a material increase in our tax liability that could result in a reduction in the value of our common units."

Our organizational documents and agreements permit our Managing Partner to modify our amended and restated partnership agreement from time to time, without the consent of the unitholders, to address certain changes in U.S. federal income tax regulations, legislation or interpretation. In some circumstances, such revisions could have a material adverse impact on some or all unitholders. Moreover, we will apply certain assumptions and conventions in an attempt to comply with applicable rules and to report income, gain, deduction, loss and credit to unitholders in a manner that reflects such unitholders' beneficial ownership of partnership items, taking into account variation in ownership interests during each taxable year because of trading activity. However, those assumptions and conventions may not be in compliance with all aspects of applicable tax requirements. It is possible that the IRS will assert successfully that the conventions and assumptions used by us do not satisfy the technical requirements of the Internal Revenue Code and/or Treasury regulations and could require that items of income, gain, deductions, loss or credit, including interest deductions, be adjusted, reallocated or disallowed in a manner that adversely affects unitholders.

Legislation has been introduced that would, if enacted, preclude us from qualifying as a partnership for U.S. federal income tax purposes. If this or any similar legislation or regulation were to be enacted and apply to us, we would incur a material increase in our tax liability that could result in a reduction in the value of our common units.

On June 14, 2007, the Chairman and the Ranking Republican Member of the U.S. Senate Committee on Finance introduced legislation that would tax as corporations publicly traded partnerships that directly or indirectly derive income from investment adviser or asset management services. In addition, they concurrently issued a press release stating that they do not believe that proposed public offerings of private equity and hedge fund management firms are consistent with the intent of the existing rules regarding publicly traded partnerships because the majority of their income is derived from the active provision of services to investment funds and limited partner investors in such funds. Further, they have sent letters to the Secretary of the Treasury and the Chairman of the U.S. Securities and Exchange Commission, or the SEC, regarding these tax issues in which they express a view that recent initial public offerings of private equity and hedge funds "raise serious tax questions that if left unaddressed have the potential to jeopardize the integrity of the tax code and the corporate tax base over the long term." As explained in the technical explanation accompanying the proposed legislation:

> Under the bill, the exception from corporate treatment for a publicly traded partnership does not apply to any partnership that, directly or indirectly, has any item of income or gain (including capital gains or dividends), the rights to which are derived from services provided by any person as an investment adviser, as defined in the Investment Advisers

Act of 1940, or as a person associated with an investment adviser, as defined in that Act. Further, the exception from corporate treatment does not apply to a partnership that, directly or indirectly, has any item of income or gain (including capital gains or dividends), the rights to which are derived from asset management services provided by an investment adviser, a person associated with an investment adviser, or any person related to either, in connection with the management of assets with respect to which investment adviser services were provided. For purposes of the bill, these determinations are made without regard to whether the person is required to register as an investment adviser under the Investment Advisers Act of 1940.

On June 20, 2007, similar legislation was introduced in the House of Representatives. If the proposed legislation survives the legislative and executive process in its proposed form and were to be enacted into law, we would incur a material increase in our tax liability. If we were taxed as a corporation, our effective tax rate would increase significantly. The federal statutory rate for corporations is currently 35%, and the state and local tax rates, net of the federal benefit, aggregate approximately %. If a variation of this proposed legislation or any other change in the tax laws, rules, regulations or interpretations preclude us from qualifying for treatment as a partnership for U.S. federal income tax purposes under the publicly traded partnership rules, our tax liability would materially increase, which could result in a reduction in the value of our common units.

On June 22, 2007, legislation was introduced by a member of the House Ways and Means Committee, co-sponsored by the committee chairs, eleven other members and the chair of the House Financial Services Committee, that would treat income received by a partner with respect to an investment services partnership interest as ordinary income received for the performance of services. This legislation passed the House of Representatives on November 9, 2007. On June 17, 2008, the House Ways and Means Committee Chairman introduced legislation that was substantially similar to the June 22, 2007 bill. The enactment of either variation of this proposed legislation would cause such income to be non-qualifying income under the publicly traded partnership rules, which would preclude us from qualifying as a partnership for U.S. federal income tax purposes, thereby materially increasing our tax liability, which could result in a reduction of the value of our common units.

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.

Our most important asset is our people, and our continued success is highly dependent upon the efforts of our principals and other professionals. Our future success and growth depends to a substantial degree on our ability to retain and motivate our principals and other key personnel and to strategically recruit, retain and motivate new talented personnel, including new principals. However, we may not be successful in our efforts to recruit, retain and motivate the required personnel as the market for qualified investment professionals is extremely competitive.

In connection with the Transactions, our principals will receive interests in KKR Holdings, which will hold the Group Partnership units that are not owned by us. Our principals will receive financial benefits from our business in the form of distributions and payments received from KKR Holdings and through their direct and indirect participation in the value of Group Partnership units held by KKR Holdings, and KKR Holdings will bear the economic costs of any executive bonuses paid to them. If we were to modify our compensation policies and procedures and our principals were to be compensated by us rather than KKR Holdings, our profitability and cash flow would be adversely affected. If any such compensation were to be paid in our common units, the issuance of additional equity interests by us would dilute common unitholders. Interests in KKR Holdings will be subject to transfer restrictions that lapse over 8 to 10 year periods and, except for a certain amount of interests that will vest upon completion of the Transactions, will vest over 6 to 8 year periods. Moreover, the transfer and vesting restrictions and minimum retained ownership requirements to which interests in KKR Holdings are subject may not be enforceable in all cases and can be waived, modified or amended at any time without our consent.

There is no guarantee that the non-competition, non-solicitation and confidentiality agreements to which our principals will be subject, together with our other arrangements with them, will prevent them from leaving us, joining our competitors or otherwise competing with us or that these agreements will be enforceable in all cases. In addition, these agreements will expire after a certain period of time, at which point each of our principals would be free to compete against us and solicit investors in our funds, clients and employees. We will not be a party to the non-competition, non-solicitation and confidentiality agreements to which our principals will be subject, and these agreements can be waived, modified or amended at any time without our consent. See "Management Non-Competition and Non-Solicitation Agreements."

Our ability to recruit, retain and motivate our professionals is dependent on our ability to offer highly attractive incentive opportunities. If legislation were to be enacted by the U.S. Congress to treat carried interest as ordinary income rather than as capital gain for U.S. federal income tax purposes, such legislation would materially increase the amount of taxes that we and possibly our unitholders would be required to pay, thereby adversely affecting our ability to offer such attractive incentive opportunities. See " Our structure involves complex provisions of U.S. federal income tax laws for which no clear precedent or authority may be available. Our structure also is subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis," and " Legislation has been introduced that would, if enacted, preclude us from qualifying as a partnership for U.S. federal income tax purposes. If this or any similar legislation or regulation were to be enacted and apply to us, we would incur a material increase in our tax liability that could result in a reduction in the value of our common units." Therefore, in order to recruit and retain existing and future professionals, we may need to increase the level of compensation that we pay, which would cause our total employee compensation and benefits expense as a percentage of our total revenue to increase and adversely affect our profitability. In addition, any issuance of equity interests in our business to existing or future professionals would dilute common unitholders.

We strive to maintain a work environment that reinforces our culture of collaboration, motivation and alignment of interests with 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 negatively impact our business, financial condition and results of operations.

The requirements of being a public entity and sustaining our growth may strain our resources.

As a public company, we will be subject to the reporting requirements of the Securities Exchange Act of 1934, or the Exchange Act, and requirements of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act. These requirements may place a strain on our systems and resources. The Exchange Act will require that we file annual, quarterly and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act will require that we maintain effective disclosure controls and procedures and internal controls over financial reporting, which are discussed below. In order to maintain and improve the effectiveness of our disclosure controls and procedures, significant resources and management oversight will be required. We will be implementing additional procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. In addition, sustaining our growth will also require us to commit additional management, operational and financial resources to identify new professionals to join our firm and to maintain appropriate operational and financial systems to adequately support expansion. These activities may divert management's attention from other business concerns, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. We will also incur costs that we have not previously incurred for director fees, investor relations expenses, expenses for compliance with the Sarbanes-Oxley Act and rules of the SEC and the NYSE, hiring additional accounting, legal and administrative personnel, and various other costs relating to being a public company.

Operational risks may disrupt our businesses, result in losses or limit our growth.

We rely heavily on our financial, accounting and other data processing systems. If any of these systems does not operate properly or is 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. Our information systems and technology may not continue to be able to accommodate our growth, and the cost of maintaining such systems may increase from its current level. Such a failure to accommodate growth, or an increase in costs related to such information systems, could have a material adverse effect on us. Furthermore, we depend on our principal offices in New York City, where most of our administrative personnel are located, for the continued operation of our business. A disaster or a disruption in the infrastructure that supports our businesses, including a disruption involving electronic communications or other services used by us 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 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.

We have not evaluated our internal controls over financial reporting for purposes of compliance with Section 404 of the Sarbanes-Oxley Act.

We have not previously been required to comply with requirements of the Sarbanes-Oxley Act, including the internal control evaluation and certification requirements of Section 404 of that statute, and we will not be required to comply with all of those requirements until after we have been subject to the reporting requirements of the Exchange Act for a specified period of time. Accordingly, we have not determined whether or not our existing internal controls over financial reporting systems comply with Section 404. However, during 2007, we restated certain historical combined financial statements of the KKR Group. The restatement related primarily to the accounting for management fees for years prior to 2002, for which certain aspects of our management agreements were not taken into consideration. The restatement had the effect of reducing partners' capital by $116.9 million, or 6.4%, as of December 31, 2006. In addition, the restatement had the impact of reducing net income by $12.8 million, or 1.15%, and $8.8 million, or 0.94%, for the years ended December 31, 2006 and 2005, respectively. The restatement of our combined financial statements and any actions that we subsequently take will be factors to be considered when we determine whether our internal controls over financial reporting comply with Section 404. In the future, we may discover other areas of our internal control that need improvement.

The internal control evaluation required by Section 404 will divert internal resources and will take a significant amount of time, effort and expense to complete. If it is determined that we are not in compliance with Section 404, we will be required to implement remedial procedures and re-evaluate our internal control over financial reporting. We may experience higher than anticipated operating expenses as well as higher independent auditor and consulting fees during the implementation of these changes and thereafter. Further, we may need to hire additional qualified personnel in order for us to comply with Section 404. If we are unable to implement any necessary changes effectively or efficiently, our operations, financial reporting or financial results could be adversely affected and we could obtain an adverse report on internal controls from our independent registered public accountants.

Our use of leverage will expose us to substantial risks, which are exacerbated by our funds' investments in leveraged companies.

Historically, we have not used meaningful amounts of debt to finance our business operations and the indebtedness that we have incurred has been for temporary working capital purposes. However, we recently entered into financing arrangements with international financial institutions that provide us with a significant source of committed debt financing for our business, including a $1.0 billion revolving credit facility and a $25 million line of credit for the management company of our private equity funds and a $700 million revolving credit facility for our capital markets business. As of June 30, 2008, the full amount was borrowed under the $25 million line of credit. While we do not have any current plans to borrow additional amounts under those facilities, we may do so in the future. In addition, in connection with the KPE Transaction, we will acquire the Acquired KPE Partnership, which had $948 million of long-term debt outstanding as of June 30, 2008. Significant leverage will expose us to the typical risks associated with the use of substantial debt financing, including those discussed below under " Risks Related to the Assets We Manage Dependence on significant leverage in investments by our funds could adversely affect our ability to achieve attractive rates of return on those investments." These risks will be further exacerbated by our funds' use of leverage to finance their portfolio investments.

The time and attention that our principals and other employees devote to assets that are not being contributed to the Group Partnerships will not financially benefit us and may reduce the time and attention these individuals devote to our business.

The investment period for each of the 1987 Fund, the 1993 Fund and the 1996 Fund has ended. As of June 30, 2008, the unrealized value of the investments held by these funds totaled $1.0 billion, or approximately 1.6% of our AUM. Because we believe the general partners of these funds will not receive meaningful proceeds from further realizations, we will not acquire general partner interests in them in connection with the Reorganization Transactions. We will, however, continue to provide the funds with management and other services until their liquidation. While we will not receive meaningful fees for providing these services, our principals and other employees will be required to devote a portion of their time and attention to the management of those entities. The devotion of the time and attention of our principals and employees to those activities will not financially benefit us and may reduce the time and attention they devote to our business.

We face risks and uncertainties in developing our new growth initiatives.

Part of our growth strategy is to develop new business areas, including pursuing investment opportunities in new asset classes (such as infrastructure, mezzanine and real estate) and developing new types of investment structures and products (such as managed accounts and structured products). We have also developed a capital markets business in the United States, Europe and Asia, which we intend to grow and diversify. As a result, we are subject to all of the risks and uncertainties associated with the expansion into any new line of business, including the risk that these growth initiatives will not assist us in achieving our objectives, will divert management's attention from our existing businesses or place an excessive burden on our operational systems. Any failure of these initiatives to meet or exceed expectations could have an adverse effect on our results of operations.

Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus could result in additional burdens on our business. Changes in tax laws and other legislative or regulatory changes could adversely affect us.

Our business is subject to extensive regulation. See "Business Regulation." We are subject to regulation by governmental and self-regulatory organizations in the jurisdictions in which we operate around the world. Many of these regulators, including U.S. and foreign government agencies and self-regulatory organizations, are empowered to conduct investigations and administrative proceedings that can result in 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. Even if an investigation or proceeding does not result in a sanction or the sanction imposed against us or our personnel by a regulator were small in monetary amount, the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm our reputation and cause us to lose existing clients or fail to gain new clients.

We regularly rely on exemptions in the United States from various requirements of the Securities Act, the Exchange Act, the Investment Company Act of 1940, or the Investment Company Act, the Investment Advisers Act of 1940, or the Investment Advisers Act, and the U.S. Employee Retirement Income Security Act of 1974, or ERISA, in conducting our asset 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 regulatory action or third-party claims and our business could be materially and adversely affected. See " Risks Related to Our Organizational Structure and the Transactions If we were deemed to be an "investment company" 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." Lastly, the requirements imposed by our regulators are designed primarily to ensure the integrity of the financial markets and to protect investors in our funds and are not designed to protect our unitholders. Consequently, these regulations often serve to limit our activities. In addition, the regulatory environment in which our fund investors operate may affect our business. For example, changes in state laws may limit investment activities of state pension plans.

The regulatory environment in which we operate may become more burdensome. We are in the process of registering Kohlberg Kravis Roberts & Co. L.P. and its wholly owned subsidiary Kohlberg Kravis Roberts & Co. (Fixed Income) LLC as investment advisors under the Investment Advisers Act. As registered investment advisors, these entities will be subject to periodic SEC examinations and other requirements and regulations of the Investment Advisers Act, which relate to, among other things, recordkeeping and reporting requirements, disclosure requirements, limitations on agency and principal transactions between an advisor and advisory clients. If we have not completed our registration as an investment advisor at the time the registration statement, of which this prospectus forms a part, is declared effective, we will be constrained in our ability to add new advisory clients. We may also be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, other governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. In particular, in April 2008, the U.S. Department of the Treasury released a blueprint for modernizing financial regulations that called for, among other things, the regulation of hedge funds and private equity funds. The chairman of the SEC and the president of the Federal Reserve Bank of New York have also recently commented about the perceived need for additional regulation of financial industry firms. In addition, we may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any of the proposals will become law. Compliance with any new laws or regulations could make compliance more difficult and expensive and affect the manner in which we conduct business.

Certain legislation has recently been adopted in Denmark and Germany that limits the tax deductibility of interest expense incurred by companies in those countries. These measures will most likely adversely affect Danish and German portfolio companies in which our private equity funds have investments and limit the benefits of additional investments in those countries. Our private equity business is subject to the risk that similar measures might be introduced in other countries in which it currently has investments or plans to invest in the future, or that other legislative or regulatory measures that negatively impact its portfolio investments might be promulgated in any of the countries in which it invests.

We are also subject to regulation in the United Kingdom by the Financial Services Authority, which we refer to as the FSA. The FSA has been reviewing the suitability of its regulatory approach in addressing risks posed by the private equity market. The FSA indicated in a feedback statement published in June 2007 that it intends to maintain supervisory focus on certain aspects of the private equity industry which it identified as posing particular risks (especially in relation to conflicts of interest and the prevention of market abuse). The FSA has recently reported its findings from a thematic review which explored the approach towards conflict management within private equity firms and has asked FSA-regulated firms which undertake private equity-related business to assess their conflicts policies and procedures against these findings. In addition, in November 2007, a working group of private equity leaders formed by the British Private Equity and Venture Capital Association, or BVCA, issued the *Guidelines for Disclosure and Transparency in Private Equity*, which we refer to as the Walker Report. The BVCA has set up a monitoring and review body to ensure private equity firms are adhering to the principles set out in the Walker Report. We have undertaken to conform to the Walker Report guidelines and to promote conformity by our UK portfolio companies with those guidelines, which have resulted in additional reporting requirements. Such reporting may divert the attention of our personnel and the management teams of our portfolio companies, and may furthermore place us at a competitive disadvantage to the extent that we or our portfolio companies are required to disclose sensitive business information. If the FSA or other regulatory agencies in the United Kingdom or elsewhere were to adopt burdensome regulations with respect to the private equity industry, our performance may be negatively impacted.

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 investment decisions we make in our asset management business and the activities of our investment professionals on behalf of our portfolio companies may subject them and us to the risk of third-party litigation arising from investor dissatisfaction with the performance of those funds, the activities of our portfolio companies and a variety of other litigation claims. See "Business Legal Proceedings."

To the extent investors in our private equity funds suffer losses resulting from fraud, gross negligence, willful misconduct or other similar misconduct, investors may have remedies against us, our private equity funds, our principals or our affiliates under the federal securities law and state law. Investors in our funds do not have legal remedies against us, the general partners of our funds, our funds, our principals or our affiliates solely based on their dissatisfaction with the investment performance of those funds. While the general partners and investment advisers to our private equity funds, including their directors, officers, other 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 private equity funds, such indemnity does not extend to actions determined to have involved fraud, gross negligence, willful misconduct or other similar misconduct.

If any lawsuits were brought against us and resulted in a finding of substantial legal liability, the lawsuit could materially adversely affect our business, financial condition or results of operations 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 investors 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.

In addition, with a workforce composed of many highly paid professionals, we face the risk of litigation relating to claims for compensation, which may, individually or in the aggregate, be significant in amount. The cost of settling any such claims could negatively impact our business, financial condition and results of operations.

Employee misconduct 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 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 would adversely affect our clients and us. Our business often requires that we deal with confidential matters of great significance to companies in which we may invest. If our employees 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. It is not always possible to detect or deter employee misconduct, and the extensive precautions we take to detect and prevent this activity may not be effective in all cases. If any of our employees were to engage in misconduct or were to be accused of such misconduct, our business and our reputation could be adversely affected.

Risks Related to the Assets We Manage

As an asset manager, we sponsor and manage funds and vehicles 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 and vehicles are subject to many risks and uncertainties, including those that we discuss below. In connection with the KPE Transaction, we will acquire the assets of KPE, including the investments of the Acquired KPE Partnership, and manage those assets on our own behalf. As a result, the gains and losses on such assets will be reflected in our net income after the completion of the KPE Transaction, and the risks set forth below relating to the assets that we manage will directly affect our operating performance.

Poor performance of the investments we manage would cause a decline in our net income and cash flow, may obligate us to repay some carried interest previously received by us, and could adversely affect our ability to raise capital for future funds.

In the event that any of the significant investments we manage were to perform poorly, our net income and cash flow would decline because the value of our AUM would decrease, which would result in a reduction in some of our management fees, and our investment returns would decrease, resulting in a reduction in the carried interest we earn. Moreover, we could experience losses on our investments of our own capital as a result of poor performance by the investments we manage. Furthermore, if, as a result of poor performance of later investments in one of our traditional private equity funds' life, the fund does not achieve overall profitability, we will be obligated to repay the amount by which carried interest that was previously distributed to us exceeds amounts to which we are ultimately entitled. These repayment obligations may be related to amounts previously distributed to our principals prior to the completion of the Transactions, with respect to which our unitholders did not receive any benefit. As of June 30, 2008, the amount of carried interest we have received, excluding carried interest received by the general partners of the 1996 Fund, that is subject to this contingent repayment obligation was $776.6 million, assuming that all applicable private equity funds were liquidated at no value. Had the investments in such funds been liquidated at their June 30, 2008 fair values, the contingent repayment obligation would have been $61.5 million. Investors and potential investors in our funds continually assess our funds' performance, and our ability to raise capital for existing and future funds will depend on our funds' continued satisfactory performance. Poor performance of our funds could make it more difficult for us to raise new capital. Investors in our funds might decline to invest in future funds we raise and existing investors in one of our fixed income funds may choose to withdraw some or all of their invested capital (subject to applicable lock-up provisions). The first withdrawal applicable to a portion of the capital invested in this fund could occur in the first quarter of 2009.

Valuation methodologies for certain assets in our funds can be subject to significant subjectivity and the fair value of assets established pursuant to such methodologies may never be realized, which could result in significant losses for our funds.

There are no readily ascertainable market prices for a substantial majority of illiquid investments of our funds. 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, we typically use a market multiples approach that considers a specified financial measure (such as EBITDA) and/or a discounted cash flow analysis. 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, estimates of assumed growth rates, terminal values, discount rates, capital structure and other factors. These valuation methodologies involve a significant degree of management judgment.

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. Our partners' capital could be adversely affected if the values of investments that we record are 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. We cannot assure you that the investment values that we record from time to time will ultimately be realized. We also cannot assure you that you will be able to realize the investment values that are presented in this prospectus.

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 a fund's NAV do not necessarily reflect the prices that would actually be obtained by us on behalf of the fund when such investments are realized. 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, investors may lose confidence in us, which could in turn result in difficulty in raising additional funds.

Even if market quotations are available for our investments, such quotations may not reflect the value that could actually be realized because of various factors, including the 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.

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.

The historical returns attributable to our funds, including those presented in this prospectus, should not be considered as indicative of the future results of our funds or of our future results or of any returns on our common units.

We have presented in this prospectus 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 our common units. In connection with the Transactions, we will not acquire all of the interests in the KKR Group, our accounting predecessor, and we will not acquire an interest in two legacy funds that are not included in the KKR Group. In addition, although two of the three side-by-side funds that constitute the KKR Strategic Capital Funds have been consolidated by the KKR Group, the third side-by-side fund in the KKR Strategic Capital Funds is not consolidated by the KKR Group because it is is owned and controlled by third-party investors and we hold no economic or voting interests in that fund.

Upon completion of the Transactions, our business will be conducted through the Group Partnerships and we will serve as the ultimate general partner and parent company of those entities. Except for the Retained Interests, interests in the general partners of the 1996 Fund and non-controlling interests in our funds that are held by the fund investors described under "Organizational Structure Components of Our Business Owned by the Group Partnerships," the Group Partnerships will own:

- all of the controlling and economic interests in our fee-generating management companies and capital markets companies, which will allow us to control those entities and share ratably in the management, advisory and incentive fees earned from all of our funds, managed accounts, portfolio companies, capital markets transactions and other investment products;

- all of the controlling and economic interests in the general partners of our funds and all of the entities that are entitled to receive carry from our co-investment vehicles, which will allow us to control those entities and share ratably in the carried interest received by them as well as any returns on investments made by or on behalf of the general partners after the completion of the Transactions; and

- all of the controlling and economic interests in the Acquired KPE Partnership and the other assets of KPE, which will allow us to control the Acquired KPE Partnership and such other assets and share ratably in the returns that they generate.

In light of the fact that we will not acquire interests in all of the private equity and fixed income activities we have historically conducted, you should not conclude that continued positive performance of the funds that we manage will necessarily result in positive returns from holding our common units. However, poor performance of the funds that we manage would cause a decline in our income from such funds and would therefore have a negative effect on our performance and, in all likelihood, returns on our common units.

Moreover, with respect to the historical returns of our funds:

- 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;

- you will not benefit from any value that was created in our funds prior to the Transactions to the extent such value has been realized;

- the historical returns of our funds and their future performance has been and will be affected by macroeconomic factors, including factors that may not have been prevalent in the periods relevant to the return data above;

- in recent historical periods, the rates of returns 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;

- our funds' returns have benefited from investment opportunities and general market conditions that may not repeat themselves, including favorable borrowing conditions in the debt markets that have since deteriorated significantly, 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;

- the results of our fixed income segment are impacted by the performance of the fixed income funds we manage. Recent disruptions in the credit markets may adversely impact the performance of these funds, which would reduce our management fees because these fees are based in part on the NAV of these strategy funds. Additionally, reduced profitability or losses realized by the fixed income funds would reduce or eliminate incentive fees earned by our fixed income segment;

- the rates of return reflect our historical cost structure, which may vary in the future due to various factors described elsewhere in this prospectus and other factors beyond our control, including changes in laws; and

- we may create new funds in the future that reflect a different asset mix in terms of allocations among funds, investment strategies, geographic and industry exposure and vintage year.

In addition, future returns will be affected by the risks described elsewhere in this prospectus, including risks of the industry sectors and businesses in which a particular fund invests.

Dependence on significant leverage in investments by our funds could adversely affect our ability to achieve attractive rates of return on those investments.

Because many of our funds' investments rely heavily on the use of leverage, our ability to achieve attractive rates of return on investments will depend on our continued ability to access sufficient sources of indebtedness at attractive rates. For example, our fixed income funds use varying degrees of leverage when making investments. Similarly, in many private equity investments, indebtedness may constitute up to 70% or more of a portfolio company's total debt and equity capitalization, including debt that may be incurred in connection with the investment. An increase in either the general levels of interest rates or in the risk spread demanded by sources of indebtedness would make it more expensive to finance those investments. In addition, increases in interest rates could also decrease the value of fixed-rate debt investments that our funds make. Increases in interest rates could also make it more difficult to locate and consummate private equity 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. In addition, a portion of the indebtedness used to finance private equity investments often includes high-yield debt securities issued in the capital markets. Availability of capital from the high-yield debt markets is subject to significant volatility, 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. In particular, there has been little available financing at attractive rates during the latter half of 2007 and 2008 to date, which has significantly reduced our private equity investment activity.

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;

- 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 companies with comparatively less debt.

KFN, our publicly-traded specialty finance company, and the KKR Strategic Capital Funds, our three private side-by-side fixed income funds, 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 these funds' investment portfolios. These funds may borrow money from time to time to purchase or carry securities. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the securities purchased or carried, such expenses and costs could give rise to losses, and the timing and magnitude of such losses could be accelerated or exacerbated, in the event of a decline in the market value of such securities. Decreases in the value of securities may require additional margin or other collateral to be posted, which could adversely impact liquidity, cash flows and capital available for investment. Gains realized with borrowed funds may cause these funds' NAVs to increase at faster rates than would be the case without borrowings. However, if investment results fail to cover the costs of borrowings, these funds' NAVs could also decrease faster than if there had been no borrowings.

Any of the foregoing circumstances could have a material adverse effect on our financial condition, results of operations 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 and legal issues in determining whether or not to proceed with an investment. Outside consultants, legal advisers, 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 for which only limited information is available. 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 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 asset 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.

Our funds hold investments in securities that are not publicly traded. In many cases, our funds may be prohibited by contract or by applicable securities laws from selling such securities for a period of time. Our funds 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. The ability of many of our funds to dispose of investments is heavily dependent on 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. 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. We have made and expect to continue to make significant capital investments in our current and future funds. Contributing capital to these funds is risky, and we may lose some or all of the principal amount of our investments.

The investments of our funds 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 funds involve a number of significant risks inherent to private equity investing, including the following:

- companies in which private equity 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 private equity 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 and the investment made;

- companies in which private equity investments are made generally have less predictable operating results, 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; and

- executive officers, directors and employees of an equity sponsor may be named as defendants in litigation involving a company in which a private equity investment is made or is being made.

Our private equity investments are typically among the largest in the industry, which involve certain complexities and risks that are not encountered in small- and medium-sized investments.

Our private equity funds make investments primarily in companies with 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, labor unions and other third parties. Recently, labor unions have been more active in opposing certain larger investments by our private equity funds and private equity firms generally.

In recent years, the amount of equity capital that is required to complete a large capitalization private equity transaction has increased significantly, which has resulted in some of the largest private equity transactions being structured as "consortium transactions." A consortium transaction involves an equity investment in which two or more other 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 private equity sponsors. 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 " 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.

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.

Our funds hold investments that include debt instruments and equity securities of companies that we do not control. Such instruments and securities may be acquired by our funds through trading activities or through purchases of securities from the issuer. In addition, our funds may acquire minority equity interests, particularly when sponsoring investments as part of a large investor consortium, and 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. 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. If any of the foregoing were to occur, the value of investments by our funds could decrease and our financial condition, results of operations and cash flow could suffer as a result.

We expect to 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 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 June 30, 2008, approximately 45% of the unrealized value of the investments of those funds was attributable to foreign investments. Investing in companies that are based outside of the United States, particularly in countries characterized as having emerging markets, 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, political and social instability, nationalization or expropriation of assets;
- the imposition of non-U.S. taxes;
- 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 laws;
- 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.

Although we expect that most of our funds' capital commitments will be denominated in U.S. dollars, investments that are denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, 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. 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."

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 most cases, the companies in which our funds invest have, or are permitted to have, outstanding indebtedness or equity securities that rank senior to our fund's investment. By their terms, such instruments may provide that their holders are entitled to receive payments of dividends, interest or principal on or before the dates on which payments are to be made in respect of our 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. 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 an insolvency, the ability of our funds to influence a company's affairs and to take actions to protect their investments may be substantially less than that of the senior creditors.

Risk management activities may adversely affect the return on our investments.

When managing our exposure to market risks, we frequently use 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 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. The use of hedging transactions and other derivative instruments to reduce the effects of a decline in the value of a position does 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 a hedging or other derivative transactions and the position 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 our 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.

Certain of our funds may make a limited number of investments, or investments that are concentrated in certain geographic regions or asset types, which could negatively affect their performance to the extent those concentrated investments 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. 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.

Our funds may make investments that could give rise to a conflict of interest.

Our funds 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 fixed income 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 our judgment, could enhance the value of the private equity investment, even though the proposed transaction would subject one of our fixed income fund's debt investments to additional or increased risks. Similarly, our ability to effectively implement our public equity strategies may be limited to the extent that contractual obligations entered into in the ordinary course of our traditional private equity business impose restrictions on our engaging in transactions that we may be interested in otherwise pursuing. 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.

Risks Related to Our Organizational Structure and the Transactions

Our unitholders do not control our Managing Partner or vote in the election or removal of its directors and will have limited ability to influence decisions regarding our business.

Our Managing Partner, which serves as our sole general partner and manages our business and affairs, is owned by our senior principals, including our founders. Pursuant to its limited liability company agreement, our Managing Partner has established a board of directors that will be responsible for the oversight of our business and operations. The board of directors, co-chaired by our founders, appoints the officers of our Managing Partner. Our unitholders do not control our Managing Partner or its board of directors and, unlike the holders of common stock in a corporation, they will have only limited voting rights under our partnership agreement and generally will be unable to influence decisions regarding our business. Our unitholders also will not have the right to remove or expel our Managing Partner as the general partner of our partnership for any reason, with or without cause. Therefore, unlike the shareholders of a corporation, who generally are entitled to propose the nomination of independent directors and who may conduct proxy solicitations with respect to the election of directors, our unitholders will be unable to effect a change in our management if they become dissatisfied with our Managing Partner's performance.

Our founders will be able to determine the outcome of any matter that may be submitted for a vote of the limited partners.

Upon completion of the Transactions, KKR Holdings will own exchangeable Group Partnership units, which if then exchanged would represent 79% of our common units on a fully diluted basis prior to taking into account any adjustment relating to the CVIs. KKR Holdings will also hold an equivalent amount of special voting units in our partnership, which will entitle it to cast an equivalent number of votes on those few matters that may be submitted to a vote of our unitholders. Due to the foregoing, upon completion of the Transactions, our founders, who will have the power to vote the special voting units held by

KKR Holdings, will generally have sufficient voting power to determine the outcome of those few matters that may be submitted for a vote of our unitholders, including a merger or consolidation of our partnership, a sale of all or substantially all of the assets of our partnership and amendments to our partnership agreement that may be materially adverse to our unitholders. In addition, our partnership agreement contains provisions that enable us to take actions that would materially and adversely affect all unitholders or a particular class of unitholders upon the majority vote of all outstanding voting units, and since 79% of our voting units will be controlled by our founders upon completion of the Transactions, our founders will have the ability to take actions that could materially and adversely affect unitholders either as a whole or as a particular class.

Our unitholders' voting rights are further restricted by provisions in our partnership agreement stating that any 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 partnership agreement also contains provisions limiting the ability of our unitholders to call meetings, to acquire information about our operations, and to influence the manner or direction of our management. Our partnership agreement also does not restrict our Managing Partner's ability to take actions that may result in our being treated as an entity taxable as a corporation for U.S. federal (and applicable state) income tax purposes. Furthermore, unitholders are not entitled to dissenters' rights of appraisal under our 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.

In addition, as a result of these matters and the provisions referred to under " Our unitholders do not control our Managing Partner or vote in the election or removal of its directors and will have limited ability to influence decisions regarding our business," our unitholders may be deprived of an opportunity to receive a premium for their common units in the future through a sale of our partnership, and the trading prices of our common units may be adversely affected by the absence or reduction of a takeover premium in the trading price.

We are permitted to repurchase all of the outstanding common units under certain circumstances, and this repurchase may occur at an undesirable time or price.

We have the right to acquire all of our then-outstanding common units at the then-current trading price either if 10% or less of our common units are held by persons other than our Managing Partner and its affiliates or if we are subjected to registration under the provisions of the Investment Company Act. As a result of our Managing Partner's right to purchase outstanding common units, a holder of common units may have his common units purchased at an undesirable time or price.

We are a limited partnership and as a result will qualify for and intend to rely on some exemptions from the corporate governance and other requirements of the NYSE.

We are a limited partnership and will qualify for exceptions from certain corporate governance and other requirements of the rules of the NYSE. Pursuant to these exceptions, limited partnerships may elect not to comply with certain corporate governance requirements of the NYSE, including the requirements: (i) that a majority of the board of directors of the listed company consist of independent directors; (ii) that the listed company have a nominating and corporate governance committee that is composed entirely of independent directors; and (iii) that the listed company have a compensation committee that is composed entirely of independent directors. In addition, as a limited partnership, we will not be required to hold annual unitholder meetings. While our Managing Partner's board of directors will consist of a majority of directors who are independent under NYSE Rules and have a nominating and corporate governance committee, our nominating and corporate governance committee will not consist entirely of independent directors or meet other substantive requirements that would be applicable absent such an exemption, and we do not intend to have a compensation committee. Accordingly, you will not have the same protections afforded to equity holders of entities that are subject to all of the corporate governance requirements of the NYSE.

Potential conflicts of interest may arise among our Managing Partner, its affiliates and us. Our Managing Partner and its affiliates have limited fiduciary duties to us and our unitholders, which may permit them to favor their own interests to the detriment of us and our unitholders.

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 the interests of our unitholders. These conflicts include, among others, the following:

- our Managing Partner determines the amount and timing of our investments and dispositions, indebtedness, issuances of additional partner interests and amounts of reserves, each of which can affect the amount of cash that is available for distribution to you;

- our Managing Partner is allowed to take into account the interests of parties other than our partnership in resolving conflicts of interest, which has the effect of limiting its duties, including fiduciary duties, to our unitholders. For example, our affiliates that serve as the general partners of our funds have fiduciary and contractual obligations to our fund investors, and such obligations may cause such affiliates to regularly take actions that might adversely affect our near-term results of operations or cash flow. Our Managing Partner would have no obligation to intervene in, or to notify our unitholders of, such actions by such affiliates;

- because our principals will indirectly hold their Group Partnership units through entities that are not subject to corporate income taxation and we will hold some of our Group Partnership units through a wholly-owned subsidiary that is taxable as a corporation, conflicts may arise between our principals and our partnership relating to the selection and structuring of investments;

- as discussed below, our Managing Partner has limited its liability and reduced or eliminated its duties, including fiduciary duties, under our partnership agreement, while also restricting the remedies available to our unitholders for actions that, without these limitations, might constitute breaches of duty, including fiduciary duties. In addition, we have agreed to indemnify our Managing Partner and its affiliates to the fullest extent permitted by law, except with respect to conduct involving bad faith, fraud or willful misconduct. By receiving our common units, you will have agreed and consented to the provisions set forth in our partnership agreement, including the provisions regarding conflicts of interest situations that, in the absence of such provisions, might constitute a breach of fiduciary or other duties under applicable state law;

- our partnership agreement does not restrict our Managing Partner from causing us to pay it or its 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 the partnership agreement;

- our Managing Partner determines how much debt we incur and that decision may adversely affect our credit ratings;

- our Managing Partner determines which costs incurred by it and its affiliates are reimbursable by us;

- other than as set forth in the non-competition and non-solicitation agreements to which our principals will be subject, which may not be enforceable and which may be waived, modified or amended by KKR Holdings at any time without our consent, 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 us by it and its affiliates; and

- our Managing Partner decides whether to retain separate counsel, accountants or others to perform services for us.

See "Certain Relationships and Related Party Transactions" and "Conflicts of Interest and Fiduciary Responsibilities."

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 principals.

All of our Managing Partner's outstanding Class A shares are held by our senior principals. 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 our common units;
- the adoption by us of a shareholder rights plan;
- the amendment of our limited partnership agreement or the limited partnership agreements of the Group Partnerships;
- the exchange or disposition of all or substantially all of our assets or the assets of any Group Partnership;
- the merger, sale or other combination of our partnership or any 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 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 the employment of any officer of our partnership or 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 our partnership, our Managing Partner or any 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 Group Partnership, or the transfer of beneficial ownership of all or any part of a general partner interest in our partnership or a Group Partnership to any person other than one of our wholly-owned subsidiaries.

Upon the completion of the Transactions, Messrs. Kravis and Roberts will collectively hold Class A shares representing a majority of the total voting power of the outstanding Class A shares. While neither of them acting alone will be able to control the voting of the Class A shares, they will be able to control the voting of such shares if they act together.

Our partnership agreement will contain 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 a unitholder to successfully challenge a resolution of a conflict of interest by our Managing Partner or by its conflicts committee.

Our partnership agreement will contain provisions that require our unitholders 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 partnership agreement will provide 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 us or our unitholders whatsoever. When our Managing Partner, in its capacity as our general partner, 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 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 unitholders and will not be subject to any different standards imposed by the partnership agreement, the Delaware Revised Uniform Limited Partnership Act, which we refer to as the Delaware Limited Partnership Act, or under any other law, rule or regulation or in equity.

The above modifications of fiduciary duties are expressly permitted by Delaware law. Hence, we and our unitholders will only have recourse and be able to seek remedies against our Managing Partner if our Managing Partner breaches its obligations pursuant to our partnership agreement. Unless our Managing Partner breaches its obligations pursuant to our partnership agreement, we and our unitholders 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 partnership agreement, our partnership agreement provides that our Managing Partner and its officers and directors will not be liable to us or our unitholders 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 unitholders because they restrict the remedies available to unitholders for actions that without those 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 unitholder 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 Delaware corporations, 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 our unitholders. This is different from the situation with Delaware corporations, 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 receive a common unit, you will be treated as having consented to the provisions set forth in the 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. See "Conflicts of Interest and Fiduciary Responsibilities."

The control of our Managing Partner may be transferred to a third party without unitholder 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 the consent of our unitholders at any time after December 31, 2018. 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 the approval of the unitholders, subject to certain restrictions as described elsewhere in this prospectus. 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 our unitholders, but our ability to do so may be limited by our holding company structure, applicable provisions of Delaware law and contractual restrictions.

Following the completion of the Transactions, we intend to pay cash distributions on a quarterly basis. We are a holding company and will have no material assets other than the Group Partnership units that we will hold through wholly-owned subsidiaries and will have no independent means of generating income. Accordingly, we intend to cause the Group Partnerships to make distributions on the Group Partnership units, including Group Partnership units that we directly or indirectly hold, in order to provide us with sufficient amounts to fund distributions we may declare on our common units. If the Group Partnerships make such distributions, other holders of Group Partnership units, including KKR Holdings, will be entitled to receive equivalent distributions pro rata based on their Group Partnership units, as described under "Distribution Policy."

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, working capital requirements and anticipated cash needs, 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 our unitholders 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 partner 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. In addition, the Group Partnerships' cash flow from operations may be insufficient to enable it to make required minimum tax distributions to its partners, in which case the Group Partnerships may have to borrow funds or sell assets, and thus our liquidity and financial condition could be materially adversely affected.

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.

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 our intermediate holding company may be required to acquire 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 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 company 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 will enter into a tax receivable agreement with KKR Holdings requiring our intermediate holding company to pay to KKR Holdings or transferees of its 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 company actually realizes (or is deemed to realize, in the case of an early termination payment by our intermediate holding company or a change of control) as a result of this increase in tax basis, as well as 85% of the amount of any such savings the intermediate holding company actually realizes (or is deemed to realize) as a result of increases in tax basis that arise due to future payments under the agreement. This payment obligation will be an obligation of our intermediate holding company and not of either Group Partnership. In the event that other of our current or future subsidiaries become taxable as corporations and acquire 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 such entity will become subject to a tax receivable agreement with substantially similar terms. 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 our 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 company's 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 company 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 company's cash tax savings. The intermediate holding company's 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.

If we were deemed to be an "investment company" 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 asset management services and not in the business of investing, reinvesting or trading in securities. We regard ourselves as an asset 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, or following the Transactions will be, 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. Further, following the completion of the Transactions, we will have no material assets other than our equity interest as general partner of one of the Group Partnerships and our equity interest in a wholly-owned subsidiary, which in turn will have no material assets other than the equity interest as general partner of the other Group Partnership. Through these interests, we will directly or indirectly be the sole general partners of the Group Partnerships and will be vested with all management and control over the Group Partnerships. We do not believe our equity interest in our wholly-owned subsidiary or our equity interests directly or through our wholly-owned subsidiary in the Group Partnerships are investment securities. Moreover, because we believe that the capital interests of the general partners of our funds in their respective funds are neither securities nor investment securities, we believe that less than 40% of our partnership's total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis after the Transactions will be comprised of assets that could be considered investment securities. Accordingly, we do not believe we are, or following the Transactions will be, an inadvertent investment company by virtue of the 40% test in Section 3(a)(1)(C) of the Investment Company Act as described in the second bullet point above. In addition, we believe we are not an investment company under Section 3(b)(1) of the Investment Company Act because we are primarily engaged in a non-investment company business.

The Investment Company Act and the rules thereunder contain detailed parameters for the organization and operation of investment companies. Among other things, the Investment Company Act and the rules 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 our partnership 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 (including us) and ability to compensate key employees, could make it impractical for us to continue our business as currently conducted, impair the agreements and arrangements between and among our partnership, the Group Partnerships and KKR Holdings, or any combination thereof, and materially adversely affect our business, financial condition and results of operations. In addition, we may be required to limit the amount of investments that we make as a principal, potentially divest assets acquired in the KPE Transaction or otherwise conduct our business in a manner that does not subject us to the registration and other requirements of the Investment Company Act.

KPE unitholders who become our unitholders will have their unitholder rights governed by our partnership agreement and the Delaware Limited Partnership Act.

KPE unitholders who receive our common units upon completion of the KPE Transaction will become our unitholders and their rights as our unitholders will be governed largely by our partnership agreement, the laws of the State of Delaware, including the Delaware Limited Partnership Act, U.S. securities laws and regulations and the rules and regulations of the NYSE. The rights of KPE unitholders are currently governed largely by the laws of the Island of Guernsey, Dutch law and the rules and regulations of the Guernsey Financial Services Commission, the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten) and Euronext Amsterdam N.V. As a result, there may be material differences between the current rights of KPE unitholders and the rights they can expect to have as our unitholders. KPE unitholders who receive our common units upon completion of the KPE Transaction may have more difficulty protecting their interests than they would have under Guernsey law, Dutch law or under the rules and regulations of the Guernsey Financial Services Commission, the Netherlands Authority for the Financial Markets or Euronext Amsterdam. See "Comparative Rights of Our Unitholders and KPE Unitholders."

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 would be substantially reduced and the value of our common units could be adversely affected.

The value of your investment in us depends in part on our being 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, 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 and certain other forms of investment income. We may not meet these requirements or current law may change so as to cause, in either event, 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, on this or any other matter affecting us.

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 would be substantially reduced which could cause a reduction in the value of our common units.

Current law may change, causing us to be treated as a corporation for U.S. federal or state income tax purposes or otherwise subjecting us to entity level taxation. See " Risks Related to Our Business Legislation has been introduced that would, if enacted, preclude us from qualifying as a partnership for U.S. federal income tax purposes. If this or any similar legislation or regulation were to be enacted and apply to us, we would incur a material increase in our tax liability that could result in a reduction in the value of our common units." Because of widespread state budget deficits, several states are evaluating ways to subject partnerships to entity level taxation through the imposition of state income, franchise or other forms of taxation. If any state were to impose a tax upon us as an entity, our distributions to you would be reduced.

You will be subject to U.S. federal income tax on your share of our taxable income, regardless of whether you receive any cash dividends from us.

As long as 90% of our gross income for each taxable year constitutes qualifying income as defined in Section 7704 of the Internal Revenue Code, we are not required to register as an investment company under the Investment Company Act on a continuing basis, and assuming there is no change in law (see " Risks Related to Our Business Legislation has been introduced that would, if enacted, preclude us from qualifying as a partnership for U.S. federal income tax purposes. If this or any similar legislation or regulation were to be enacted and apply to us, we would incur a material increase in our tax liability that could result in a reduction in the value of our common units"), 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. As a result, U.S. unitholders will be subject to U.S. federal, state, local and possibly, in some cases, foreign income taxation on your allocable share of our items of income, gain, loss, deduction and credit (including our 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 your taxable year, regardless of whether or not you receive cash dividends from us.

You may not receive cash dividends equal to your allocable share of our net taxable income or even the tax liability that results from that income, although we intend to make tax distributions, a portion of which will be distributed to our unitholders. See "Distribution Policy." In addition, certain of our holdings, including holdings, if any, in a controlled foreign corporation, or a CFC, and a passive foreign investment company, or a PFIC, 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 taxable income. In the event of an inadvertent termination of our partnership status for which the IRS has granted us 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 persons holding 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 our unitholders, you may be taxed on amounts that accrued economically before you became a unitholder. See "Material U.S. Federal Tax Considerations."

Our interest in certain of our businesses will be held through the intermediate holding company, which will be treated as a corporation for U.S. federal income tax purposes; such corporation will be liable for significant taxes and may create other adverse tax consequences, which could potentially adversely affect the value of your 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 the intermediate holding company, which will be treated as a corporation for U.S. federal income tax purposes. In addition, certain assets acquired from KPE in the KPE Transaction will be contributed to the intermediate holding company. The intermediate holding company will be liable for significant U.S. federal income taxes and applicable state, local and other taxes that would not otherwise be incurred, which could adversely affect the value of your investment, and which could be increased if the IRS were to successfully reallocate deductions or income of the related entities conducting our business. We have not yet quantified the tax liability that our intermediate holding company will incur. Those additional taxes have not applied to our existing owners in our organizational structure in effect before the Transactions and will not apply to our existing owners following the Transactions until they exchange Group Partnership interests for interests in us.

Complying with certain tax-related requirements may cause us to invest through foreign or domestic corporations subject to corporate income tax or enter into acquisitions, borrowings, financings or arrangements we may not have otherwise entered into.

In order for us to be treated as a partnership for U.S. federal income tax purposes and not as an association or publicly traded partnership taxable as a corporation, we must meet the qualifying income exception discussed below on a continuing basis and we must not be required to register as an investment company under the Investment Company Act. In order to effect such treatment, we or our subsidiaries may be required to invest through foreign or domestic corporations subject to corporate income tax, or enter into acquisitions, borrowings, financings or other transactions we may not have otherwise entered into.

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.

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 funds' 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 a PFIC or a CFC for U.S. federal income tax purposes. Unitholders indirectly owning an interest in a PFIC or a CFC may experience adverse U.S. tax consequences. See "Material U.S. Federal Tax Considerations U.S. Taxes Consequences to U.S. Holders of Common Units Passive Foreign Investment Companies" and " Controlled Foreign Corporations."

Non-U.S. persons face unique U.S. tax issues from owning common units and CVIs that may result in adverse tax consequences to them.

We may be, or may become, engaged in a U.S. trade or business for U.S. federal income tax purposes, including by reason of investments in U.S. real property holding corporations, in which case some portion of our income would be treated as effectively connected income with respect to non-U.S. holders, or ECI. To the extent our income is treated as ECI, non-U.S. holders generally would be subject to withholding tax on distributions they receive 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. holders that are corporations may also be subject to a 30% branch profits tax on their distributions of such income. In addition, certain income from U.S. sources that is not ECI allocable to non-U.S. holders will be reduced by withholding taxes imposed at the highest effective applicable tax rate.

Tax-exempt entities face unique tax issues from owning 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, or 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. In light of our intended investment activities, we are likely to derive income that constitutes UBTI because we will likely incur acquisition indebtedness. Consequently, a holder of common units that is a tax-exempt organization will likely be subject to unrelated business income tax to the extent that its allocable share of our income consists of UBTI.

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 will adopt 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.

The sale or exchange of 50% or more of our capital and profit interests will result in the termination of our partnership for U.S. federal income tax purposes.

We will be considered to have been terminated for U.S. federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a 12-month period. A termination of our partnership would, among other things, result in the closing of our taxable year for all unitholders. See "Material U.S. Federal Tax Considerations" for a description of the consequences of our termination for U.S. federal income tax purposes.

Unitholders may be subject to state and local taxes and return filing requirements as a result of owning our common units or CVIs.

In addition to U.S. federal income taxes, our unitholders may be subject to other taxes, including state and local taxes, unincorporated business 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 our unitholders do not reside in any of those jurisdictions. Our unitholders 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. Further, unitholders 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 and local tax returns that may be required of such unitholder. Our counsel has not rendered an opinion on the state or local tax consequences of owning our common units or CVIs.

We do not expect to 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 will require longer than 90 days after the end of our fiscal year to obtain the requisite information from all lower-tier entities so that K-1s may be prepared for the Partnership. 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. See "Material U.S. Federal Tax Considerations U.S. Taxes Administrative Matters Information Returns."

Our view on the U.S. federal income tax consequences of the issuance and settlement of the CVIs or the capital contribution adjustment mechanism, or CCAM, in the Group Partnership agreements could be challenged by taxing authorities making unitholders potentially subject to adverse tax consequences as a result of the issuance or settlement of the CVIs or CCAM.

The only authority discussing the U.S. federal income tax treatment of an instrument similar to the CVIs addresses a situation where the issuer was a corporation and terms and circumstances of the issuance were meaningfully different from the issuance of the CVIs. Based on the opinion of our tax counsel, we believe that because the CVIs are issued by a partnership to reflect the terms of the CCAM, the CVIs should be treated as an interest in our partnership that entitles you to share in adjustments with respect to our ownership interests in the Group Partnerships. As a result, we believe the issuance of the CVIs should not be a taxable event to you. There can be no assurances, however, that the IRS will agree with this interpretation, in which case, you could potentially become subject to adverse tax consequences. In addition, there can be no assurances regarding the tax treatment of the settlement of the CVIs. The IRS could also take the position that a holder of common units and CVIs has entered into a "straddle," which could affect your holding period in your common units and could result in disallowance or deferral of losses upon disposition of your common units.

Similarly, there is no direct authority addressing the U.S. federal income tax treatment of the operation of an adjustment mechanism such as the CCAM contained in the Group Partnership agreements. Based on the opinion of our tax counsel, we believe that any adjustment to the number of units of each Group Partnership effected pursuant to the CCAM should not result in the recognition of gain or loss by you.

The opinions of our tax counsel with respect to the CVIs and the CCAM are not definitive. The lack of direct authority entails that some doubt as to the tax treatment of the CVIs and the CCAM remains. Further, opinions of counsel are not binding upon the IRS or any court, and the IRS may challenge this interpretation and a court may sustain such a challenge. If the IRS were not to respect either the form of our settlement of the CVIs for common units or the CCAM in the Group Partnership agreements, you could be subject to adverse tax consequences at the time of settlement of the CVIs or at the time such adjustments are made. See "Material U.S. Federal Income Tax Considerations U.S. Taxes Consequences to U.S. Holders of KPE Transaction."

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 company will be allocated taxable gains and losses recognized by the Group Partnerships based upon our percentage ownership in each 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 sold units.

Risks Related to Our Common Units and the Contingent Value Interests

Our common unit price may decline due to the large number of common units eligible for future sale and for exchange.

The market price of our common units could decline as a result of sales of a large number of common units in the market after the Transactions 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. Upon completion of the Transactions, we will have common units outstanding. All of the common units will have been received pursuant to the KPE Transaction and will be freely tradable without restriction or further registration under the Securities Act by persons other than our "affiliates." See "Common Units Eligible for Future Sale." Subject to lock-up restrictions described under "Plan of Distribution," we may issue and sell in the future additional common units.

In addition, upon completion of the Transactions, KKR Holdings will own an aggregate of 79% of the outstanding Group Partnership units, on a fully diluted basis, prior to taking into account any adjustment related to the CVIs. Over time, KKR Holdings may distribute to its members these Group Partnership units. These members would then have the right to compel the Group Partnerships to redeem these Group Partnership units for cash or our common units, at the option of the Group Partnerships. The common units issued upon such exchanges would be "restricted securities," as defined in Rule 144 under the Securities Act, unless we register such issuances. However, we will enter into a registration rights agreement with KKR Holdings that will require us to register these common units under the Securities Act.

In addition, our 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, including awards under the 2008 Equity Incentive Plan. In accordance with the Delaware Limited Partnership Act and the provisions of our 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.

No public market for our common units currently exists, and you therefore will not be able to ascertain the market value of the common units you receive in the KPE Transaction unless and until such a market develops. If a public market in our common units develops, our common units may trade at a price which implies a value for KPE units that is lower than the value on the date of closing.

There is currently no public market for our common units, and it will not be possible for one to develop until KPE unitholders receive our common units upon completion of the KPE Transaction. It is possible that no public market in our securities will develop or that, if a public market in our common units develops, our common units will trade below the price at which the KPE units traded on the date the purchase and sale agreement was executed or on any other date up to and including the completion of the KPE Transaction.

The market price of our common units may be volatile, which could cause the value of your investment to decline.

Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could reduce the market price of our common units even if our operating performance is strong. Upon completion of the KPE Transaction, each KPE unitholder will receive one of our common units for each KPE unit it holds. Although the price of KPE units at the completion of the KPE Transaction may vary from their price on the date the purchase and sale agreement was executed, this exchange ratio is fixed in the purchase and sale agreement and KPE does not have the right to terminate the purchase and sale agreement solely because of changes in the market price of its units. In addition, our operating results could fail to meet the expectations of public market analysts and investors due to a number of potential factors, including variations in our quarterly operating results or distributions to unitholders, additions or departures of key personnel, publication of research reports about our industry, changes or proposed changes in laws or regulations or differing interpretations or enforcement thereof affecting our business, adverse market reaction to any indebtedness we may incur or securities we may issue in the future, changes in market valuations of similar companies or speculation in the press or investment community and other risks, including the risks described in this prospectus, many of which factors are beyond our control, and in response the market price of our common units could decrease significantly.

We do not expect to engage in stabilizing transactions with respect to our common units in connection with this offering, and we have not engaged underwriters or other third parties who would engage in such transactions. Accordingly, the market price of common units that you receive in connection with this offering may be more volatile than comparable securities purchased in an underwritten initial public offering.

We have not engaged underwriters or other third parties who would engage in transactions intended to stabilize, maintain or otherwise affect the market price of the common units upon listing on the NYSE, and we do not currently intend to engage in such transactions ourselves. Accordingly, the market price of the common units that you receive may fluctuate more dramatically than comparable securities purchased through an underwritten initial public offering in which the underwriters may, for example, sell more securities than they are obligated to purchase from the issuer or purchase securities in the open market in order to raise or maintain the market price of the securities above independent market levels or prevent or retard a decline in the market price of the securities.

Under certain circumstances, the CVIs will have no value and will be automatically terminated without any further consideration.

The CVIs will be issued under the contingent value interests agreement between us and a trustee mutually acceptable to us and KPE, a form of which is filed as an exhibit to the registration statement of which this prospectus forms a part. We refer to the contingent value interests agreement as the CVI Agreement and to each holder of a CVI as a CVI holder. The CVI Agreement limits our obligation to deliver consideration with respect to the CVIs. In particular, and as more fully described under "Description of Our Contingent Value Interests," if we determine at the maturity date for the CVIs that the average of the daily volume weighted average trading prices of our common units has met or exceeded a specified threshold during the 90 consecutive trading day period preceding the third trading day following the maturity of the CVIs, the CVIs will terminate and the CVI holders will receive no consideration with respect thereto. The CVIs will mature on the third business day following the earlier of (i) the third anniversary of the closing of the KPE Purchase or (ii) the occurrence of certain fundamental changes with respect to our business. Similarly, if at any time preceding such 90 consecutive trading day period we determine that the average of the daily volume weighted average trading prices of our common units has met or exceeded a specified threshold for 20 consecutive trading days (subject to the exclusion of certain trading days, as provided in the CVI Agreement), the CVIs will be extinguished and the CVI holders will receive no consideration with respect thereto. If we determine that the daily volume weighted average trading price of our common units has met or exceeded the applicable threshold during either period described above and the CVIs are accordingly terminated, the CVIs will have no value and will be automatically terminated without any further consideration.

In addition, because the amount of consideration with respect to the CVIs that you would otherwise be entitled to receive will be adjusted downward by the cash amount of any distributions paid on the common units (or the fair market value of any such distributions not paid in cash), to the extent that you have sold your common units, you will not be able to benefit from such distributions, even though they may adversely affect the value of your CVIs.

Consideration owed to the holders of the CVIs, if any, will be subject to a cap as set forth in the CVI Agreement.

Our obligation to deliver consideration with respect to the CVIs, if any, will be subject to a cap. Specifically, we will not be obligated to deliver, in consideration for the CVIs, common units (or their cash equivalent) exceeding 6% of our fully diluted common units as of the completion of the Transactions (or the cash equivalent thereof). This cap is subject to adjustment to account for dividends, distributions and certain other transactions.

The amount of the consideration required to be delivered to the holders of the CVIs will be based on the market value of our common units over a 90 consecutive trading day period.

Subject to the cap described above, the amount of the consideration required to be delivered with respect to the CVIs will be based on the average of the daily volume weighted average trading prices of our common units over the 90 consecutive trading days preceding the third trading day preceding the maturity date of the CVIs. The average price of our common units over this 90 consecutive trading day period may differ significantly from the trading price of our common units on the maturity date of the CVIs. As a result, the consideration required to be delivered may have an actual value on the maturity date that is greater or less than the value that is required to be delivered under the CVI Agreement. In addition, if KKR Holdings elects to cause the CVIs to be settled in cash, the amount of the cash required to be delivered will also be based on the average of the daily volume weighted average trading prices of our common units over this 90 consecutive trading day period. As a result, the amount of cash required to be delivered with respect to the CVIs may be greater or less than the market value on the maturity date of the common units that would have been required to be delivered had KKR Holdings not caused the CVIs to be settled in cash.

Consideration owed to the holders of the CVIs, if any, will not be delivered prior to the date three years after the completion of the KPE Purchase, except in certain limited circumstances.

The CVIs will mature on the earlier of (i) the third anniversary of the closing of the KPE Purchase and (ii) the occurrence of certain fundamental changes with respect to our business, including certain mergers, consolidations and asset sales. Accordingly, even if our common units fail to trade at favorable prices and our obligation to deliver consideration with respect to the CVIs is ultimately triggered, you may not receive this consideration for a considerable period of time. Because no interest will accrue on the CVIs absent a payment default, you will not receive any compensation for holding the CVIs between the closing of the KPE Purchase and our delivery of the consideration, if any, due with respect to the CVIs.

The CVIs are non-transferable except in very limited circumstances. Accordingly, there will be no public market for the CVIs, and you will be unable to sell them to a purchaser of your common units or otherwise.

No CVI nor any beneficial interest therein may be directly or indirectly sold or in any other manner transferred or disposed of, in whole or in part, except for transfers to us and/or certain of our affiliates, transfers by operation of law (including the consolidation, merger or dissolution of an entity), certain transfers upon death or to estate planning trusts, transfers made pursuant to a court order and certain transfers by partnerships and limited liability companies to their partners or members. As a result, there will be no market for the CVIs and you will receive no value with respect to them unless and until we deliver the consideration, if any, that is due upon their maturity. Even if you elect to sell your common units, you will not be able to transfer any CVIs to the purchaser. This may have a negative impact on the value of the common units that you hold. See "Description of Our Contingent Value Interests Transferability."

A change in control of our partnership may not constitute a "fundamental change" for purposes of the CVIs.

The CVI Agreement contains no covenants or other provisions to afford protection to CVI holders in the event of a change in control of our partnership except to the extent described under "Description of Our Contingent Value Interests Consolidation, Merger and Sale of Assets; Fundamental Changes." The term "fundamental change" is limited and may not include every change of control event that might adversely affect CVI holders. In certain circumstances, we may be subject to a change of control and a successor company may assume our obligations relating to the CVIs without the CVIs automatically maturing as a result. If this were to occur, the CVIs would be the obligation of the successor company, and we can make no assurance that the successor company would be able to fulfill its obligations under the CVI Agreement.

DISTRIBUTION POLICY

We intend to make quarterly cash distributions to our unitholders in amounts that in the aggregate are expected to constitute substantially all of the cash earnings of our asset management business each year in excess of amounts determined by our Managing Partner to be necessary or appropriate to provide for the conduct of our business, to make appropriate investments in our business and our funds, to comply with applicable law and any of our debt instruments or other agreements or to provide for future distributions to our unitholders for any one or more of the ensuing four quarters. Our distribution policy reflects our belief that distributing substantially all of the cash earnings of our asset management business will provide transparency for our unitholders and impose on us an investment discipline with respect to the businesses and strategies that we pursue.

We expect that our first quarterly distribution will be paid in in respect of the period from the completion of the Transactions through . Because we will not know what the cash earnings of our asset management business will be for any year until the end of such year, we expect that our first three quarterly distributions in respect of any given year will generally be smaller than the final quarterly distribution in respect of such year.

Because we are a holding company and do not own any material cash-generating assets other than our direct and indirect interests in the Group Partnerships, we will depend on cash distributions that we receive on the Group Partnership units that we hold directly or through our intermediate holding company to fund any distributions that we make on our common units. Our Managing Partner intends to cause the Group Partnerships to make distributions on the Group Partnership units that we directly and indirectly hold in amounts that are sufficient to allow us to fund any distributions that are declared on our common units. We will fund distributions, if any, in three steps:

- first, our Managing Partner will cause the Group Partnerships to make distributions to holders of Group Partnership units pro rata in accordance with their respective percentage interests in the Group Partnerships;

- second, we will cause our intermediate holding company to distribute to us its share of such distributions, after deducting taxes and amounts payable under the tax receivable agreement; and

- third, we will distribute our net share of such distributions to our unitholders on a pro rata basis.

The actual amount and timing of distributions on our common units will be subject to the discretion of our Managing Partner's board of directors, and we cannot assure you that we will in fact make distributions as intended or at all. In particular, the amount and timing of distributions will depend upon a number of factors, including, among others, our available cash and current and anticipated cash needs; general economic and business conditions; our strategic plans and prospects; our results of operations and financial condition; our capital requirements; legal, contractual and regulatory restrictions on the payment of distributions by us or our subsidiaries, including restrictions contained in our debt agreements, and such other factors as the board of directors of our Managing Partner considers relevant. 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.

If the general partners of the Group Partnerships determine that distributions from the Group Partnerships would otherwise be insufficient to cover the tax liabilities of a holder of a Group Partnership unit, the partnership agreement of each Group Partnership will provide for tax distributions to the holders of Group Partnership units to the extent that funds are available. Generally, these tax distributions will be computed based on our estimate of the net taxable income of the relevant Group Partnership allocable to a holder of a 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 non-deductibility of certain expenses and the character of the income). If we had completed the Transactions on January 1, 2007, the assumed effective tax rate for the tax year ended December 31, 2007 would have been approximately 46%. A portion of any such tax distributions received by us, net of amounts used by our subsidiaries to pay their tax liability, will be distributed to our unitholders. Such amounts are generally expected to be sufficient to permit our U.S. unitholders to fund their estimated U.S. tax obligations (including any federal, state and local income taxes) with respect to their distributive shares of net income or gain, after taking into account any withholding tax imposed on us. We cannot assure you that, for any particular unitholder, such distributions will be sufficient to pay the unitholder's actual U.S. or non-U.S. tax liability.

Historically, we typically have made cash distributions to our existing owners when we received significant distributions from our funds. In addition, we have historically made cash distributions to our senior principals annually in connection with the payment to us of management and other fees. These distributions were not made pursuant to any agreement. For the fiscal years ended December 31, 2006 and 2007 and the six months ended June 30, 2008, we made cash and in-kind distributions of $1.1 billion, $1.3 billion and $190.2 million, respectively, to our existing owners.

Prior to the completion of the Transactions, we will continue to make distributions to our existing owners in the ordinary course of our business. Prior to the completion of the Transactions, we will also make one or more cash and in-kind distributions to certain of our existing owners representing substantially all of our available cash-on-hand, certain receivables of our management companies and capital markets companies and certain personal property (consisting of non-operating assets) of the management company for our private equity funds. If the Transactions had occurred on June 30, 2008, we estimate that the aggregate amount of such distributions would have been $ million as of such date. However, the actual amount of such distributions will depend on the amounts of our available cash-on-hand and receivables of our management companies and capital markets companies and the book value of the distributed personal property at the time of distribution.

CAPITALIZATION

The following table presents our combined cash and cash equivalents and capitalization as of June 30, 2008:

- on an actual basis; and
- on a pro forma basis giving effect to the Transactions as described under "Unaudited Pro Forma Financial Information."

You should read this information together with the information included elsewhere in this prospectus, including the information set forth under "Organizational Structure," "Unaudited Pro Forma Financial Information," "Our Management's Discussion and Analysis of Financial Condition and Results of Operations" and our predecessor combined financial statements and related notes thereto.

	June 30, 2008	
	Actual	**Pro Forma**
	($ in thousands)	
Cash and cash equivalents	$ 117,992	$
Cash and cash equivalents held at consolidated entities	783,946	
Restricted cash and cash equivalents	78,819	
Total cash, cash equivalents and restricted cash	$ 980,757	$
Debt obligations	$ 1,947,547	$
Due to affiliates	9,007	
Accounts payable, accrued expenses and other liabilities	953,856	
Total liabilities	2,910,410	
Non-controlling interests in consolidated entities	29,710,041	
Partners' capital	1,379,875	
Accumulated other comprehensive income	11,815	
Total partners' capital	1,391,690	
Total capitalization	$ 34,012,141	$

THE KPE TRANSACTION

KKR Private Equity Investors, L.P.

KKR Private Equity Investors, L.P. is a Guernsey limited partnership that is admitted to listing and trading on Euronext Amsterdam under the symbol "KPE." KPE has historically focused primarily on making private equity investments in our portfolio companies and funds but has the flexibility to make other types of investments, including in fixed income and public equity. All of KPE's investments are made through a lower-tier partnership, which we refer to as the Acquired KPE Partnership, of which KPE is the sole limited partner. KPE's only material assets are the interests that it holds in the Acquired KPE Partnership.

The KPE Transaction

On July 27, 2008, we entered into a purchase and sale agreement with KPE, pursuant to which we have agreed to acquire all of the assets of KPE, including all of the interests in the Acquired KPE Partnership held by KPE, and assume all of the liabilities of KPE and its general partner, in exchange for common units and CVIs to be issued by us. We have filed the purchase and sale agreement as an exhibit to the registration statement of which this prospectus forms a part. Under the purchase and sale agreement, KPE unitholders will receive in the aggregate approximately of our common units in connection with the KPE Transaction, which will represent 21% of our outstanding limited partner interests upon the completion of the Transactions on a fully diluted basis, prior to taking into account any adjustment related to the CVIs. Pursuant to a distribution by KPE to its unitholders, KPE unitholders will receive one of our common units and one CVI for each KPE unit held. The KPE Transaction will be consummated subsequent to the completion of the Reorganization Transactions and to the authorization for listing of the common units on the NYSE.

The CVIs will entitle their holders to receive a variable amount of our common units or cash on the earlier of (i) the third business day following the third anniversary of their issue date in the event that the trading price of our common units over an averaging period plus the cumulative distributions paid on our common units from the issue date are less than $22.25 per common unit and (ii) the occurrence of certain fundamental changes with respect to our business, including certain mergers, consolidations and asset sales. Any consideration required to be delivered to CVI holders will be subject to a cap, such that the maximum consideration delivered in respect of a CVI will not, in the aggregate, exceed 0.2857 common units or $4.9444 of cash. The actual amount of consideration delivered to holders of CVIs, if any, may be lower and will ultimately depend on the trading price of our common units and the amount of distributions made thereon. See "Description of Our Contingent Value Interests."

Upon completion of the KPE Purchase, we will directly or indirectly contribute all of the interests of the Acquired KPE Partnership and any other assets acquired from KPE to the Group Partnerships in exchange for Group Partnership units. Certain of these Group Partnership units will be held through an intermediate holding company that will be taxable as a corporation for U.S. federal income tax purposes. These Group Partnership units will initially provide us with a 21% economic interest in each of the Group Partnerships and allow us to share ratably in the assets, liabilities, profits, losses and distributions of the Group Partnerships. The balance of the Group Partnership units will be held by our current principals through their interests in KKR Holdings and will be accounted for in our consolidated financial statements as non-controlling interests in consolidated entities. Our historical predecessor combined financial statements include the general partner of the Acquired KPE Partnership, which has historically consolidated the Acquired KPE Partnership as the primary beneficiary. In connection with the KPE Transaction, we will acquire all outstanding non-controlling interests in the Acquired KPE Partnership, which will become a wholly-owned subsidiary of our Group Partnerships.

If KPE unitholders holding at least a majority of the outstanding KPE units (excluding KPE units whose consent rights are controlled by us and our affiliates) consent to the KPE Transaction, the KPE partnership agreement will be amended, subject to consultation with Euronext Amsterdam, to permit KPE's general partner to make in-kind distributions out of KPE's assets outside of a liquidation situation. The relevant amendment was unanimously approved by the board of directors of KPE's general partner, which we refer to as the KPE Board, acting upon the unanimous recommendation of KPE's general partner's directors who are independent of each of KPE and KKR and its affiliates under the standards of the NYSE in order for any action to be taken with respect thereto. We refer to these independent directors as the KPE Independent Directors.

As promptly as practicable upon the closing of the KPE Purchase, KPE will distribute in the KPE Distribution to its unitholders all of the common units and CVIs it receives, which distribution will be structured as an in-kind distribution under the KPE partnership agreement. This in-kind distribution will result in a distribution of all of the assets of KPE, which will result in a termination of KPE under its partnership agreement.

Legal Requirements and Consent Solicitation

The KPE partnership agreement provides that we may enter into and consummate a transaction with KPE provided that the terms of the transaction are permitted by and approved in accordance with the provisions of the memorandum and articles of association of KPE's general partner. The memorandum and articles of association of KPE's general partner provide that certain actions, including any transaction between KPE and us or our affiliates (other than certain preapproved transactions) require the special approval of a majority of the KPE Independent Directors. On July 27, 2008, the purchase and sale agreement was unanimously approved by the KPE Board, acting upon the unanimous recommendation of the KPE Independent Directors. See " Background of the KPE Transaction."

Under the KPE partnership agreement, KPE unitholders, in their capacities as limited partners of KPE, may not take part in the management or control of the business and affairs of KPE. While unitholders have the right to consent to certain types of amendments to the partnership agreement, they are not entitled to vote on or approve any other matters relating to KPE, including any matters relating to the KPE Transaction.

While not required by the KPE partnership agreement or by any applicable legal, regulatory or other requirement, KPE has voluntarily elected to undertake a consent solicitation pursuant to which KPE unitholders will be asked to consent to the KPE Transaction. The decision to voluntarily undertake a consent solicitation was made based on the extraordinary nature of the transaction. If unitholders holding at least a majority of the outstanding KPE units (excluding KPE units whose consent rights are controlled by us or our affiliates) consent to the KPE Transaction and the other conditions precedent in the purchase and sale agreement are satisfied or waived, we will hold a closing of the KPE Purchase as soon as reasonably practicable thereafter. Trading of KPE units on Euronext Amsterdam is expected to cease and trading of our common units on the NYSE is expected to begin following the completion of the KPE Distribution.

KPE's general partner expects to mail consent solicitation statements, a form of which is filed as an exhibit to the registration statement of which this prospectus forms a part, to KPE unitholders on or about . In order to be considered, consents must be completed, signed, dated and received by KPE's general partner before the expiration of the consent solicitation at on , or such later date and time as mutually agreed by us and KPE. The failure of a KPE unitholder to consent to the KPE Transaction prior to the expiration will have the same effect as returning a consent form indicating non-consent.

In addition to soliciting consents by mail, KPE's general partner and its directors, officers, employees and agents may solicit consents in person, by telephone or otherwise. KPE also expects to request that brokers, banks and other nominees solicit consents from their principals, and KPE may be required to pay such brokers, banks and nominees certain expenses they incur for those activities. Innisfree M&A Incorporated, a proxy soliciting firm, has been retained to assist KPE in the solicitation of proxies.

Each KPE unitholder of record as of will be entitled to one consent vote per each unit held. The approval of the consummation of the KPE Transaction requires the consent of the holders of at least a majority of the KPE units outstanding on the record date, excluding from the numerator and the denominator any KPE units whose consent rights are controlled by us or our affiliates. As of June 30, 2008, KPE had 204,902,226 units outstanding.

Neither the organizational documents of KPE nor applicable law entitle KPE unitholders to exercise any dissenters' rights of appraisal in connection with the KPE Transaction.

For a description of certain differences between the rights of our unitholders and the rights of KPE unitholders, see "Comparative Rights of Our Unitholders and KPE Unitholders."

Regulatory Requirements

KPE is regulated by the Guernsey Financial Services Commission. We have provided written notice regarding the KPE Transaction to the Guernsey Financial Services Commission, and we must provide additional notices in the event of any further material changes with respect to KPE.

KPE units are admitted to trading and listed on Euronext Amsterdam. As a result thereof, KPE is subject to Dutch securities laws and regulations and supervision by the Netherlands Authority for the Financial Markets.

Upon completion of the KPE Transaction, KPE will be dissolved as a limited partnership, will cease to be registered in Guernsey, its units will be delisted from Euronext Amsterdam and its registration with the Netherlands Authority for the Financial Markets will be terminated. KPE will be liquidated by its general partner acting as the liquidator. While KPE will be required to make certain filings and notices with relevant authorities in the Netherlands and Guernsey, there are no legal, regulatory or other requirements in Guernsey or the Netherlands that would require KPE unitholders to consent to the KPE Transaction.

Background of the KPE Transaction

On July 3, 2007, we filed with the SEC a registration statement for a proposed initial public offering of our common units. The registration statement related to an aggregate amount of $1.25 billion of common units and we expected to use the net proceeds from the offering to grow our business, to make additional capital commitments to our funds and portfolio companies, and for general corporate purposes. We filed two amendments to the registration statement in the second half of 2007 to update the financial information presented in the registration statement and to respond to comments from the staff of the SEC. We initially expected to complete the proposed offering during the fourth quarter of 2007.

Beginning in late June 2007, the United States experienced considerable turbulence in the housing and sub-prime mortgage markets. Debt and equity markets came under pressure in the latter part of 2007 as concerns about an economic slowdown were factored into valuations. In addition, debt and equity underwriting declined meaningfully in the second half of 2007 and into 2008. In light of these factors, we, in consultation with our advisors, evaluated market conditions and alternative transaction structures. In the first half of 2008 we developed a proposal to combine our asset management business and the assets of KPE in an all-stock transaction. We believed the transaction would bolster our position as a leading global asset manager and more fully align our economic and strategic interests with those of KPE's unitholders. The proposed transaction would also address concerns relating to the trading price of KPE's units, which traded at a discount to its NAV, and result in a public listing for our common units on the NYSE.

On June 12, 2008, at a meeting of the KPE Board, Messrs. Kravis and Roberts presented an initial proposal from us to combine our asset management business with the assets of KPE in an all-stock transaction. In particular, under such proposal we would have acquired all of the assets of KPE and the consideration offered to the holders of units (including the holders of depositary units) of KPE would have consisted of 20% of the equity interests in the combined entity, while our principals would have retained the remaining 80% of the equity interest in the combined entity. In conjunction with the proposed transaction, we would become publicly listed on the NYSE. In addition, following completion of the proposed transaction, KPE would be dissolved and delisted from Euronext Amsterdam.

At that meeting, Messrs. Kravis and Roberts also discussed the strategic rationales for us and KPE to enter into the proposed transaction. Mr. Scott Nuttall, one of our senior principals, Mr. David Sorkin, one of our senior principals and general counsel of our Managing Partner, and representatives of Goldman, Sachs & Co. and Morgan Stanley & Co. Incorporated, our financial advisors, assisted Messrs. Kravis and Roberts in the presentation.

Messrs. Christopher Hill, Remmert Laan, and Gérard Lamarche, the KPE Independent Directors, inquired about various aspects of the proposal, including valuation, the timing of the proposed transaction and the transaction process. Mr. Sorkin noted that we would support a requirement to have the proposed transaction conditioned upon it being consented to by a majority of the KPE unitholders even though this was not required by law or pursuant to the organizational documents of KPE or its general partner. The KPE Independent Directors discussed with our representatives whether the KPE units held by us and our affiliates would be counted in the proposed majority consent requirement of the unitholders, but a determination was not made at the June 12 meeting.

Mr. Sorkin also noted that Messrs. Kravis and Roberts had interests in the proposed transaction and, as a result, under the organizational documents of KPE's general partner, the transaction would require the affirmative vote of a majority of the KPE Independent Directors.

At the June 12 meeting, the KPE Independent Directors requested that the KPE Board grant the KPE Independent Directors the authority to retain one or more financial advisors and legal counsel to assist them in evaluating the proposed transaction.

Following the June 12 meeting, the KPE Independent Directors formed a working group, which became a forum for regular coordination, updates and discussions among the KPE Independent Directors and their advisors on the evaluation of the proposed transaction, and together with us, the KPE Independent Directors formed another working group (including the KPE Independent Directors, KKR representatives and our respective advisors), which became a forum for the KPE Independent Directors and us to exchange information on the proposed transaction and discuss the terms of the proposed transaction.

Over the following days, the KPE Independent Directors made arrangements to select a number of advisors and to organize the process by which they would consider and evaluate the proposed transaction.

On June 18, 2008, the KPE Independent Directors held a telephonic meeting. The purpose of the meeting was to establish the decision-making process and the timetable for the KPE Independent Directors' assessment of the proposed transaction. Ms. Kendra Decious, the Chief Financial Officer of KPE's general partner, attended a portion of the meeting and presented a brief summary of the proposed transaction and responded to questions raised by the KPE Independent Directors and their advisors.

The KPE Independent Directors then decided to appoint financial, legal, tax, accounting and other advisors, which we refer to as the KPE Advisors, to assist them in their evaluation of the proposed transaction. In selecting their advisors, the KPE Independent Directors gave consideration to their qualifications, experience and expertise in the areas of business engaged in by us and KPE and in transactions of the type contemplated by the proposed transaction. The KPE Independent Directors were informed that each of Citigroup Global Markets Limited, which we refer to as Citi, and Lazard Frères & Co. LLC, which we refer to as Lazard, and their respective affiliates in the past have provided, and currently provide, investment banking, commercial banking and/or financial advisory services to us and our affiliates, for which they have received and expect to receive compensation. In the case of Citi, the services that Citi has in the past provided, and is currently providing to us and our affiliates, are extensive. The KPE Independent Directors considered the potential impact of the performance of such services and the corresponding relationships on the financial advisory services to be provided by the financial advisors in connection with the KPE Transaction. Following a discussion, the KPE Independent Directors decided to retain Citi as sole financial advisor to KPE (with the understanding that Citi would only accept instructions from the KPE Independent Directors in connection with its engagement) due to Citi's familiarity with and knowledge of our business and structure resulting from other recent engagements (including Citi's recent role in relation to our proposed IPO in 2007), and in light of Citi's undertakings, set forth in its engagement letter, that it would act independently of us and our affiliates and in the best interests of KPE and the KPE Independent Directors. The KPE Independent Directors also decided to retain Lazard as financial advisor to the KPE Independent Directors due to Lazard's qualification, experience and expertise and in light of Lazard's confirmation, set forth in its engagement letter, that it did not believe that its past and existing relationships with us and our affiliates would impact Lazard's ability to act or preclude Lazard from acting independently of us and our affiliates (other than KPE or its general partner) in rendering its services to the KPE Independent Directors for purposes of the KPE Transaction. The KPE Independent Directors also engaged Bredin Prat, acting as lead counsel in cooperation with Cravath, Swaine & Moore LLP, as U.S. counsel, Ogier, as Guernsey counsel, and De Brauw Blackstone Westbroek N.V., as Dutch counsel. The terms and conditions of the engagements of the KPE Advisors were set by the KPE Independent Directors without our interference. The KPE Independent Directors determined that the engagement of the KPE Advisors would be subsequently submitted to the full KPE Board for formal approval.

Following the appointment of the KPE Advisors, Bredin Prat, in coordination with the other legal advisors, reviewed with the KPE Independent Directors their role in connection with the proposed transaction and related matters. The KPE Independent Directors determined the guidelines relating to their review and decision-making process regarding the proposed transaction. Such guidelines provided the KPE Independent Directors with the sole authority to, among other things: set up their own operating procedures (including participation in meetings, timing and pace of the decision-making process); select their advisors and determine the terms and conditions of such advisors' engagement without our interference; negotiate, directly or through the KPE Advisors, the terms of the proposed transaction for and on behalf of KPE; recommend that the KPE Board approve or decline to approve the proposed transaction or approve it conditioned upon certain amendments to its terms. In addition, under such guidelines, the KPE Independent Directors determined that if they were to give a recommendation to the KPE Board to approve and enter into the proposed transaction, such recommendation would be required to be unanimously determined by the three KPE Independent Directors notwithstanding that there was no such unanimity requirement under applicable law or under the organizational documents of KPE or its general partner. Such guidelines and the terms and conditions of the KPE Advisors' engagement were subsequently unanimously approved by the full KPE Board.

Concurrently with the review and discussions regarding the proposed transaction, on or about June 20, 2008, KPE and one of our affiliates executed a confidentiality agreement and additional confidentiality agreements were executed with certain of the KPE Advisors. Following the execution of these confidentiality agreements, the KPE Advisors, on behalf of KPE, commenced their review of our business.

During the period from June 20, 2008 through July 27, 2008, the KPE Advisors held numerous conversations with our advisors regarding the proposed transaction and our business. The KPE Advisors reported regularly to the KPE Independent Directors and discussed their findings, the progress of their analysis and related issues among each other and with the KPE Independent Directors on a regular basis.

On June 20, 2008, the KPE Independent Directors, our representatives and respective financial advisors and lead legal counsel held a telephonic meeting. During that meeting, the discussion focused primarily on the decision-making process of the KPE Independent Directors and on the timing of announcement and consummation of the proposed transaction. The KPE Independent Directors reiterated that their overarching objective was to ensure that any transaction is fair to the KPE unitholders (other than us and our affiliates) and requested that we provide additional information about our business and the structure of the proposed transaction.

On June 24, 2008, representatives from Citi met with our representatives to discuss the diligence materials provided to the KPE Advisors and to perform due diligence on certain materials provided to Citi.

On June 26, 2008, Simpson Thacher & Bartlett LLP, acting as lead legal counsel to KKR, circulated an initial draft of the purchase and sale agreement for the proposed transaction.

The KPE Independent Directors met again on June 27, 2008. Ms. Decious was invited to attend a portion of the meeting. The discussion first focused on the accounting and tax treatment of the proposed transaction. Following such discussions, Bredin Prat, in coordination with Cravath, Swaine & Moore LLP, Ogier and De Brauw Blackstone Westbroek N.V., summarized the various legal requirements applicable to the proposed transaction, including the duties of the KPE Independent Directors under Guernsey laws and KPE's disclosure obligations under Dutch laws. Bredin Prat also discussed the initial draft of the purchase and sale agreement. Citi then summarized for the KPE Independent Directors the review of our business and the KPE business that had been performed to date.

On June 27, 2008, Mr. Lamarche, on behalf of the KPE Independent Directors, informed us that the KPE Independent Directors were continuing their work on the evaluation of the proposed transaction but in order to make an informed decision they would need to obtain further information on our business and proposed structure of the combined business. He also conveyed the importance to the KPE Independent Directors that the proposed transaction be structured in a way that would protect the KPE unitholders in certain circumstances against the risk of a failure to achieve and maintain a price of our common units equal to at least the current NAV of KPE and that, if the proposed transaction were ultimately announced, the information disclosed to the public would need to be sufficient for the market to properly assess the value of the combined business.

Subsequent to the June 27 meeting, Bredin Prat also conveyed to Simpson Thacher & Bartlett LLP the key issues of the KPE Independent Directors relating to the initial draft purchase and sale agreement. The key issues conveyed by Bredin Prat related to (i) the absence of any mechanism to adjust our and the KPE unitholders' relative ownership percentages to account for the uncertainty regarding the value of our business relative to the NAV of KPE, (ii) the desire for additional comfort and certainty with respect to the implementation of the Reorganization Transactions and our structure upon the closing of the KPE Transaction, (iii) the exceptions to the definition of material adverse effect, (iv) the scope of the representations and warranties to be given by KPE and by us, (v) the conditions to the closing of the proposed transaction, (vi) the inclusion of a covenant regarding the conduct of our business between the signing of the purchase and sale agreement and the closing of the KPE Transaction and (vii) the level of cooperation and coordination among KPE, the KPE Independent Directors and us in connection with the preparation of this prospectus, the consent solicitation materials to be distributed to KPE unitholders and other communications documents that may be prepared by us.

Over the following days, the KPE Advisors negotiated certain terms of the proposed transaction with us and our advisors on behalf of the KPE Independent Directors and continued their analysis and investigation of our business.

On July 3, 2008, Mr. Kravis met with the KPE Independent Directors. At this meeting, in reaction to concerns expressed by the KPE Independent Directors on June 27, 2008, Mr. Kravis presented the KPE Independent Directors with a revised proposal which included the issuance of contingent value interests, which we refer to as CVIs, designed to provide protection for the KPE unitholders against a decline in the trading value of our units. The proposed terms of the CVIs included (i) valuation protection in the event the trading price of our common units was at or below $20.00, which we refer to as the strike price, (ii) a cap on the consideration to be delivered to the KPE unitholders upon settlement of 5% of the equity (or an equivalent amount of cash) of the combined business as of the date of completion of the proposed transaction and (iii) an extinguishment feature providing that the CVIs would terminate if the trading price for our common units exceeded $24.00 for each day over a 10 trading day reference period. The strike price of $20.00 was selected by us to achieve the proper balance by providing an adjustment for trading prices that were only $2.25 below KPE's expected June 30, 2008 NAV while also allowing us to retain no less than 75% of the equity interests in the combined business for our existing and future principals. The proposed terms of the CVI were developed by us so that our principals would retain sufficient equity interests in our business and that their long-term interests would be appropriately aligned with our other stakeholders while at the same time providing a proposal that would be responsive to the concerns expressed by the KPE Independent Directors.

After the meeting with Mr. Kravis, on July 3, the KPE Independent Directors discussed with the KPE Advisors the terms of the revised proposal by Mr. Kravis made on our behalf and asked their financial advisors to review the proposed terms of the CVIs. Citi and Lazard also updated the participants regarding the status of their review and preliminary analyses of our and KPE's respective businesses, and Bredin Prat provided an update on the various workstreams.

On July 4, 2008, several of our representatives, including Messrs. Kravis, Nuttall, and Sorkin and Mr. William Janetschek, the Chief Financial Officer of our Managing Partner, presented to the KPE Independent Directors and representatives of the KPE Advisors an overview of our business, the contents of the communications materials and the main proposed terms of the CVIs.

On July 7, 2008, at a meeting of the KPE Independent Directors and the KPE Advisors, Citi and Lazard reviewed our revised proposal, specifically focusing on the proposed terms of the CVIs. Bredin Prat provided an update on the purchase and sale agreement negotiations. The participants then discussed the contents of the communications materials. The KPE Advisors also provided the KPE Independent Directors with an update on their financial, legal and tax due diligence.

On July 8 and July 9, 2008, Citi and Lazard met with our financial advisors, to discuss, on behalf of the KPE Independent Directors, the terms of the proposed transaction. As a result of such discussions, we submitted a revised proposal to the KPE Independent Directors containing the following improved terms: (i) the transaction would be conditioned upon obtaining the consent of the KPE unitholders holding more than 50% of KPE's units, excluding from the numerator and the denominator, the KPE units whose consent rights are controlled by us or our affiliates; (ii) the strike price of the CVIs was increased from $20.00 per CVI to a level that would equal the NAV of KPE as at June 30, 2008, which resulted in an increase of the strike price by $2.25 per CVI; (iii) the cap on the consideration to be delivered to the KPE unitholders upon settlement of the CVIs was increased from 5% to 6% of the equity (or an equivalent amount of cash) of the combined business as of the date of completion of the proposed transaction; and (iv) the reference period for determining if the extinguishment feature of the CVIs is triggered was increased from 10 trading days to 20 trading days. These revised terms were proposed to address the KPE Independent Directors' concerns that the prior proposal included a CVI strike price below the NAV of KPE as of June 30, 2008 and the KPE Independent Directors' belief that the reference period for the extinguishment feature was not sufficiently long to allow all KPE unitholders to exit their investment above such NAV. For additional information about the CVIs, see "Description of Our Contingent Value Interests."

On July 10, 2008, Citi and Lazard reported to the KPE Independent Directors on the discussions that had taken place between the financial advisors of both sides and made a presentation on the revised CVI proposal. The KPE Independent Directors decided to continue to discuss the terms of the proposed transaction with us.

On July 10, 2008, the KPE Independent Directors requested that we provide a complete revised proposal on July 13, 2008.

On July 11, 2008, Messrs. Kravis and Roberts discussed certain terms of the proposed transaction with the KPE Independent Directors.

On July 13, 2008, we submitted a revised proposal under which the consideration offered to the KPE unitholders was increased from 20% to 21% of our fully diluted equity as of the date of completion of the proposed transaction. Also on July 13, 2008, Simpson Thacher & Bartlett LLP delivered a revised draft of the purchase and sale agreement to Bredin Prat.

On July 14, 2008, the KPE Advisors, acting on behalf of the Independent Directors, provided us with comments on the revised proposal.

On July 14, 2008, the audit committee of the KPE Board met with Ms. Decious and our representatives to discuss the NAV of KPE and other financial information as at June 30, 2008 so that the audit committee would be in a position to present a recommendation to the KPE Board concerning KPE's financial report for the quarter ended June 30, 2008.

On July 15, 2008, the KPE Independent Directors notified us that they were generally supportive of the proposed transaction, although they noted that there could be no recommendation without the resolution of a number of outstanding issues and requests, including due diligence, completion of negotiation of the purchase and sale agreement and agreement on various other matters, all of which would be required to be addressed by us in a revised proposal.

On July 16, 2008, Bredin Prat, acting on behalf of the KPE Independent Directors, provided Simpson Thacher & Bartlett LLP with a revised version of the purchase and sale agreement which included comments from the KPE Advisors.

Throughout the weeks of July 14, 2008 and July 21, 2008, our legal counsel and the KPE Independent Directors' legal counsel, continued reviewing, negotiating and revising the contractual documentation on behalf of their respective clients, including the purchase and sale agreement, the CVI Agreement and the various other agreements and documents relating to the structure of the combined entity following the consummation of the proposed transaction.

The KPE Independent Directors and the KPE Advisors met on several occasions to discuss the structure of the combined entity following the consummation of the proposed transaction including governance arrangements. The KPE Advisors also discussed the structure with us and our advisors and reviewed and commented on the agreements designed to implement such structure.

On July 24, 2008, Bredin Prat provided Simpson Thacher & Bartlett LLP with a further revised version of the purchase and sale agreement which included comments from the KPE Advisors.

On July 25, July 26, and July 27, 2008, Bredin Prat and Cravath, Swaine & Moore LLP held meetings in New York with Simpson Thacher & Bartlett LLP and with Mr. Sorkin with a view towards resolving certain outstanding contractual and other legal issues.

On July 27, 2008, we presented a final proposal, which included the negotiated terms of the contractual documentation and the final communications materials relating to the proposed transaction.

On July 27, 2008, the KPE Independent Directors met to consider the final proposal. During this meeting, representatives of each of Citi and Lazard made financial presentations and rendered their respective oral opinions, confirmed by the delivery of their respective written opinions, that as of July 27, 2008 and based upon and subject to the procedures followed, assumptions made and matters considered by them, the qualifications stated in their written opinions and the limitations on the review undertaken by them, the exchange ratio (defined as the number of KKR common units and CVIs to be received for each KPE unit in the KPE Transaction), was fair, from a financial point of view, to the holders of KPE units (other than us and our affiliates). See " Opinions of Financial Advisors." Bredin Prat also delivered a presentation on (i) the terms of the contractual documentation, (ii) the legal work carried out by the legal advisors, and (iii) the next steps between signing of the purchase and sale agreement and completion of the KPE Transaction.

The KPE Independent Directors unanimously recommended to the KPE Board that the KPE Board approve the execution, delivery and performance of, and the consummation of the transactions contemplated by, the purchase and sale agreement.

Following the meeting of the KPE Independent Directors, the full KPE Board met, and based on the unanimous recommendation of the KPE Independent Directors, unanimously, among other things, (i) resolved that the purchase and sale agreement and the transactions contemplated thereby are fair to, and in the best interests of KPE and the KPE unitholders (other than us and our affiliates) and (ii) approved the execution, delivery and performance of, and the consummation of the transactions contemplated by, the purchase and sale agreement, by KPE's general partner.

Following the KPE Board meeting, we and KPE executed the purchase and sale agreement and issued a press release announcing the KPE Transaction.

Our Reasons for the KPE Transaction

Our decision to undertake the KPE Transaction is based on our conclusion that the KPE Transaction will benefit KPE unitholders and other stakeholders over the long term. We view the KPE Transaction as part of our continued commitment to KPE and its unitholders, who supported us in KPE's initial offering and have remained committed to us. We believe that the KPE Transaction offers a superior opportunity to KPE unitholders. In particular:

Unlocks Value and Enhances Liquidity

Through a listing on the NYSE, KPE unitholders will have access to a broader investor base and a significantly more liquid trading market for their securities. In addition to obtaining greater liquidity, as our unitholders, KPE investors will receive regular distributions of substantially all of the cash earnings generated by our asset management business annually.

Ownership of a Global Alternative Asset Manager with Significant Growth Potential and Diversity

The KPE Transaction provides KPE unitholders with a new opportunity to participate in all the economics of our business, as opposed to only our private equity investments, and will allow our principals and KPE unitholders to share together in attractive growth opportunities. We believe that the KPE Transaction will bolster our position as one of the world's leading alternative asset managers and further enhance our business diversity, scale, capital and growth prospects, all to the benefit of KPE unitholders.

Further Aligns Our Economic and Strategic Interests

The KPE Transaction will more fully align the interests of our principals and those of KPE unitholders, as we all will own the same equity and share in the same income streams. KPE unitholders will gain broad exposure to all of our activities and will no longer bear the expense of fees and carry on their investments, which are currently paid out of KPE's assets.

Significant Valuation Protection

KPE unitholders are being provided with significant valuation protection through the opportunity to obtain additional consideration in the event that the trading price of our common units over an averaging period plus the cumulative amount of distributions on our common units is below a strike price tied to the NAV of KPE as of June 30, 2008 ($22.25 per unit). This additional consideration may result in the issuance to KPE unitholders of up to an additional 6% of our fully diluted common units as of the completion of the Transactions or the cash equivalent thereof.

Enhances Our Ability to Build New Businesses

We believe there are significant opportunities for us to build new businesses by leveraging the intellectual capital of our firm and increasing the utilization of our people. While our industry teams conduct in-depth research and have developed specific views on trends and companies in their industries, a large number of opportunities that we consider do not result in actual transactions. Historically, when we have been unable to complete a transaction, much of the work that we had completed remained unused. With our integrated efforts in fixed income and public market investments, we have in recent years been able to leverage, where appropriate, the work and contacts of our industry teams and deploy more capital behind our ideas. We believe that gaining access to additional capital will better enable us to invest more heavily behind our activities and the ideas that we develop in the normal course of our business.

Enhances Our Ability to Continue to Attract and Incentivize World-Class People

We place a strong emphasis on our culture and our values, and we intend to continue to operate our firm in the same manner we have throughout our 32-year history. We have attracted and incentivized world-class people by allowing them to participate in our investments and by sharing economics throughout our firm. Becoming a public company will expand the range of financial incentives that we can offer our people by providing us with a publicly traded security that represents an interest in the value and performance of our firm as a whole.

In connection with the Transactions, everyone at our firm will become an owner and will have a stake in our future. More importantly, because our founders and other principals do not want our people to be advantaged or disadvantaged as a result of their title or tenure at our firm at the time of the Transactions, we have structured the equity ownership of our firm in a manner that will allow us to provide additional equity participation to our people without dilution to our public unitholders.

Creates a Currency to Finance Acquisitions

Acquisitions provide another means to enter or expand into complementary lines of business and leverage our strong global brand. By combining our capabilities and brand with those of acquired companies, we believe that we will be well positioned to create significant value for our investors and other stakeholders. Becoming a public entity will provide us with a currency that we may use to pursue attractive opportunities as they arise.

KPE Reasons for the KPE Transaction

At their meeting held on July 27, 2008, the KPE Independent Directors unanimously recommended to the KPE Board that the KPE Board approve the execution, delivery and performance of, and the consummation of the transactions contemplated by, the purchase and sale agreement.

In evaluating the KPE Transaction and in the course of reaching these decisions, the KPE Independent Directors consulted with their legal, tax, financial and accounting advisors and considered a variety of factors that they believed supported their decisions, including the factors described below. In light of the number and variety of factors considered in connection with their evaluation of the KPE Transaction, the KPE Independent Directors did not consider it practicable or possible, and did not attempt, to quantify or otherwise assign relative weights to the specific factors that they considered in reaching their determination. Rather, the KPE Independent Directors viewed their position as being based on the totality of the information and the factors presented to and considered by them and the analyses and the investigation conducted by them. The following discussion of the KPE Independent Directors' reasons for recommending the KPE Transaction is not intended to be exhaustive but rather includes the principal factors considered by the KPE Independent Directors. Certain information included in the following discussion is forward-looking in nature and, therefore, should be read in light of the factors discussed under "Cautionary Note Regarding Forward-Looking Statements."

The KPE Independent Directors considered a number of financial, strategic and other factors, each of which the KPE Independent Directors viewed as generally supporting their recommendation, including:

- their belief that the KPE Transaction would address a number of perceived shortcomings of the existing KPE structure due to the expectation that KPE unitholders would benefit, following the KPE Transaction, from (i) the increased liquidity expected to result from the listing of our common units on the NYSE and (ii) our intention to make regular distributions of cash earnings related to our asset management business, in comparison to KPE which currently only makes cash distributions in an amount generally expected to be sufficient to permit KPE unitholders in the United States to fund their estimated U.S. tax obligations;

- the financial terms of the proposed transaction, including the consideration to be received by the KPE unitholders consisting of (i) a number of our common units equal to 21% of our outstanding units upon completion of the KPE Transaction on a fully diluted basis, and (ii) one CVI per KPE unit;

the negotiated terms of the CVIs, including that (i) subject to certain adjustments and limitations (including an extinguishment feature if our common units trade at a price at or above a specified level for 20 consecutive trading days), at maturity the CVIs will potentially provide the KPE unitholders with additional common units consisting of up to 6% of our fully diluted common units outstanding as of the completion of the KPE Transaction (or the cash equivalent thereof at the option of KKR Holdings) and (ii) the CVIs are designed to give the KPE unitholders a CCAM up to the KPE NAV as at June 30, 2008 (which equates to $22.25 per KPE unit), subject to adjustment for distributions;

the fact that the financial terms of the KPE Transaction were improved as a result of negotiations, including (i) an increase in the consideration offered to the KPE unitholders from 20% to 21% of the equity of the combined entity and (ii) the addition of the CVIs;

the presentation by Citi, as well as the written opinion of Citi, delivered to the KPE Independent Directors on July 27, 2008, to the effect that as of the date of such opinion and based upon and subject to the procedures followed, assumptions made and matters considered by Citi, the qualifications stated in its written opinion and the limitations on the review undertaken by it, the exchange ratio (defined as the number of our common units and CVIs to be received for each KPE unit in the KPE Transaction), is fair, from a financial point of view, to the holders of KPE units (other than us and our affiliates);

the presentation by Lazard, as well as the written opinion of Lazard, delivered to the KPE Independent Directors on July 27, 2008, to the effect that as of the date of such opinion and based upon and subject to the procedures followed, assumptions made and matters considered by Lazard, the qualifications stated in its written opinion and the limitations on the review undertaken by it, the exchange ratio (defined as the number of our common units and CVIs to be received for each KPE unit in the KPE Transaction), is fair, from a financial point of view, to the holders of KPE units (other than us and our affiliates);

their expectation that, following the consummation of the KPE Transaction, our economic and strategic interests will be more fully aligned with those of the KPE unitholders due to the fact that the holders of our common units will, unlike the KPE unitholders, have an opportunity to participate in all of the economics of our business by receiving their share of the income streams (including fees and carry) generated by such business and, unlike the KPE unitholders' returns, the returns on the investments made by us will not be subject to the payment of any fees or carry to us by KPE;

their expectation that, unlike the KPE unitholders who would otherwise principally benefit only from our private equity business, holders of our common units will benefit from our increasingly diversified asset management business, which comprises the private equity business as well as fixed income and capital markets businesses;

their expectation that all KPE assets will be retained in the combined entity and redeployed and that the current KPE unitholders will therefore continue to participate in the future returns of the existing and future KPE investments through their ownership of our common units;

their expectation that growth opportunities will arise for holders of our common units from our expansion into new lines of business, such as the contemplated development of infrastructure funds and managed accounts, which opportunities would not have otherwise been available to the KPE unitholders;

the material terms of the purchase and sale agreement and in particular: (i) our representations and warranties, including the representations and warranties relating to the information furnished to the

KPE unitholders; (ii) our covenants, including our covenants as to the implementation of the Transactions and our structure following the Transactions, and (iii) the conditions to the obligations of KPE, including the absence, subject to mutually agreed exceptions, of a material adverse effect on the overall economic value to be received as of the date of signing of the purchase and sale agreement by the KPE unitholders;

the existence of a number of procedural safeguards relating to the evaluation and consummation of the KPE Transaction, including:

the fact that the KPE Board authorized the KPE Independent Directors to set up their own process for evaluating the KPE Transaction and granted to the KPE Independent Directors the sole authority to negotiate for and on behalf of KPE the terms and conditions of the purchase and sale agreement;

the fact that the KPE Independent Directors retained and received advice and assistance from their own separate financial and legal advisors;

the fact that the KPE Independent Directors had ultimate authority to recommend to the KPE Board whether or not to proceed with the KPE Transaction;

the fact that the financial and other terms and conditions of the purchase and sale agreement were discussed and negotiated between the KPE Independent Directors and their advisors, on the one hand, and us and our advisors, on the other hand;

the fact that other than customary fees payable to the KPE Independent Directors (that were not contingent on the KPE Independent Directors recommendation of the KPE Transaction), the KPE Independent Directors will not receive any consideration in connection with the KPE Transaction that is different from that received by the other KPE unitholders;

the fact that the completion of the KPE Transaction is conditioned upon the KPE unitholders holding a majority of the KPE units (excluding from both the numerator and the denominator the common units whose consent rights are controlled by us or our affiliates) having approved the KPE Transaction, notwithstanding the fact that there is no legal or contractual requirement to obtain such approval;

our proposed governance structure and the resulting protections afforded to our unitholders, including:

the proposed structure of the board of directors of our Managing Partner, which is expected to be comprised of a majority of directors who meet the independence standards for service on a board of directors pursuant to the Exchange Act and NYSE Rules relating to corporate governance matters as well as Messrs. Kravis and Roberts;

the audit committee of the board of directors of our Managing Partner is expected to be comprised entirely of directors who meet the independence standards for service on an audit committee of a board of directors pursuant to the Exchange Act and NYSE Rules relating to corporate governance matters;

the conflicts committee of the board of directors of our Managing Partner is expected to be comprised entirely of directors who meet the independence standards for service on an audit committee of a board of directors pursuant to the Exchange Act and NYSE Rules relating to corporate governance matters;

the nominating and corporate governance committee of the board of directors of our Managing Partner is expected to be comprised of Messrs. Kravis, Roberts and one director who

meets the independence standards for service on an audit committee of a board of directors pursuant to the Exchange Act and NYSE Rules relating to corporate governance matters;

the fact that even though the executive committee of the board of directors of our Managing Partner (which will be comprised of Messrs. Kravis and Roberts) will be formed to act when the full board is not in session, it may not take actions delegated to other board committees or with respect to (i) the declaration of distributions on our common units, (ii) a merger or consolidation of our partnership 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 our partnership, (v) any action that must be submitted to a vote of the Class A shareholders of our Managing Partner or our unitholders or (vi) any action that may not be delegated to a board committee under the limited liability company agreement of our Managing Partner or the Delaware Limited Liability Company Act;

the fact that our principals will not be selling equity in connection with the KPE Transaction and their equity interests in us will be subject to a 180-day lock-up, subject to certain specified exceptions; and

the fact that the interests in KKR Holdings are expected to be subject to transfer restrictions that lapse over 8 to 10 year periods and will vest over 6 to 8 year periods, except for interests that will vest upon completion of the Transactions, which is designed to ensure that the interests of our founders and our other principals are aligned with the interests of our unitholders.

The KPE Independent Directors also considered a number of uncertainties, risks and other potentially negative factors associated with the KPE Transaction, including:

the fact that we will have no trading history prior to the consummation of the KPE Transaction and as a result the trading price of our common units following consummation of the KPE Transaction cannot be predicted;

the risk that the KPE Transaction will divert management focus and resources from operational matters;

the fact that our intermediate holding company will be taxed as a corporation;

the possibility that the KPE unitholders may not approve the KPE Transaction;

the fact that as a result of the KPE Transaction, the interests held by the KPE unitholders would be transferred from a business investing in assets to a business primarily engaged in asset management;

the risk that, under certain circumstances, the CVIs will not result in KPE unitholders being entitled to any additional consideration, even if the trading value of our common units at maturity is below $22.25 (including, for example, if the extinguishment feature is triggered prior to maturity); and the fact that (i) the CVIs are non-transferable except in limited circumstances, (ii) the strike price of the CVIs is subject to adjustment in the case of customary distributions and ordinary course dividends and (iii) the maximum amount of consideration payable under the CVIs is subject to a cap;

the risk that difficult market conditions, including access to capital and financing, could negatively impact our net income, cash flow and financial condition;

the fact that our earnings and cash flow are highly variable and we do not intend to provide earnings guidance, which may cause the price of our common units to be volatile;

the fact that KPE unitholders will have no right to demand appraisal of the fair value of their KPE units under Guernsey, Dutch or any other law, even if they do not consent to the KPE Transaction;

the fact that we are not a party to the arrangements pursuant to which the interests in KKR Holdings held by our principals will be subject to vesting and transfer restrictions and accordingly, such restrictions can be changed at any time without our consent;

the risk of the proposed legislation that would cause us to be taxed as a corporation;

the risk that the KPE Transaction may not be tax-free for KPE unitholders in jurisdictions other than the United States and the risk that the tax-free treatment for U.S. unitholders of the issuance and the settlement of the CVIs may be challenged;

the fact that our unitholders will not control our Managing Partner or vote to elect or remove its directors and that our founders will be able to determine the outcome of any matter submitted for a vote of the limited partners;

the fact that our Managing Partner and its affiliates have only limited fiduciary responsibilities to us, which may permit them to favor their own interests to the detriment of us and our unitholders; and

the fees and expenses associated with the KPE Transaction.

In recommending the KPE Transaction, the KPE Independent Directors believed that these potential uncertainties, risks and other potentially negative factors were offset by the potential benefits that the KPE Independent Directors expect the KPE unitholders to receive as a result of the KPE Transaction.

Opinions of Financial Advisors

Opinion of Citigroup Global Markets Limited

KPE (acting through its general partner, KKR Guernsey GP Limited) retained Citi, as its sole financial advisor in connection with the KPE Transaction. In connection with this engagement, Citi agreed to only accept instructions from the KPE Independent Directors and KPE requested that Citi evaluate the fairness, from a financial point of view, to the holders of KPE units (other than KKR and its affiliates) of the number of KKR common units and CVIs to be received in the KPE Transaction (collectively referred to as the "Exchange Ratio"). On July 27, 2008, at a meeting of the KPE Independent Directors, Citi rendered an oral opinion, which was confirmed by delivery of a written opinion dated July 27, 2008, to the effect that, as of that date and based upon and subject to the matters described in its opinion, the Exchange Ratio was fair, from a financial point of view, to the holders of KPE units (other than KKR and its affiliates).

The full text of Citi's written opinion, dated July 27, 2008, which describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken, is attached to this prospectus as Appendix B and is incorporated herein by reference. Citi's opinion was provided to the KPE Board and the KPE Independent Directors in connection with their evaluation of the Exchange Ratio from a financial point of view. Citi's opinion does not address any other aspects or implications of the KPE Transaction and does not constitute a recommendation to any holder of KPE units as to whether such holder of KPE units should consent to, or how such holder of KPE units should act on, any matters relating to the proposed KPE Transaction.

In arriving at its opinion, Citi:

reviewed a draft, dated July 27, 2008, of the purchase and sale agreement, including the draft press release announcing the KPE Transaction and pro forma financials to be attached thereto;

held discussions with certain senior officers, directors and other representatives and advisors of KPE or its general partner and certain senior officers and other representatives and advisors of KKR concerning the businesses, operations and prospects of KPE and KKR;

examined certain publicly available business and financial information relating to KPE and KKR, as well as certain financial information and other data relating to KPE and KKR which were provided

to or discussed with it by the managements of KPE and KKR (Citi did not receive any financial forecasts from KPE, other than the preliminary NAV of KPE as of June 30, 2008, which we refer to in this section as KPE's NAV, or from KKR, other than KKR's 2009 and 2010 estimated economic net income (on a stand-alone and pro forma basis), respectively, as well as certain components thereof, and therefore did not perform a discounted cash flow analysis with respect to either KPE or KKR);

reviewed the financial terms of the KPE Transaction as set forth in the purchase and sale agreement in relation to, among other things: current and historical market prices and trading volumes of KPE units, the historical financial and other operating data of KPE, the historical financial and other operating data of KKR and the capitalization and financial condition of KPE and KKR;

considered, to the extent publicly available, the control premia of certain other transactions that it considered relevant in evaluating the KPE Transaction and analyzed certain financial, stock market and other publicly available information relating to the businesses of other companies whose operations it considered relevant in evaluating those of KPE and KKR; and

conducted such other analyses and examinations and considered such other information and financial, economic and market criteria as Citi deemed appropriate in arriving at its opinion.

In rendering its opinion, Citi assumed and relied, without independent verification, upon the accuracy and completeness of all financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with it (including KPE's NAV and KKR's 2009 and 2010 estimated economic net income (on a stand-alone and pro forma basis), as well as certain components thereof) and upon the assurances of the respective managements of KPE and KKR that they were not aware of any relevant information that has been omitted or that remained undisclosed to Citi. Based on discussions with the management of KPE, Citi assumed that KPE's NAV would be the same as the NAV of KPE as of June 30, 2008 to be reported by KPE on July 28, 2008. With respect to financial information and other data relating to KPE's NAV and KKR's estimated economic net income provided to or otherwise reviewed by or discussed with it, Citi was advised by the respective managements of KPE and KKR that such information and data were reasonably prepared on bases reflecting the best currently available estimates and judgments of the respective managements of KPE and KKR as to KPE's NAV and KKR's 2009 and 2010 estimated economic net income (on a stand-alone and pro forma basis), respectively, as well as certain components thereof.

Citi assumed, with the consent of the general partner of KPE, that the KPE Transaction would be consummated in accordance with the terms of the purchase and sale agreement without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary regulatory or third-party approvals, consents and releases for the KPE Transaction, no delay, limitation, restriction or condition would be imposed that would have an adverse effect on KPE, KKR or the contemplated benefits of the KPE Transaction (including without limitation, the ability of KPE to distribute the KKR common units to the holders of KPE units). Representatives of KPE advised Citi, and Citi further assumed, that the final terms of the purchase and sale agreement would not vary materially from those set forth in the draft reviewed by it. Citi also assumed, with the consent of KPE's general partner, that the KPE Transaction would be treated as tax-free for U.S. federal income tax purposes. Citi has not considered, nor made any assumptions regarding, the tax treatment of the CVIs to be received by holders of KPE units in the KPE Transaction.

Citi's opinion relates to the relative values of KPE and KKR. Citi did not express any opinion as to what the value of the KKR common units or CVIs actually will be when issued or distributed pursuant to the KPE Transaction or the price at which the KKR common units will trade at any time. Citi has not made or been provided with an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of KPE or KKR nor has it made any physical inspection of the properties or assets of KPE or KKR. Citi was not requested to, and it did not, solicit third party indications of interest in the possible acquisition of all or a part of KPE, nor was it requested to consider, and its opinion does not address, the underlying business decision of KPE to effect the KPE Transaction, the relative merits of the KPE Transaction as compared to any alternative business strategies that might exist for KPE or the effect of any other transaction in which KPE might engage. Citi also expressed no view as to, and its opinion does not address, the fairness (financial or otherwise) of the amount or nature or any other aspect of any compensation to any officers, directors or employees of any parties to the KPE Transaction, or any class of such persons, relative to the consideration to be paid in the KPE Transaction. Citi's opinion was necessarily based upon information available to it, and financial, stock market and other conditions and circumstances existing, as of the date of the opinion.

In preparing its opinion, Citi performed a variety of financial and comparative analyses, including those described below. The summary of these analyses is not a complete description of the analyses underlying Citi's opinion. The preparation of a financial opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a financial opinion is not readily susceptible to summary description. Citi arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole, and did not draw, in isolation, conclusions from or with regard to any one factor or method of analysis for purposes of its opinion. Accordingly, Citi believes that its analyses must be considered as a whole and that selecting portions of its analyses or focusing on information presented in tabular or summary/graphical format, without considering all analyses and the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying its analyses and opinion.

In its analyses, Citi considered industry performance, general business, economic, market and financial conditions and other matters existing as of the date of its opinion, many of which are beyond the control of KPE. No company, business or transaction used in those analyses as a comparison is identical or directly comparable to KPE, KKR or the KPE Transaction, and an evaluation of those analyses is not entirely mathematical. Rather, the analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, business segments or transactions analyzed.

The estimates contained in Citi's analyses and the valuation ranges resulting from any particular analysis are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by its analyses. In addition, analyses relating to the value of businesses or securities do not necessarily purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Accordingly, the estimates used in, and the results derived from, Citi's analyses are inherently subject to substantial uncertainty.

The type and amount of consideration payable in the KPE Transaction was determined through negotiations between KKR and KPE (acting through its general partner, which was represented by the KPE Independent Directors) and the decision to enter into the KPE Transaction was solely that of the KPE Board acting upon the unanimous recommendation of the KPE Independent Directors. Citi's opinion was only one of many factors considered by the KPE Independent Directors and the KPE Board in their evaluation of the KPE Transaction and should not be viewed as determinative of their views or of the views of KPE's management, with respect to the KPE Transaction or the Exchange Ratio.

The following is a summary of the material financial analyses presented to the KPE Independent Directors in connection with Citi's opinion. The financial analyses summarized below include information presented in tabular format. In order to fully understand Citi's financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Citi's financial analyses.

KPE

Citi analyzed certain financial and stock market information with respect to selected public companies, KPE target prices estimated by research analysts and premiums paid in certain change-of-control transactions and calculated an implied equity reference range for KPE on that basis, as described below.

Selected Publicly Traded Companies Analysis

Citi reviewed certain financial and stock market information of KPE and the following publicly traded companies:

Captive Funds
East Capital Explorer AB
AP Alternative Assets, L.P.

Non Captive Funds
HarbourVest Global Private Equity Limited
Conversus Capital, L.P.
Absolute Private Equity Ltd.
Partners Group Global Opportunities Limited
Lehman Brothers Private Equity Partners Limited

European Investment Companies
Candover Investments Plc
Electra Investment Trust, P.L.C.
Princess Private Equity Holding Limited
3i Group plc
GIMV NV
Investors Capital Trust plc
Eurazeo SA
SVG Capital Plc
Wendel Investissement, SA

As part of this analysis, Citi calculated the discounts or premiums (as applicable) to the most recently reported NAV of each of the selected companies implied by the equity value of such company, based on closing equity prices on July 25, 2008. This analysis indicated the following for the selected publicly traded companies, as well as KPE:

	Premium/(Discount) to NAV (%)
Lowest Discount to NAV	4.6
Highest Discount to NAV	(55.9)
Mean	(27.4)
Median	(26.6)
KPE	(52.8)

Financial data for the selected companies was based on public filings and other publicly available information, and information regarding KPE's NAV was provided by KPE's management. Citi then applied the range of discounts and premiums to NAV implied by this analysis to KPE's NAV. This analysis indicated an implied equity reference range for KPE of $2.0 billion to $4.8 billion.

Research Analyst Estimates

Citi reviewed the reports of five research analysts found in certain publicly available equity research. This analysis indicated the following target prices for KPE units:

Research Analyst	Target Unit Price of KPE ($)
UBS	15.00
Merrill Lynch	15.30
Sandler O'Neill	14.50
Lehman Brothers	16.20
KBW	18.00

This analysis indicated an equity reference range for KPE of $3.0 billion to $3.7 billion.

Premium Analysis

Citi calculated and analyzed the implied premiums paid in all change-of-control transactions in which the acquirer acquired a majority stake in the target, the transaction value was more than $500 million, the acquirors or targets were listed on Western European exchanges and the transactions were announced and completed in 2007 and 2008, based on the average closing price of the target's equity for the four-week period ended one day prior to the announcement of the transaction. This analysis indicated a median premium of 33.4%, which, when applied to the KPE's market capitalization, implied an equity reference range for KPE of $2.2 billion (at a 0% premium) to $2.9 billion (at a 33.4% premium).

KKR

Citi reviewed certain financial information of KKR and certain financial and stock market information of The Blackstone Group, L.P., which we refer to as Blackstone, which Citi and the managements of KKR and KPE believed was the publicly traded entity most comparable to KKR. As part of this analysis, Citi calculated and analyzed the ratio of Blackstone's 2009 estimated economic net income to the closing price of Blackstone common units on July 25, 2008, the last trading day prior to announcement of the KPE Transaction, which resulted in a multiple of 12.9x which we refer to as the Blackstone P/ENI Multiple.

In analyzing KKR on a stand-alone basis, without taking into account the acquisition of KPE, Citi applied discounts to the Blackstone P/ENI Multiple ranging from 0% to 20%, which resulted in a range of multiples of 10.4x to 12.9x. Citi believed that this multiple range was appropriate because, in its view, Blackstone's business was more diversified than KKR's business, which, Citi believed, could result in a discount in the public trading markets for KKR's common units.

Estimated financial data for Blackstone was based on certain publicly available research analyst estimates, and information regarding KKR's range of estimated 2009 economic net income (on a stand-alone basis) was provided by KKR's management. Applying the multiples described above, this analysis indicated an implied equity reference range for KKR on a stand-alone basis of $9.6 billion to $14.7 billion.

Relative Contribution Analysis

Citi analyzed the relative contributions of KPE and KKR to the combined company based on the implied equity reference ranges for each of KPE and KKR on a stand-alone basis. This analysis indicated the following:

Implied Equity Reference Ranges		
KPE(1)	**KKR(2)**	**Percentage Contribution of KPE to New KKR**
$2.2 billion to $4.6 billion	$10.0 billion to $15.0 billion	13% to 31%

(1) The implied equity reference range for KPE is based on KPE's market capitalization as of July 25, 2008 (at the low end) and KPE's NAV (at the high end).

(2) Rounded to nearest billion.

Citi noted that based on the Exchange Ratio, holders of KPE units would own 21% of KKR immediately following closing of the KPE Transaction, and, under certain circumstances described below, up to 27% of KKR on the third anniversary of the closing of the KPE transaction.

Implied Premium Analysis

Citi calculated the implied premium to be paid to holders of KPE units in the KPE Transaction based on the relative ownership of KKR, on a pro forma basis, that holders of KPE Units would receive immediately upon the completion of the KPE Transaction. In analyzing KKR on a pro forma basis, Citi analyzed KKR's range of estimated 2009 economic net income (on a pro forma basis), as provided by KKR's management, and applied a range of potential P/ENI Multiples. This range of multiples was developed using certain publicly available research analyst estimates for financial data of Blackstone, as the most relevant publicly listed comparable company. Citi applied a range of discounts from 0% to 30% to the Blackstone 2009 estimated P/ENI Multiple, which resulted in a range of multiples of 9.1x to 12.9x for KKR on a pro forma basis. Citi believed that this multiple range was appropriate for reasons of Blackstone's diversification as discussed above, as well as, amongst other things, the complexity of KKR's business following the acquisition of KPE.

Applying the multiples described above, this analysis indicated an implied equity reference range for KKR on a pro forma basis of $11.4 billion to $21.3 billion and an implied equity reference range for KPE of $2.4 billion to $4.5 billion, which represents 21% of KKR on a pro forma basis. This implied equity reference range for KPE indicated a premium to KPE's market capitalization on July 25, 2008 of 11.2% to 107.5%.

Contingent Value Interests

Citi also reviewed the terms of the CVIs. Citi noted that if, on the third anniversary of the closing of the KPE Transaction, the average of the volume weighted average trading prices of KKR common units for the 90-consecutive-trading-day period ending three days prior to such date (i) is less than $17.3056, the CVIs will provide former holders of KPE units with an additional 6% of the fully diluted common units of KKR as of the completion of the Transactions (or the cash equivalent thereof) (ii) is between $17.3056 and $22.25, the CVIs will provide former holders of KPE common units with cash or additional equity in KKR to account for the difference between the average trading price of KKR common units during such period and $22.25, subject to a cap equal to 6% of the fully diluted common units of KKR as of the completion of the Transactions (or the cash equivalent thereof) or (iii) is $22.25 or greater, the CVIs will provide no additional value. However, any amounts to be received by the holders of the CVIs in accordance with the foregoing sentence will be decreased by the fair market value of any distribution in respect of the KKR common units during the three-year period after the closing of the KPE Transaction. Citi also noted that the CVIs may expire prior to third anniversary of the closing if at any time through, but excluding, the first day of the 90-consecutive-trading-day period referred to above, the volume weighted average trading price of the KKR common units equals or exceeds $24 (subject to certain adjustments) minus the aggregate amount of any dividend or other distributions for 20 consecutive trading days (subject to the exclusion of certain trading days). For a more detailed discussion of the terms of the CVIs, see "Description of Our Contingent Value Interests."

Miscellaneous

Under the terms of Citi's engagement, KPE has agreed to pay Citi for its financial advisory services in connection with the KPE Transaction an aggregate fee of $12 million, $4 million of which became payable upon the execution of the Purchase and Sale Agreement and $8 million of which is payable upon consummation of the KPE Transaction. KPE also has agreed to reimburse Citi for reasonable travel and other transaction-related expenses incurred by Citi in performing its services, including reasonable fees and out-of-pocket expenses of Citi's outside legal counsel, and to indemnify Citi and related persons against liabilities, including liabilities under the federal securities laws, arising out of its engagement (other than liabilities finally judicially determined to result from the bad faith or gross negligence of Citi or such persons); provided, however, that the maximum amount of fees of Citi's outside counsel (other than with respect to indemnification) to be reimbursed by KPE shall be €200,000.

Citi and its affiliates in the past have provided, and currently provide, services to KPE and KKR unrelated to the KPE Transaction, for which services Citi and such affiliates have received and expect to receive compensation. These services include (i) providing extensive financial advisory, capital markets and lending services to KKR, its affiliates or its portfolio companies in various transactions and proposed transactions, (ii) acting as joint global coordinator and bookrunner for KPE's initial public offering in 2006, (iii) acting as lead arranger on a $1 billion revolving credit facility for KPE in 2007 and (iv) having a role in relation to KKR's filed initial public offering in 2007, and KKR has informed Citi that it would have the opportunity to resume a role in any continuation of KKR's filed initial public offering in the event that the KPE Transaction does not occur and such original transaction proceeds. In the ordinary course of our business, Citi and its affiliates may actively trade or hold the securities of KPE and KKR or their respective affiliates for its own account or for the account of its customers and, accordingly, may at any time hold a long or short position in such securities. In addition, Citi and its affiliates (including Citigroup Inc. and its affiliates) may maintain relationships with KPE, KKR and their respective affiliates.

The KPE Independent Directors selected Citi to provide certain financial advisory services in connection with the KPE Transaction (i) based on Citi's familiarity with and knowledge of KKR's business and structure resulting, in particular, from Citi's recent role in relation to the proposed initial public offering of KKR in 2007, and (ii) in light of Citi's undertakings in its engagement letter with KPE that (x) its past and existing relationships with KKR and its affiliates shall not preclude Citi from acting independently of KKR and its affiliates and in the best interest of KPE and the KPE Independent Directors in rendering its services for the purposes of the KPE Transaction, (y) in preparing and rendering any work product in connection with the KPE Independent Directors' role in recommending the key terms for the KPE Transaction, Citi shall act in the best interests of KPE and the KPE Independent Directors and shall act independently of and will not be influenced by KKR or any of its affiliates, and (z) during the term of its engagement, without the consent of the KPE Independent Directors, Citi will not provide M&A advisory services or new debt or equity financing services to KKR in connection with the KPE Transaction or any other similar extraordinary transaction involving a combination of the businesses of KPE and KKR, and Citi will not accept any fees in respect of such matters from KKR or any of its affiliates except for the avoidance of doubt, for any reimbursement of expenses incurred in connection with the proposed initial public offering of KKR in 2007. Citi is an internationally recognized investment banking firm which regularly engages in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes.

Opinion of Lazard Frères & Co. LLC

KPE (acting through its general partner, KKR Guernsey GP Limited) retained Lazard to perform financial advisory services for the KPE Independent Directors in connection with the KPE Transaction and, if requested, to render an opinion to the KPE Independent Directors as to the fairness, from a financial point of view, to the holders of KPE units (other than KKR and its affiliates) of the consideration to be paid to such holders of KPE units pursuant to the KPE Transaction. On July 27, 2008, the KPE Independent Directors received an oral opinion from Lazard, which oral opinion was subsequently confirmed by delivery of a written opinion dated July 27, 2008, to the effect that, as of the date of its opinion and subject to the matters described in its opinion, the number of KKR common units and CVIs to be paid to holders of KPE units (other than KKR and its affiliates) in the KPE Transaction (referred to as the "Exchange Ratio") was fair, from a financial point of view, to such holders of KPE units (other than KKR and its affiliates).

The full text of the Lazard opinion is attached as Appendix C to this prospectus and is incorporated herein by reference. The description of the Lazard opinion set forth in this prospectus is qualified in its entirety by reference to the full text of the Lazard opinion set forth as Appendix C. You are urged to read the Lazard opinion in its entirety for a description of the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Lazard in connection with the opinion. Lazard's opinion was directed to the KPE Independent Directors and only addresses the fairness of the Exchange Ratio, from a financial point of view, to the holders of KPE units (other than KKR and its affiliates). Lazard's opinion does not address the relative merits of the KPE Transaction as compared to any other transaction or business strategy in which KPE might engage or the merits of the underlying decision by KPE to engage in the KPE Transaction, and is not intended to and does not constitute a recommendation to any holder of KPE units as to whether such holder of KPE units should consent to, or how such holder of KPE units should act with respect to, the KPE Transaction or any matter relating thereto. Lazard's opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to Lazard as of, the date of the Lazard opinion. Lazard assumes no responsibility for updating or revising its opinion based on circumstances or events occurring after the date of the Lazard opinion. Lazard did not express any opinion as to the price at which KPE units may trade at any time subsequent to the announcement of the KPE Transaction or as to the price at which KKR common units will trade or what the value of the KKR CVIs actually will be when issued pursuant to the KPE Transaction. The following is only a summary of the Lazard opinion.

In arriving at its opinion, Lazard:

- reviewed the financial terms and conditions of a draft dated July 27, 2008 of the purchase and sale agreement, including the draft announcement press release and pro forma financials to be attached thereto;
- examined certain publicly available business and financial information relating to KPE and KKR;
- examined various financial information and other data provided to it by the management of KPE relating to the business of KPE and financial information and other data provided to it by the management of KKR relating to the business of KKR (Lazard did not receive any financial forecasts from KPE, other than KPE's preliminary NAV as of June 30, 2008, which we refer to in this section as KPE's NAV, or from KKR, other than KKR's 2009 and 2010 estimated economic net income (on a stand-alone and pro forma basis), respectively, as well as certain components thereof);
- held discussions with members of the senior management, directors and other representatives and advisors of KPE and members of the senior management and other representatives and advisors of KKR with respect to the businesses, operations and prospects of KPE and KKR, respectively;
- reviewed and analyzed certain financial and other public information with respect to certain other companies in lines of business it believed to be generally relevant in evaluating the businesses of KPE and KKR, respectively;

reviewed historical trading prices, trading volumes and NAVs of KPE and KPE units; and

conducted such other financial studies it deemed appropriate.

Lazard assumed and relied upon the accuracy and completeness of the foregoing information, without independent verification of such information, including all financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with Lazard. Lazard did not conduct any independent valuation or appraisal of any of the assets or liabilities (contingent or otherwise) of KPE or KKR or their respective subsidiaries or concerning the solvency or fair value of KPE or KKR, and it was not furnished with such valuation or appraisal. Based on discussions with the management of KPE, Lazard assumed that KPE's NAV would be the same as the NAV of KPE as of June 30, 2008 to be reported by KPE on July 28, 2008. With respect to KPE's NAV and KKR's 2009 and 2010 estimated economic net income (on a stand-alone and pro forma basis), as well as certain components thereof, Lazard was advised by the respective managements of KPE and KKR, that they had been reasonably prepared on bases reflecting the best currently available estimates and judgments of the respective managements of KPE and KKR as to KPE's NAV and KKR's 2009 and 2010 estimated economic net income (on a stand-alone and pro forma basis), respectively, as well as certain components thereof. Lazard assumed no responsibility for and expressed no view as to such financial information and other data (including the NAV or economic net income) or the assumptions on which they were based.

In rendering its opinion, Lazard assumed, with the consent of the KPE Independent Directors, that the KPE Transaction would be consummated in accordance with the terms of the purchase and sale agreement without any waiver or modification of any material terms or conditions or amendment of any material term, condition or agreement. Lazard also assumed, with the consent of the KPE Independent Directors, that obtaining the necessary regulatory or third-party approvals and consents for the KPE Transaction would not have an adverse effect on KPE, KKR or the contemplated benefits of the KPE Transaction (including, without limitation, the ability of KPE to distribute the KKR common units and CVIs to the holders of KPE units). Lazard further assumed, with the consent of the KPE Independent Directors, that the KPE Transaction would be treated as tax-free for U.S. federal income tax purposes. Lazard did not consider, nor made any assumptions regarding, the tax treatment of the CVIs. Lazard did not express any opinion as to any tax or other consequences that might result from the KPE Transaction, nor did its opinion address any legal, tax, regulatory or accounting matters, as to which it understood that KPE obtained such advice as it deemed necessary from qualified professionals. Lazard expressed no view or opinion as to any terms or other aspects of the KPE Transaction (other than the Exchange Ratio to the extent expressly specified in the opinion). Lazard was not authorized to, and did not, solicit indications of interest from third parties regarding a potential acquisition of all or a part of KPE. In addition, Lazard expressed no view or opinion as to the fairness of the amount or nature of, or any other aspects relating to, the compensation to any officers, directors or employees of any parties to the KPE Transaction, or class of such persons, relative to the Exchange Ratio or otherwise. Representatives of KPE advised Lazard, and Lazard further assumed, that the final terms of the purchase and sale agreement would not vary materially from those set forth in the draft reviewed by it.

The following is a brief summary of the material financial and comparative analyses that Lazard deemed appropriate for this type of transaction and that were performed by Lazard in connection with rendering its opinion. The summary of Lazard's analyses described below is not a complete description of the analyses underlying Lazard's opinion. The preparation of a fairness opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analyses and the application of those methods to the particular circumstances, and, therefore, is not readily susceptible to summary description. In arriving at its opinion, Lazard considered the results of all the analyses and did not attribute any particular weight to any factor or analysis considered by it; rather, Lazard made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of the analyses.

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

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

KPE (Stand-alone):

Lazard analyzed certain financial and stock market information with respect to selected public companies and calculated an implied equity reference range for KPE on that basis, as described below.

Selected Publicly Traded Companies Analysis

Lazard reviewed certain financial and stock market information of KPE and the following publicly traded third party managed funds and manager owned funds.

Third-Party Managed Funds:
- SVG Capital Plc
- Electra Investment Trust P.L.C.
- AP Alternative Assets, L.P.
- European Capital Limited
- Princess Private Equity Holding Limited
- Castle Private Equity AG
- HG Capital Trust plc
- Partners Group Global Opportunities Limited
- Altamir Amboise Management Company
- JZ Capital Partners Limited
- Dunedin Enterprise Investment Trust plc

Manager Owned Funds:
- 3i Group plc
- Candover Investments Plc
- Absolute Private Equity Ltd.
- East Capital Explorer AB
- Deutsche Beteiligungs AG

As part of this analysis, Lazard calculated the multiple of the equity value of each of the selected companies (based on closing equity prices on July 24, 2008) to the most recently reported NAV of such company. This analysis indicated the following for the selected publicly traded companies, as well as KPE:

	Multiple of Equity Value to NAV	
	Third Party Managed Funds	Manager Owned Funds
Low	0.47x	0.73x
High	0.84	1.05
Mean	0.66	0.84
Median	0.66	0.79
KPE	0.47	0.47

Financial data for the selected companies was based on public filings and other publicly available information, and information regarding KPE's NAV was provided by KPE's management. Lazard selected a reference range from the low to the median multiple for each group and applied such reference range to KPE's NAV. This analysis indicated an implied equity reference range for KPE of $2.13 billion to $2.97 billion, based on the selected third managed party funds, and $3.38 billion to $3.69 billion, based on the selected manager owned funds.

Research Analyst Estimates and 52-Week Trading

Lazard reviewed the reports of five research analysts found in publicly available equity research and noted the following target prices for KPE units:

Research Analyst	Target Unit Price of KPE ($)
Merrill Lynch	15.30
UBS	15.00
Sandler O'Neill	14.50
Lehman Brothers	16.20
KBW	18.00

Based on this review, Lazard calculated an equity value reference range for KPE of $2.97 billion to $3.69 billion. Lazard also calculated an equity value range of $2.13 billion to $4.35 billion based on KPE's trading price during the 52-week period ending on July 24, 2008.

KKR (Stand-alone):

Lazard reviewed certain financial information of KKR and certain financial and stock market information of Blackstone, which Lazard and the managements of KKR and KPE believed was the publicly listed entity most comparable to KKR. As part of this analysis, Lazard calculated and analyzed the ratio of Blackstone's closing price on July 24, 2008 to its estimated economic net income per share for 2009, which resulted in a multiple of 13.7x, which is referred to as Blackstone's "P/ENI multiple", based on the median of publicly available research analyst estimates of Blackstone's 2009 economic net income. Based on Blackstone's P/ENI multiple, Lazard selected a reference range of 10.3x to 13.5x for KKR's P/ENI mulitple. Lazard believed that this multiple range was appropriate because, in its view, Blackstone's business is more diversified than KKR's business, which, Lazard believed, could result in a discount in the public trading markets for KKR's common units.

Information regarding KKR's estimated 2009 economic net income (on a stand-alone basis) was provided by KKR's management. By applying the reference range for KKR's P/ENI multiple described above to the mid-point of KKR's range of estimated 2009 economic net income, Lazard calculated an implied equity reference range of $10.60 billion to $13.90 billion for KKR on a stand-alone basis.

KKR and KPE Combined Equity Value and KKR Pro Forma Equity Value:

Equity Value Contribution Analysis

Lazard analyzed the relative contributions of KPE and KKR to the combined company based on the equity value of KPE (using, separately, the market equity value of KPE on June 24, 2008 and the implied equity reference range for KPE discussed above) and the implied equity reference range for KKR on a stand-alone basis. The analysis indicated the following:

Stand-alone Equity Contributions			
KPE(stand-alone)	**KKR (stand-alone)**	**Combined Equity Value Based on Equity Contribution Analysis**	**Percentage Contribution of KPE(1)**
Market Equity Value: $2.13 billion Implied Equity Reference Range: $2.13 billion to $3.69 billion	Implied Equity Reference Range: $10.60 billion to $13.90 billion	$12.73 billion to $17.59 billion	15% to 19%

(1) Based on the midpoints of the implied stand-alone equity reference ranges for KPE and KKR respectively.

Lazard noted that based on the Exchange Ratio, holders of KPE units would own 21% of KKR immediately following closing of the KPE Transaction and, under certain circumstances described below, up to 27% of KKR on the third anniversary of the closing of the KPE transaction.

Lazard also noted that a combined equity reference range of $12.73 billion to $17.59 billion would represent a premium to KPE's market capitalization on July 24, 2008 in the range of 25% to 73%.

KKR (Pro Forma):

Information regarding KKR's estimated 2009 economic net income on a forma basis was provided by KKR's management. By applying the 10.3x to 13.5x reference range for KKR's P/ENI multiple described above to the mid-point of KKR's range of estimated 2009 pro forma economic net income, Lazard calculated an implied equity reference range of $14.90 billion to $19.60 billion for KKR on a pro forma basis and an implied equity reference range for KPE of $3.13 billion to $4.12 billion, which represents 21% of KKR on a proforma basis. This implied equity reference range for KPE indicated a premium to KPE's market capitalization on July 24, 2008 in the range of 47% to 93%.

Analysis of CVIs:

Lazard also reviewed the terms of the CVIs. Lazard noted that if, on the third anniversary of the closing of the KPE Transaction, the average of the volume weighted average trading prices of KKR common units for the 90 consecutive trading day period ending three days prior to such date (i) is less than $17.3056, the CVIs will provide former holders of KPE units with an additional 6% of the of the fully diluted common units of KKR as of the completion of the Transactions (or the cash equivalent thereof) (ii) is between $17.3056 and $22.25, the CVIs will provide former holders of KPE units with cash or additional equity in KKR to account for the difference between the average trading price of KKR common units during such period and $22.25, subject to a cap equal to 6% of the fully diluted common units of KKR as of the completion of the Transactions (or the cash equivalent thereof) or (iii) is $22.25 or greater, the CVIs will provide no additional value. However, any amounts to be received by the holders of the CVIs in accordance with the foregoing sentence will be decreased by the fair market value of any distribution in respect of the KKR common units during the three-year period after the closing of the KPE Transaction.

Lazard also noted that the CVIs may expire prior to third anniversary of the closing if at any time through, but excluding, the first day of the 90 consecutive trading day period referred to above, the volume weighted average trading price of the KKR common units equals or exceeds $24 (subject to certain adjustments) minus the aggregate amount of any dividend or other distributions for 20 consecutive trading days (subject to the exclusion of certain trading days). For a more detailed discussion of the terms of the CVIs, see "Description of Our Contingent Value Interests."

Based on a hypothetical range of pro forma market prices of KKR common units at the closing of the KPE Transactions, Lazard prepared an illustration of the mathematical impact of the CVIs, assuming certain illustrative growth rates and the absence of any distributions or dividends for a three-year period following completion of the KPE Transaction, and further assuming that the CVI payout in the circumstances described under section (ii) of the foregoing paragraph is less than the applicable cap of 6% of the fully diluted common units of KKR as described above.

**VALUE PER KKR COMMON UNIT (INCLUDING CVI IMPACT)
ON THE THIRD ANNIVERSARY OF THE CLOSING OF
THE KPE TRANSACTION**

Hypothetical Range of Pro Forma KKR Market Prices at the Closing of the KPE Transaction	Illustrative Growth Rate 0%	5%	10%	15%	20%	25%	30%
$13.00	$ 16.71	$ 17.55	$ 18.39	$ 19.22	$ 20.06	$ 20.89	$ 21.73
14.00	18.00	18.90	19.80	20.70	21.60	22.25	22.25
15.00	19.29	20.25	21.21	22.18	22.25	22.25	22.25
16.00	20.57	21.60	22.25	22.25	22.25	22.25	22.25
17.00	21.86	22.25	22.25	22.25	22.25	22.25	22.25
18.00	22.25	22.25	22.25	22.25	22.25	22.50	23.40
19.00	22.25	22.25	22.25	22.25	22.80	23.75	24.70
20.00	22.25	22.25	22.25	23.00	24.00	25.00	26.00
21.00	22.25	22.25	23.10	24.15	25.20	26.25	27.30

Miscellaneous:

Lazard's opinion and financial analyses were not the only factors considered by the KPE Independent Directors in their evaluation of the KPE Transaction and should not be viewed as determinative of their views or the views of KPE's management.

KPE has agreed to pay to Lazard a fee consisting of $2 million, which became payable upon the announcement of the KPE Transaction, and $5 million, which will become payable upon the consummation of the KPE Transaction, in connection with Lazard's services as financial advisor to the KPE Independent Directors. KPE also agreed to reimburse Lazard for all reasonable document production charges and certain out-of-pocket expenses incurred in connection with Lazard's engagement, including with respect to travel costs and fees of outside legal counsel, and to indemnify Lazard and related parties against liabilities, including liabilities under the federal securities laws, arising out of its engagement (other than liabilities finally judicially determined to result primarily from the bad faith or negligence of Lazard or such persons); provided however, that the maximum amount of fees of Lazard's outside counsel (other than with respect to such indemnification) to be reimbursed by KPE shall not exceed €100,000 without the consent (which shall not be unreasonably withheld) of the KPE Independent Directors.

The KPE Independent Directors selected Lazard to provide certain financial advisory services to the KPE Independent Directors in connection with the KPE Transaction. In selecting Lazard, the KPE Independent Directors relied on (i) Lazard's reputation, expertise and experience, and (ii) Lazard's confirmation in its engagement letter that Lazard (x) is not aware of any conflict of interest that it has with respect to its engagement, and (y) does not believe that its past and existing relationships with KKR and its affiliates will impact the ability of Lazard to act or preclude Lazard from acting independently of KKR and its affiliates (other than KPE) in rendering its services to the KPE Independent Directors for the purposes of the KPE Transaction.

Lazard in the past has provided, is currently providing and in the future may provide financial advisory, capital markets, and investment banking services to KKR and its affiliates unrelated to the KPE Transaction for which it has received and may receive compensation, including, without limitation, (i) acting as financial advisor to Rockwood in its sale of Groupe Novasep and (ii) acting as financial advisor to TDC in its sale of Bite Lietuva. In addition, in the ordinary course of their respective businesses, affiliates of Lazard and LFCM Holdings LLC (an entity indirectly owned in large part by managing directors of Lazard) may actively trade securities of KPE, KKR or their respective affiliates for their own accounts and for the accounts of their customers and, accordingly, may at any time hold a long or short position in such securities. The issuance of Lazard's opinion was approved by Lazard's opinion committee.

Lazard is an internationally recognized investment banking firm and is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements, leveraged buyouts, and valuations for real estate, corporate and other purposes.

Recommendation of the KPE Independent Directors; KPE Board Approval

The KPE Independent Directors have unanimously recommended to the KPE Board that the KPE Board approve the execution, delivery and performance of the purchase and sale agreement and the consummation of the transactions contemplated thereby. Taking into account this recommendation, the KPE Board unanimously approved the entry into the purchase and sale agreement and the transactions contemplated thereby.

The Purchase and Sale Agreement

This section of the prospectus describes the material terms of the purchase and sale agreement. The following summary is qualified in its entirety by reference to the complete text of the purchase and sale agreement, which is filed as an exhibit to the registration statement of which this prospectus forms a part and is hereby incorporated by reference herein. We urge you to read the full text of the purchase and sale agreement.

The purchase and sale agreement has been incorporated by reference herein to provide you with information regarding its terms. It is not intended to provide any other factual information about us or KPE. Such information can be found elsewhere in this prospectus and in the other public filings we make with the SEC.

The representations, warranties and covenants contained in the purchase and sale agreement were made only for purposes of the purchase and sale agreement and as of specific dates and may be subject to more recent developments, were solely for the benefit of the parties to the purchase and sale agreement, may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures made for the purposes of allocating risk between the parties to the purchase and sale agreement instead of establishing these matters as facts, and may apply standards of materiality in a way that is different from what may be viewed as material by you or by other investors. For the foregoing reasons, you should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of us or KPE or any of our or its respective subsidiaries or affiliates.

We expect to complete the KPE Transaction in the fourth quarter of 2008 if KPE has received the consent of KPE unitholders holding at least a majority of the outstanding KPE units (excluding KPE units whose consent rights are controlled by us and our affiliates) and all other conditions to the completion of the KPE Transaction have been satisfied or waived. When used in this section, references to "we", "us" and "our" refer to KKR & Co. L.P. only.

Conditions to Completion of the KPE Transaction

Conditions to Both Parties' Obligations

Each party's obligation to complete the KPE Transaction is subject to the satisfaction or waiver of each of the following conditions:

- the holders of at least a majority of the outstanding KPE units (excluding from the numerator and the denominator KPE units whose consent rights are controlled by us and our affiliates) shall have consented to the KPE Transaction and such consent shall be in full force and effect;

- our common units shall have been authorized for listing on the NYSE, subject to official notice of issuance;

- any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, relating to the Transactions shall have expired or been terminated;

- the registration statement of which this prospectus forms a part shall have been declared effective under the Securities Act by the SEC, without any requirement that we or any of our affiliates become subject to regulation under the Investment Company Act, and shall not be subject to any stop order or proceedings seeking a stop order;

- no order, injunction, judgment, award or decree issued by any court, administrative agency or commission or other governmental authority or instrumentality, legislative body or self-regulatory organization of competent jurisdiction, which we refer to together as a governmental entity, or other legal restraint or prohibition preventing the consummation of the KPE Transaction or the subsequent distribution of our common units and CVIs to KPE unitholders shall be in effect; and

- no law, statute, rule, ordinance or regulation shall have been enacted, entered, promulgated or enforced by any governmental entity that prohibits or makes illegal the consummation of the KPE Transaction or the subsequent distribution of our common units and CVIs to KPE unitholders.

Additional Conditions to Our Obligations

Our obligation to complete the KPE Transaction is also subject to the satisfaction or waiver of the following additional conditions:

- the representations and warranties of KPE set forth in the purchase and sale agreement must be true and correct as of the date of the purchase and sale agreement and (except to the extent such representations and warranties are expressly limited to an earlier date) as of the date of completion of the KPE Transaction as though made on and as of such date, except where the failure to be so true and correct (without giving effect to any materiality or "material adverse effect" or similar qualifiers set forth in such representations and warranties), individually or in the aggregate, has not had and would not reasonably be expected to have a material adverse effect on the Acquired KPE Partnership;

- KPE must have performed in all material respects all of its obligations required to be performed by it under the purchase and sale agreement at or prior to the closing date of the KPE Transaction; and

- since the date of the purchase and sale agreement, there shall not have been any effect, event, change, occurrence or development that has had or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on the Acquired KPE Partnership.

Conditions to KPE's Obligations

KPE's obligation to complete the KPE Transaction is also subject to the satisfaction or waiver of the following additional conditions:

- our representation and warranties set forth in the purchase and sale agreement relating to the accuracy and conformity to applicable legal requirements of certain communications materials issued in connection with the purchase and sale agreement must be true and correct as of the date of the purchase and sale agreement, except where the failure to be so true and correct, individually or in the aggregate, has not had and would not reasonably be expected to have a material adverse effect on the holders of the KPE units;

- our other representations and warranties and the representations and warranties of KKR Holdings set forth in the purchase and sale agreement must be true and correct as of the date of the purchase and sale agreement and (except to the extent such representations and warranties are expressly limited to an earlier date) as of the closing date of the KPE Transaction as though made on and as of such date, except where the failure to be so true and correct (without giving effect to any materiality or "material adverse effect" or similar qualifiers set forth in such representations and warranties), individually or in the aggregate, has not had and would not reasonably be expected to have a material adverse effect on us (in the case of our other representations and warranties) or KKR Holdings (in the case of the representations and warranties of KKR Holdings), in each case after giving effect to the Reorganization Transactions, but in the case of us, excluding the Acquired KPE Partnership and its subsidiaries;

- we and KKR Holdings must each have performed in all material respects all of the obligations required to be performed by us or it under the purchase and sale agreement at or prior to the closing date of the KPE Transaction;

- since the date of the purchase and sale agreement, there shall not have been any effect, event, change, occurrence or development that has had or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on the holders of KPE units;

- the Reorganization Transactions shall have been completed in the manner contemplated by the purchase and sale agreement and the Group Partnerships shall own, directly and indirectly, all of the interests in our business as described under "Organizational Structure"; and

- each of the CVI Agreement, the exchange agreement, the tax receivable agreement, confidentiality and non-competition agreements with our senior principals, our amended and restated limited partnership agreement, the amended and restated limited partnership agreements for each of the Group Partnerships, the lock-up agreements and the amended and restated limited liability company agreement of our Managing Partner shall have been duly authorized, executed and delivered by each of the parties thereto and shall be in full force and effect.

For purposes of the purchase and sale agreement, the term "material adverse effect" means, with respect to any person (other than the holders of the KPE units), a material adverse effect on the business, results of operations or financial condition of such person and any person (other than the Acquired KPE Partnership and its subsidiaries in the case of us) whose financial results are consolidated with such person (including, in our case, our funds), taken as a whole, and, with respect to the holders of the KPE units, a material adverse effect on the overall economic value to be received as of the date of the purchase and sale agreement by the holders of the KPE units as a result of the Transactions, taken as a whole. For purposes of determining whether there has been a material adverse effect with respect to the holder of the KPE units, any effect, development, change or occurrence that does not generally affect holders of a material proportion of KPE units will be disregarded. In addition, in determining whether a material adverse effect has occurred or would reasonably be expected to occur, there shall be excluded any effect, event, development, occurrence or change on the referenced person to the extent the cause thereof is:

- changes in general economic or political conditions;
- changes in the financial or securities markets generally, except to the extent the referenced person, taken as a whole, together with any person (other than the Acquired KPE Partnership and its subsidiaries in the case of us) whose financial results are consolidated with such person is materially disproportionately affected thereby as compared with other participants in the applicable industry or industries in which any such persons operate;
- entry into or announcement of the execution of the purchase and sale agreement;
- the commencement, occurrence or continuation of any war, armed hostilities or acts of terrorism;
- general changes or developments in the industries in which the referenced person operates, except to the extent the referenced person, taken as a whole, together with any person (other than the Acquired KPE Partnership and its subsidiaries in the case of us) whose financial results are consolidated with such person is materially disproportionately affected thereby as compared with other participants in the applicable industry or industries in which any such persons operate;
- changes in law, rules, regulations, GAAP or interpretations thereof, except to the extent the referenced person, taken as a whole, together with any person (other than the Acquired KPE Partnership and its subsidiaries in the case of us) whose financial results are consolidated with such person is materially disproportionately affected thereby as compared with other participants in the applicable industry or industries in which any such persons operate; and
- with respect to the Acquired KPE Partnership, any actions or omissions on the part of KPE that are directed by us or any of our affiliates including KPE's general partner or KPE, acting through KPE's general partner, except for such actions or omissions of KPE or its general partner that are due to the taking of any action, or failure to take any action, by the KPE Independent Directors (in their capacity as such).

The purchase and sale agreement provides that the exclusions identified above shall not include, and in determining whether a material adverse effect has occurred or would reasonably be expected to occur there may be taken into account, any effect, development, change or occurrence the cause of which is certain enacted changes in United States tax law, rules, regulations or interpretations thereof.

We and KPE have agreed to use our or its reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to ensure that the conditions set forth in the purchase and sale agreement and summarized above are satisfied and to consummate the transactions contemplated by the purchase and sale agreement as promptly as practicable. However, neither we nor KPE are required to take, or agree to take, any action if the taking of such action would reasonably be expected to have, individually or in the aggregate, a material adverse effect on us or KPE, as applicable.

No Solicitations of Alternative Transactions

The purchase and sale agreement contains provisions prohibiting KPE from seeking an alternative transaction to the KPE Transaction. Under these "no solicitation" provisions, KPE has agreed that it will not directly or indirectly:

- solicit, initiate, knowingly encourage, or take any action intended to, or which could reasonably be expected to, facilitate the making by any person of an acquisition proposal, as described below, or any inquiry or proposal that could reasonably be expected to lead to an acquisition proposal;

participate in any discussions or negotiations regarding an acquisition proposal or any inquiry that constitutes or could reasonably be expected to lead to an acquisition proposal;

furnish to any person any information or data with respect to it or any of its assets or otherwise cooperate with or take any action to knowingly facilitate any proposal that constitutes or could reasonably be expected to lead to an acquisition proposal; or

enter into any letter of intent, memorandum of understanding or other agreement or understanding relating to, or that could reasonably be expected to lead to, an acquisition proposal.

For purposes of the purchase and sale agreement, the term "acquisition proposal" means any inquiry, proposal or offer, whether or not conditional, from any person other than us or our affiliates relating to any direct or indirect acquisition of (i) any interests in the Acquired KPE Partnership, (ii) 20% or more of the outstanding KPE units or (iii) 20% or more of the consolidated assets of the Acquired KPE Partnership.

Termination

The purchase and sale agreement may be terminated at any time prior to the completion of the KPE Transaction by mutual consent of us and KPE. In addition, KPE or we may terminate the purchase and sale agreement:

if any governmental entity issues an order, injunction, judgment, award or decree or takes any other action permanently enjoining, restraining or otherwise prohibiting the KPE Transaction and such order, injunction, judgment, award, decree or other action shall have become final and non-appealable; however, the right to so terminate the agreement will not be available to a party who has not used its reasonable best efforts to cause such order, injunction, judgment, award decree or other action to be vacated, annulled or lifted;

if the consent of the holders of at least a majority of the KPE units (excluding KPE units whose consent rights are controlled by us and our affiliates) to consummate the KPE Transaction is not obtained within 90 days following the date on which the registration statement, of which this prospectus forms a part, is declared effective by the SEC; however the right to so terminate the agreement will not be available to any party whose failure to fulfill any of its obligations under the agreement has been a principal cause of the failure of such consent to be obtained;

if the KPE Transaction is not completed on or before April 27, 2009; however, the right to so terminate the agreement will not be available to a party whose failure to comply with any provision of the purchase and sale agreement has been the cause of, or resulted in, the failure of the KPE Transaction to be completed by that date; or

subject to a cure right under certain circumstances, if any of the mutual conditions or any of the conditions to such party's obligations to completion of the KPE Transaction become incapable of being satisfied on or before April 27, 2009; however, the right to so terminate the agreement will not be available to any party that is then in breach of any representation, warranty, covenant or agreement that would cause any of the mutual conditions or any of the other party's conditions to completion of the KPE Transaction not to be satisfied.

Conduct of Business Pending the KPE Transaction

Under the purchase and sale agreement, we have agreed that, during the period from the date of the purchase and sale agreement until completion of the KPE Transaction, except as expressly contemplated or permitted by the purchase and sale agreement, or to the extent that KPE consents in writing, we will, and will cause each of the entities whose financial results will be consolidated with ours upon the consummation of the Reorganization Transactions (other than our consolidated funds and the Acquired

KPE Partnership), which we refer to as the consolidated persons, to conduct our respective businesses in all material respects in the usual, regular and ordinary course.

In addition to the above agreements regarding the conduct of business generally, subject to certain exceptions, we have agreed to the following specific restrictions relating to the conduct of our businesses:

- we shall not, and shall not permit any consolidated person to, amend our or its organizational documents in any manner that would adversely affect the holders of KPE units in any material respect;
- we shall not, and shall not permit any consolidated person to, change accounting methods other than those required by GAAP or the SEC;
- we shall not adopt, enter into, amend or modify employee benefit plans, programs, policies or other arrangements other than the 2008 Equity Incentive Plan and grants pursuant thereto;
- we shall not, and shall not permit any consolidated person to, subdivide, reclassify, issue, sell, redeem, purchase or otherwise acquire equity interests;
- we shall not, and shall not permit any consolidated person to, declare, pay set aside or make any dividend or other distribution other than distributions to a consolidated person;
- we shall not, and shall not permit any consolidated person to, enter into a related party transaction as such term is defined in Item 404(a) of Regulation S-K under the Securities Act;
- we shall not incur or assume any indebtedness for borrowed money or guarantee any such indebtedness; and
- we shall not take, and shall not permit any consolidated person to commit or agree to take, any of the foregoing actions that we or such consolidated persons are prohibited from taking pursuant to the restrictions relating to the conduct of our business in the purchase and sale agreement.

Additional Agreements

The purchase and sale agreement contains covenants relating to (i) the preparation by us, in cooperation with KPE, of the registration statement of which this prospectus forms a part, and the preparation by KPE, in cooperation with us, of the consent solicitation documents, (ii) modifying the existing services agreement among one of our affiliates and KPE and certain of its affiliates to enable such agreement to be terminated following the consummation of the KPE Transaction without the consent of the holders of KPE units, (iii) our using our reasonable best efforts to complete the Reorganization Transactions in the manner contemplated by the purchase and sale agreement and (iv) the use by KKR Holdings of its reasonable best efforts to take, or cause to be taken, such actions as are necessary so that upon completion of the KPE Purchase, all of the interests in the Acquired KPE Partnership (and in certain cases direct assets of the Acquired KPE Partnership) are, directly or indirectly, contributed to the Group Partnerships in exchange for a direct or indirect controlling interest and a 21% economic interest in each of the Group Partnerships.

Change of Recommendation by the KPE Independent Directors

At any time prior to the obtaining of the requisite consent of the KPE unitholders, the KPE Independent Directors may change their recommendation to the KPE Board in response to any material events or circumstances, if the KPE Independent Directors have concluded in good faith, after consultation with, and taking into account the advice of, their outside legal counsel, that had such material events or circumstances occurred and/or been known to the KPE Independent Directors prior to the date of the purchase and sale agreement, the KPE Independent Directors would, in compliance with their fiduciary duties under applicable law, not have recommended, or would have modified the terms of their recommendation, to the KPE Board that the KPE Board approve the purchase and sale agreement and the transactions contemplated by the purchase and sale agreement.

Amendment; Waiver

The purchase and sale agreement may be amended by the parties thereto. All amendments must be in writing signed by all parties. Any amendment by KPE will be valid only if approved by all of the KPE Independent Directors. At any time prior to the consummation of the KPE Transaction, each party may:

- extend the time for the performance of any of the obligations or other acts of the other party provided for in the purchase and sale agreement;
- waive any inaccuracies in the representations and warranties of the other party contained in the purchase and sale agreement or in any document delivered by the other party pursuant to the purchase and sale agreement; and
- waive compliance by the other party with any of the agreements or conditions contained in the purchase and sale agreement.

Expenses

All costs and expenses incurred in connection with the purchase and sale agreement shall be paid by the party incurring such costs and expenses, except that, if the consummation of the KPE Transaction occurs, (i) all costs and expenses incurred by KPE or its general partner shall be paid by us and (ii) all other costs and expenses incurred in connection with the purchase and sale agreement shall be paid by one or more consolidated persons in which we have a 21% economic interest.

Actions of KPE

The purchase and sale agreement provides that during the period from the date of the purchase and sale agreement until the earlier of the consummation of the KPE Transaction and the termination of the purchase and sale agreement, the KPE Independent Directors, acting based on the affirmative vote of a majority of the KPE Independent Directors, will be entitled to implement on behalf of KPE the transactions contemplated by the purchase and sale agreement, to exercise the rights of KPE under the purchase and sale agreement and to enforce the purchase and sale agreement against us or KKR Holdings.

Representations and Warranties

The purchase and sale agreement contains representations and warranties made by us, KKR Holdings and KPE as of specific dates. The statements embodied in those representations were made for purposes of the purchase and sale agreement between the parties and are subject to qualifications and limitations agreed by the parties in connection with negotiating the terms of the agreement. In addition, certain representations and warranties were made as of a specified date, may be subject to contractual standards of materiality different from what may be viewed as material to unitholders or may have been used for the purpose of allocating risk between the parties rather than establishing matters as facts.

We, KKR Holdings and KPE have made representations and warranties in the purchase and sale agreement relating to, among other things:

- organization and similar organizational matters;
- authorization of the purchase and sale agreement and absence of conflicts; and
- consents and approvals.

In addition, we have made representations and warranties in the purchase and sale agreement relating to:

- financial statements;
- undisclosed liabilities;
- internal controls;
- capital structure;
- absence of a material adverse effect;
- non-applicability of the Investment Company Act;
- compliance with applicable laws;
- permits;
- legal proceedings;
- taxes;
- material contracts;
- benefit plans;
- brokers' fees;
- communications materials;
- registration rights; and
- intellectual property.

The representations and warranties contained in the purchase and sale agreement will expire upon the completion of the KPE Transaction and none of such representations and warranties or any rights arising out of any breach thereof, will survive the completion of the KPE Transaction.

Treatment of KPE Unit Appreciation Rights

The purchase and sale agreement provides that each outstanding unit appreciation right with respect to KPE units issued according to KPE's 2007 Equity Incentive Plan will become fully vested and immediately exercisable immediately prior to the consummation of the KPE Transaction. Upon the consummation of the KPE Transaction, except as otherwise agreed between us and a holder of a unit appreciation right,

(i) each outstanding unit appreciation right for which the exercise price per KPE unit of such unit appreciation right equals or exceeds the closing price per KPE unit on Euronext Amsterdam on the final trading day of KPE units will be cancelled without the payment of any consideration in respect thereof and (ii) each other outstanding unit appreciation right will be converted into a fully vested unit appreciation right, on the same terms and conditions that were applicable under such unit appreciation right, with respect to a number of our common units equal to the number of KPE units subject to such unit appreciation right immediately prior to the consummation of the KPE Transaction with an exercise price per our common unit equal to the per unit exercise price for such unit appreciation right and any such converted unit appreciation right and all obligations with respect thereto will be assumed by us.

Indemnification and Insurance

The purchase and sale agreement provides that, for a period of six years upon completion of the KPE Transaction, the Group Partnerships will indemnify each present and former director and officer of the general partner of KPE and certain other persons serving in a similar role against all losses, liabilities, damages, judgments and fines incurred in connection with any suit, claim, action, proceeding, arbitration or investigation arising out of or related to actions taken by them in their capacity as directors or officers of the general partner of KPE or taken by them at the request of KPE or the general partner of KPE. In addition, the purchase and sale agreement also provides that the Group Partnerships will indemnify us, KPE, each present and former director and officer of the general partner of KPE and certain other persons serving a similar role against all losses, liabilities, damages, judgments and fines (except to the extent any such losses, liabilities, damages, judgments or fines arise out of or are based upon certain information concerning the KPE Independent Directors that is furnished by or on behalf of the KPE Independent Directors) to which any of them may become subject under the Exchange Act, or other applicable law, statute, rule or regulation insofar as such losses, liabilities, damages, judgments and fines arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the registration statement of which this prospectus forms a part, the consent solicitation documents, communications materials issued in connection with the execution of the purchase and sale agreement or any other document issued by us, KPE or any of their respective affiliates in connection with, or otherwise relating to, the transactions contemplated by the purchase and sale agreement, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The purchase and sale agreement also provides that, subject to an agreed upon premium cap, we will obtain and fully pay the premium for, or cause to be obtained and the premium to be fully paid for, directors' and officers' liability insurance for the benefit of the directors and officers of the general partner of KPE which will (i) be effective for a period from the date of the consummation of the KPE Transaction through and including the date that is six years after such date, (ii) cover claims arising out of or relating to any action, statement or omission of such directors and officers whether before or after the closing date (including the transactions contemplated by the purchase and sale agreement and the decision making process by the directors of the general partner of KPE in connection therewith) to the same extent as the directors and officers of our general partner acting in their capacities as the directors and officers of the general partner of KPE are insured with respect thereto, and (iii) contain coverage and amounts, and otherwise contain terms and conditions, including exclusions, in each case as mutually agreed by KPE and us.

KPE Units

In connection with the KPE Transaction, KPE unitholders will receive one of our common units and one CVI for each unit of KPE they own. The exchange ratio is fixed in the purchase and sale agreement.

Trading Price

The table below shows the closing prices of KPE units, which are admitted to listing and trading on Euronext Amsterdam under the symbol "KPE" at the close of the regular trading session on July 25, 2008, the last trading day before our public announcement of the KPE Transaction, and September 19, 2008, the most recent trading day for which that information was available.

Date	KPE Closing Price
July 25, 2008	$ 10.50
September 19, 2008	$ 10.25

The following table sets forth, for the periods indicated, the high and low sale prices per KPE unit as reported on Euronext Amsterdam.

	KPE Units	
Calendar Quarter	**High**	**Low**
2006		
Second Quarter	$ 25.00	$ 21.39
Third Quarter	23.50	21.25
Fourth Quarter	23.00	21.00
2007		
First Quarter	24.55	21.90
Second Quarter	24.55	22.40
Third Quarter	22.45	18.64
Fourth Quarter	20.00	17.25
2008		
First Quarter	18.40	11.45
Second Quarter	15.03	12.75
Third Quarter (through September 19, 2008)	13.90	9.70

Distribution History

On August 10, 2007, KPE's general partner declared a distribution of $0.24 per unit, or $49.1 million, to KPE unitholders of record as of the close of business on August 31, 2007. The $0.24 per unit distribution was paid to unitholders on or about September 17, 2007. On November 15, 2006, KPE's general partner declared a distribution of $0.19 per unit, or $38.9 million, to KPE unitholders of record immediately prior to the opening of business in Amsterdam on December 1, 2006. The $0.19 per unit distribution was paid to unitholders on or about December 15, 2006.

Holders

KPE estimates that as of December 31, 2007, there were approximately 1,580 holders of its common units. Because the laws and regulations applicable to KPE do not require KPE holders to file regulatory disclosure reports regarding their beneficial ownership of KPE units, KPE is unable to determine with reasonable certainty which of its holders currently beneficially own more than five percent of its common units.

As of June 30, 2008, KKR executives held, through two affiliated investment vehicles, approximately 1.4% of KPE's outstanding units. In addition, as of such date one or more investment funds that are managed by us held approximately 2.3% of KPE's outstanding units. Each of our directors who is also a director of KPE may be deemed for purposes of Section 13(d) of the Exchange Act to beneficially own the KPE units held by these vehicles and funds. In addition, KPE's sole officer may be deemed to beneficially own certain of the KPE units held by these vehicles and funds. No other director of KPE beneficially owns any KPE units. Upon completion of the Transactions, these vehicles and funds will receive common units and CVIs in exchange for the KPE units they hold on the same terms as the other KPE unitholders.

Comparative Per Unit Data (Unaudited)

Presented below for KKR and KPE is historical, unaudited pro forma combined and pro forma equivalent per unit financial data for the year ended December 31, 2007 and the six months ended June 30, 2008. This information should be read together with the consolidated financial statements and related notes of KKR and KPE included elsewhere in this prospectus and with the unaudited pro forma combined financial data included under "Unaudited Pro Forma Combined Financial Information."

	KKR(1)	KPE	Pro forma combined(2)
Book Value			
As of December 31, 2007			
As of June 30, 2008			
Cash Distributions			
For the year ended December 31, 2007			
For the six months ended June 30, 2008			
Income from Continuing Operations			
Basic			
For the year ended December 31, 2007			
For the six months ended June 30, 2008			
Diluted			
For the year ended December 31, 2007			
For the six months ended June 30, 2008			

(1) KKR's per-unit book value, cash distributions and income from continuing operations are calculated on a pro forma basis giving effect to the Reorganization Transactions and assuming, solely for purposes of the data presented in this chart, a number of common units equal to the number of common units that will be outstanding upon completion of the KPE Transaction.

(2) The unaudited pro forma combined book value was calculated by dividing total unaudited pro forma combined equity by total unaudited pro forma combined equivalent units outstanding as of December 31, 2007.

Accounting Treatment

The KPE Transaction will be accounted for as an acquisition of non-controlling interests under the "purchase method" as that term is used under generally accepted accounting principles. The purchase consideration paid for the acquired interests is expected to equal the value of our common units that are exchanged for KPE's interest in the Acquired KPE Partnership plus the value of the CVIs issued to KPE unitholders and certain direct costs of the acquisition. Under the purchase method, the purchase consideration paid for the acquired interests will be allocated to the assets acquired and liabilities assumed, based on their estimated fair values at the date of the exchange. We have not yet completed our accounting analysis, nor have we finalized our determination of the fair value of either the consideration paid or the net assets acquired. However, we expect the fair value of the assets acquired and the liabilities assumed to exceed the purchase consideration paid for the acquired interests at the exchange date, with the excess recognized as an extraordinary gain in the period in which the KPE Transaction is completed. See "Unaudited Pro Forma Financial Information."

Interests of Directors and Executive Officers in the KPE Transaction

Through their affiliation with us, each of our Managing Partner's executive officers may be deemed to have the following interests relating to the KPE Transaction:

- We and affiliated entities hold beneficial ownership of approximately % of KPE's outstanding units;
- Pursuant to our services agreement with KPE, we are entitled to receive a management fee based upon the aggregate amount of KPE's equity;
- The services agreement with KPE requires KPE to indemnify KKR and its affiliates with respect to all losses or damages arising from acts not constituting bad faith, willful misconduct or gross negligence;
- The services agreement with KPE requires KPE to reimburse us for certain direct expenses, which payments total $3.1 million during the year ended December 31, 2007;
- Each investment that is made by the Acquired KPE Partnership is generally subject to either a carried interest or incentive distribution right, which entitles us to receive a portion of the profits generated by the investment;
- Pursuant to our investment agreement with KPE, we are required to contribute to KPE, on a periodic basis, an amount equal to 25% of the aggregate pre-tax cash distributions that are made pursuant to the carried interests and incentive distribution rights to which the KPE investments are subject;
- Pursuant to our license agreement with KPE, we have granted KPE and certain related entities a non-exclusive, royalty-free license to use the name "KKR"; and
- KKR PEI Associates, L.P., an entity that is owned by our investment professionals, including Messrs. Kravis and Roberts, holds the general partner interest in the Acquired KPE Partnership.

In addition to being directors and executive officers of our Managing Partner, Messrs. Kravis and Roberts also are members of the KPE Board. In their capacity as members of the KPE Board, Messrs. Kravis and Roberts, as well as the KPE Independent Directors, may be deemed to have the following interests relating to the KPE Transaction:

- The purchase and sale agreement provides that each present and former director of the KPE Board will be indemnified as described above under " The Purchase and Sale Agreement Conditions to Completion of the KPE Transaction Indemnification and Insurance";
- The purchase and sale agreement provides that we will obtain and fully pay the premium for, or cause to be obtained and the premium to be fully paid for, directors' and officers' liability insurance for the benefit of the directors and officers of KPE's general partner; and
- The KPE Independent Directors receive ongoing fees for service in such capacity and, in connection with the KPE Transaction, the KPE Independent Directors will also be entitled to receive customary fees that are not contingent on their recommendation of the KPE Transaction. However, none of the KPE Independent Directors holds an equity interest in KPE.

Finally, the chief financial officer of KPE's general partner is our employee and may be deemed to have each of the following interests described above (other than those specifically attributable only to the KPE Independent Directors). In addition, certain of our employees who provide services to KPE are entitled to indemnification under the purchase and sale agreement and hold KPE unit appreciation rights in an amount less than 1% of the aggregate KPE units outstanding which, pursuant to the purchase and sale agreement, will become fully vested and immediately exercisable as described above under " The Purchase and Sale Agreement Conditions to Completion of the KPE

Transaction Treatment of KPE Unit Appreciation Rights."

ORGANIZATIONAL STRUCTURE

The following diagram illustrates the ownership and organizational structure that we will have immediately after the completion of the Transactions.

Notes:

(1) Except for KKR Management Holdings Corp., certain of our foreign subsidiaries and certain subsidiaries of the Acquired KPE Partnership, which will be taxable as corporations for U.S. federal income tax purposes, all entities are treated as partnerships or disregarded entities for U.S. federal income tax purposes. For a discussion of pending legislation that may preclude us from qualifying for treatment as a partnership for U.S. federal income tax purposes, see "Risk Factors Risks Related to Our Business Legislation has been introduced that would, if enacted, preclude us from qualifying as a partnership for U.S. federal income tax purposes. If this or any similar legislation or regulation were to be enacted and apply to us, we would incur a material increase in our tax liability that could result in a reduction in the value of our common units."

(2) The KKR Group will be our accounting predecessor and its financial statements will be our historical financial statements upon the completion of the Transactions. The KKR Group includes all of our management companies and capital markets companies, the general partners of all of our funds (other than the general partners of the 1987 Fund and the 1993 Fund), all of the entities that are entitled to receive carry from our co-investment vehicles and the consolidated subsidiaries of those entities. We do not consolidate the 1987 Fund or the 1993 Fund, because the general partners of those funds are not included in the KKR Group, and we do not consolidate KFN and one of the side-by-side funds in the KKR Strategic Capital Funds. For information concerning the interests in the KKR Group that will be owned by the Group Partnerships or retained by minority investors upon completion of the Transactions, see " Components of Our Business Owned by the Group Partnerships."

(3) For information concerning the contribution of the Acquired KPE Partnership and the other assets of KPE to the Group Partnerships, see "Summary KPE Transaction" and " Group Partnerships."

The KKR Group

Prior to the Transactions, our business was conducted by a number of combined and consolidated entities that operated under the common control of our senior principals and were under the common ownership of our principals and other existing owners. These entities, which comprised the KKR Group, included:

- our management companies and capital markets companies, which generate management, advisory and incentive fees earned from all of our funds, managed accounts, portfolio companies, capital markets transactions and other investment products;

- the general partners of the 1996 Fund, the European Fund, the Millennium Fund, the European Fund II, the 2006 Fund, the Asian Fund, the European Fund III, the Acquired KPE Partnership, the entities that are entitled to receive carry from our principal protected private equity product and the entities that are entitled to receive carry from our co-investment vehicles, which receive carried interest from private equity investments that are made through such entities as well as returns on investments made by or on behalf of the general partners alongside fund investors;

- the general partners of two of the side-by-side funds that comprise the KKR Strategic Capital Funds, which control the operations of such funds; and

- the consolidated subsidiaries of the foregoing.

The KKR Group will be our predecessor for accounting purposes upon completion of the Reorganization Transactions, which will take place subsequent to the time the registration statement, of which this prospectus forms a part, is declared effective, and its financial statements will be our historical financial statements upon the completion of the Reorganization Transactions. Because the legal entities that comprise the KKR Group are under the common control of our senior principals and will be under their common control following the completion of the Reorganization Transactions, we will account for the Reorganization Transactions as a transfer of interests under common control. Certain portions of the Transactions, however, will be accounted for as acquisitions of non-controlling interests in consolidated entities using the purchase method of accounting with the KKR Group being treated as the accounting acquirer as described under "Unaudited Pro Forma Financial Information."

Our Partnership

We were formed as a Delaware limited partnership on June 25, 2007 and will act as a holding company for the Group Partnerships following the completion of the Transactions. Our partnership will have no operations and nominal assets consisting of cash and cash equivalents at the time the registration statement, of which this prospectus forms a part, is declared effective and, as a result, at the time of effectiveness our partnership may be considered a shell company as defined under Exchange Act rules. Upon completion of the Reorganization Transactions, the entities included in the financial statements of the KKR Group, other than the 1996 Fund and its general partners, will be reorganized under the Group Partnerships and we will serve as the ultimate general partner of the Group Partnerships, which will provide us with control over their business and affairs, and we will directly and indirectly own an aggregate of 21% of the Group Partnership units then outstanding. The remaining 79% of the Group Partnership units that are outstanding upon completion of the Transactions will be owned by our principals through KKR Holdings. Our percentage interest in the Group Partnerships may increase, and the percentage interest in the Group Partnerships that is held by KKR Holdings may decrease, to the extent that additional consideration becomes due and payable in respect of our CVIs. See "The KPE Transaction" and "Description of Our Contingent Value Interests."

We intend to make quarterly cash distributions to our unitholders in amounts that in the aggregate are expected to constitute substantially all of the cash earnings of our asset management business each year in excess of amounts determined by our Managing Partner to be necessary or appropriate to provide for the conduct of our business, to make appropriate investments in our business and our funds, to comply with applicable law, any of our debt instruments or other agreements or to provide for future distributions to our unitholders for any one or more of the ensuing four quarters. See "Distribution Policy." Our Managing Partner intends to cause the Group Partnerships to make distributions on the Group Partnership units in amounts that are sufficient to fund any distributions that we make on our common units. To the extent that we receive any distributions on the Group Partnership units that we hold, KKR Holdings and any other holder of Group Partnership units will be entitled to receive pro rata distributions on their Group Partnership units.

Our Managing Partner

As is commonly the case with limited partnerships, our partnership agreement provides for the management of our business and affairs by a general partner rather than a board of directors. Our Managing Partner serves as our sole general partner and has a board of directors that is co-chaired by our founders Henry Kravis and George Roberts. Messrs. Kravis and Roberts also serve as our Co-Chief Executive Officers and, in such positions, are authorized to appoint other officers of our partnership. Upon completion of the Transactions, the board will consist of a majority of independent directors and will have an audit committee and a conflicts committee consisting entirely of independent directors. Our Managing Partner will not have any economic interest in our partnership other than a single common unit.

Our unitholders do not hold securities of our Managing Partner and are not entitled to vote in the election of its directors or other matters affecting its governance. Accordingly, only those persons holding limited liability company interests in our Managing Partner will be entitled to vote in the election or removal of its directors, on proposed amendments to its charter documents or on other matters that require approval of its equity holders. Our Managing Partner's outstanding limited liability company interests consist of Class A shares, which are entitled to vote on the election and removal of directors and other matters that have not been delegated to the board of directors or reserved for the vote of Class B shareholders, and Class B shares, which are entitled to vote only with respect to the manner in which our subsidiaries vote any voting interests that they hold in the general partners of our foreign funds. Upon completion of the Transactions, all of the outstanding Class A shares and Class B shares of our Managing Partner will be held by our senior principals. Messrs. Kravis and Roberts will be able to exercise a majority of the voting power of Class A shares. See "Management Managing Partner Board Structure and Practices Election and Removal of Directors" and "Security Ownership Our Managing Partner."

Group Partnerships

Prior to the completion of the KPE Transaction, we will complete certain reorganization steps pursuant to which our business will be reorganized under the Group Partnerships. The reorganization steps will involve a contribution of equity interests in our business that are held by our principals to the Group Partnerships in exchange for newly issued Group Partnership units. We refer to these steps as the Reorganization Transactions. No cash will be received in connection with such exchanges. Following the completion of the Reorganization Transactions, our business will be conducted through the Group Partnerships and we will serve as the ultimate general partner of those entities. Our principals will hold their equity in the Group Partnerships through KKR Holdings, as described under " KKR Holdings."

In connection with the KPE Transaction, we will acquire all of the assets of KPE, including all of the interests in the Acquired KPE Partnership held by KPE, and assume all of the liabilities of KPE and its general partner, in exchange for common units and CVIs that will be issued by us. Upon completion of the KPE Transaction, we will directly or indirectly contribute all of the assets acquired from KPE, including all of the interests in the Acquired KPE Partnership held by KPE, to the Group Partnerships in exchange for newly issued Group Partnership units representing 21% of the equity in the Group Partnerships upon completion of the Transactions. The remaining 79% of the Group Partnership units that are outstanding upon completion of the Transactions will be owned by our principals through KKR Holdings. The Group Partnership units will allow us and KKR Holdings to share ratably in the assets, liabilities, profits, losses and distributions of the Group Partnerships based on our respective percentage interests in the Group Partnerships.

The Group Partnership units include a capital contribution adjustment mechanism, which we refer to as the CCAM, reflecting the terms of our CVIs. Under the adjustment mechanism, we will receive additional Group Partnership units, or cash contributed by KKR Holdings, to the extent any consideration is due in respect of the CVIs. See "Description of Our Contingent Value Interests." The CCAM will be settled with Group Partnership units or cash, as determined by KKR Holdings. We will deliver any consideration that we receive pursuant to the CCAM to holders of our CVIs as follows:

- If the CCAM is settled with newly issued Group Partnership units, we will issue an equivalent number of our own additional common units to CVI holders in settlement of the CVIs. A corresponding number of Group Partnership units held by KKR Holdings will then be cancelled.

- If the CCAM is settled with cash, KKR Holdings will contribute cash to the Group Partnerships in an amount equal to the cash settlement price of the CVIs (taking into account any tax incurred in connection with the distribution (or series of distributions) of such cash from the Group Partnerships to us). The Group Partnerships will distribute such cash to us for further delivery to CVI holders in settlement of the CVIs.

The consideration payable under the CCAM will be subject to a cap, such that the maximum consideration delivered in respect of the CCAM, as described above, and ultimately to CVI holders, will not exceed 0.2857 common units per CVI or $4.9444 of cash per CVI. The actual amount of consideration delivered, if any, may be lower and will ultimately depend on the trading price of our common units and the amount of distributions that we make thereon.

Components of Our Business Owned by the Group Partnerships

Upon completion of the Transactions, our business will be conducted through the Group Partnerships and we will serve as the ultimate general partner of those entities. Except for the non-controlling interests in our funds that are held by fund investors, interests in the general partners of the 1996 Fund and the Retained Interests described below, the Group Partnerships will own:

- all of the controlling and economic interests in our fee-generating management companies and capital markets companies, which will allow us to control those entities and share ratably in the management, advisory and incentive fees earned from all of our funds, managed accounts, portfolio companies, capital markets transactions and other investment products;

- all of the controlling and economic interests in the general partners of our funds and all of the entities that are entitled to receive carry from our co-investment vehicles, which will allow us to control those entities and share ratably in the carried interest received by them as well as any returns on investments made by or on behalf of the general partners after the completion of the Transactions; and

- all of the controlling and economic interests in the Acquired KPE Partnership and the other assets of KPE, which will allow us to control the Acquired KPE Partnership and such other assets and share ratably in the returns that they generate.

In connection with the Transactions, certain minority investors will retain the following interests in our business and such interests will not be acquired by the Group Partnerships:

- controlling and economic interests in the general partners of the 1996 Fund, which interests will not be contributed to the Group Partnerships due to the fact that the general partners are not expected to receive meaningful proceeds from further realizations;

- non-controlling economic interests that will allocate to a former principal and such person's designees an aggregate of 1% of the carried interest received by general partners of our funds and 1% of our profits until a future date;

- non-controlling economic interests that will allocate to certain of our former principals and their designees a portion of the carried interest received by the general partners of our private equity funds with respect to private equity investments made during such former principals' tenure with our firm;

- non-controlling economic interests that will allocate to certain of our current and former principals all of the capital invested by or on behalf of the general partners of our private equity funds before the completion of the Transactions and any returns thereon; and

- a non-controlling economic interest that will allocate to a third party an aggregate of 2% of the equity in the KKR Group's capital markets business.

The interests described in the immediately preceding bullets (other than interests in the general partners of the 1996 Fund) are referred to as the Retained Interests. Following the completion of the Transactions, the Retained Interests will be reflected in our financial statements as non-controlling interests in consolidated entities. Except for the Retained Interest in our capital markets business, these interests generally are expected to run-off over time, thereby increasing the interests of the Group Partnerships in the entities that comprise our business.

You should note that the interests that the Group Parterships will own as described above do not represent all of the interests in the KKR Group that are reflected in the predecessor combined financial statements included elsewhere in this prospectus or interests in all of the entities that we have sponsored over time. In particular, the Group Partnerships will not acquire any interests in the general partners of the 1987 Fund, the 1993 Fund or the 1996 Fund, because those general partners are not expected to receive

meaningful proceeds from further realizations. While the general partners of the 1987 Fund and the 1993 Fund are not included in our predecessor combined financial statements given that they were not significant to our business and operations during the historical periods for which financial information is presented in this prospectus, we have included the general partners of the 1996 Fund in our predecessor combined financial statements due to the fact that such entities were significant to our business and operations and under the common control of our senior principals during such periods.

In addition, as described under "Our Management's Discussion and Analysis of Financial Condition and Results of Operations Basis of Financial Presentation," we are required to consolidate in our financial statements the funds over which we exercise substantive controlling rights and operational discretion, despite the fact that the substantial majority of the economic interests in those entities are held by third party investors. The entities that are so consolidated for historical periods include the 1996 Fund, the European Fund, the Millennium Fund, the European Fund II, the 2006 Fund, the Asian Fund, the European Fund III, the Acquired KPE Partnership, the entities that have the right to receive carry from co-investment vehicles and two of the side-by-side funds that comprise the KKR Strategic Capital Funds. Except for interests in the Acquired KPE Partnership that will be acquired from KPE in the KPE Transaction, we will not acquire any of the economic interests in these entities that are held by third party investors.

KKR Holdings

Upon completion of the Transactions, our principals will hold interests in our business through KKR Holdings, which will own all of the outstanding Group Partnership units that are not held by us. These individuals will receive financial benefits from our business in the form of distributions and payments received from KKR Holdings and through their direct and indirect participation in the value of Group Partnership units held by KKR Holdings, and KKR Holdings will bear the economic costs of any executive bonuses paid to them.

Our principals' interests in Group Partnership units that are held by KKR Holdings will be subject to transfer restrictions and, except for certain interests that will be vested upon completion of the Transactions, will be subject to vesting requirements and forfeitable if the principal ceases to be involved in our business prior to vesting. Unvested interests will time-vest on annual vesting dates over a specified period of years that will be determined, with respect to each principal, based on seniority, tenure and certain other factors. Once vested, interests will remain subject to restrictions on transfers and exchanges of the related Group Partnership units during a transfer restrictions period. The transfer restrictions period will last for a minimum of (i) one year with respect to one-half of the interests vesting on an annual vesting date and (ii) two years with respect to the other one-half of the interests vesting on such annual vesting date.

In connection with the Transactions, KKR Holdings expects to vest certain interests at closing and to subject unvested interests in Group Partnership units that are attributable to our senior principals to vesting periods of either six years or eight years. Interests that are vested at closing will remain subject to transfer restrictions as set forth in the tables below. The following tables present the cumulative amount of

Group Partnership units that will be vested and transferable as of the dates indicated under each vesting schedule.

6 Year Vesting Schedule			8 Year Vesting Schedule		
	Cumulative Amount Vested	Cumulative Amount Transferable		Cumulative Amount Vested	Cumulative Amount Transferable
Closing		0%	Closing		0%
End of Year 1			End of Year 1		
End of Year 2			End of Year 2		
End of Year 3			End of Year 3		
End of Year 4			End of Year 4		
End of Year 5			End of Year 5		
End of Year 6	100%		End of Year 6		
End of Year 7			End of Year 7		
End of Year 8		100%	End of Year 8	100%	
			End of Year 9		
			End of Year 10		100%

The transfer and vesting restrictions applicable to our principals' interests in Group Partnership units that are held by KKR Holdings may not be enforceable in all cases and can be waived, modified or amended at any time without our consent.

Equity Awards

In connection with the Transactions, we intend to grant to our employees who do not hold interests in KKR Holdings awards under our 2008 Equity Incentive Plan. The form and amount of awards to be granted under the plan have not yet been determined. Any such awards will be subject to vesting and transfer restrictions. The total number of our common units that may initially be issued under our 2008 Equity Incentive Plan will be equivalent to 2% of the number of fully diluted common units outstanding upon completion of the Transactions. See "Management Equity Awards."

Exchange Agreement

In connection with the Transactions, we will enter into an exchange agreement with KKR Holdings pursuant to which KKR Holdings and certain of the transferees of its Group Partnership units may, up to four times each year, exchange Group Partnership units held by them (together with corresponding special voting units in our partnership) for our common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. At the election of the Group Partnerships, the Group Partnerships may settle exchanges of Group Partnership units with cash in an amount equal to the fair market value of the common units that would otherwise be deliverable in such exchanges. If we elect to settle an exchange of Group Partnership units with cash, we will cancel the Group Partnership units that are acquired in the exchange, which will result in a corresponding reduction in the number of fully diluted common units and special voting units that we have outstanding following the exchange.

Interests in KKR Holdings that are held by our principals will be subject to significant transfer restrictions and vesting requirements that, unless waived, modified or amended, will limit the ability of our principals to cause Group Partnership units to be exchanged under the exchange agreement so long as the applicable vesting and transfer restrictions apply. The general partner of KKR Holdings, which will initially be controlled by our founders, will have sole authority for waiving, modifying or amending any applicable vesting or transfer restrictions. Pursuant to a lock-up agreement that we will enter into with KKR

Holdings, exchanges cannot be effected for 180 days after the completion of the KPE Transaction, subject to certain exceptions.

Tax Receivable Agreement

The acquisition by our intermediate holding company of Group Partnership units from KKR Holdings or transferees of its Group Partnership units from time to time pursuant to the exchange agreement is expected to result in an increase in 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 tax our intermediate holding company 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 will enter into a tax receivable agreement with KKR Holdings requiring our intermediate holding company to pay to KKR Holdings or transferees of its 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 company actually realizes (or is deemed to realize, in the case of an early termination payment by our intermediate holding company or a change of control) as a result of this increase in tax basis, as well as 85% of the amount of any such savings the intermediate holding company actually realizes (or is deemed to realize) as a result of increases in tax basis that arise due to future payments under the agreement. Although we are not aware of any issue that would cause the IRS to challenge a tax basis increase, 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 benefits of such increases, were successfully challenged by the IRS. See "Certain Relationships and Related Party Transactions Tax Receivable Agreement." In the event that other of our current or future subsidiaries become taxable as corporations and acquire Group Partnership units in the future, or if we become taxable as a corporation for U.S. federal income tax purposes, each will become subject to a tax receivable agreement with substantially similar terms.

Other Tax Matters

As discussed in "Material U.S. Federal Tax Considerations," under existing laws and regulations our partnership will be treated as a partnership and not as a corporation for U.S. federal income tax purposes. An entity that is treated as a partnership for U.S. federal income tax purposes is not a taxable entity and incurs no U.S. federal income tax liability. Instead, each partner is required to take into account its allocable share of items of income, gain, loss and deduction of the partnership in computing its U.S. federal income tax liability, regardless of whether cash distributions are made. Distributions of cash by a partnership to a partner are generally not taxable unless the amount of cash distributed to a partner is in excess of the partner's adjusted basis in its partner interest. However, our partnership agreement does not restrict our ability to take actions that may result in us being treated as an entity taxable as a corporation for U.S. federal (and applicable state) income tax purposes. See "Material U.S. Federal Tax Considerations" for a summary discussing certain U.S. federal tax considerations related to the purchase, ownership and disposition of our common units as of the date of this prospectus. Also see "Risk Factors Risks Related to Our Business Legislation has been introduced that would, if enacted, preclude us from qualifying as a partnership for U.S. federal income tax purposes. If this or any similar legislation or regulation were to be enacted and apply to us, we would incur a material increase in our tax liability that could result in a reduction in the value of our common units."

We believe that the Group Partnerships will also be treated as partnerships and not as corporations for U.S. federal income tax purposes. Accordingly, the holders of Group Partnership units, including our intermediate holding company, will incur U.S. federal, state and local income taxes on their proportionate share of any net taxable income of the Group Partnerships. Net profits and net losses of a Group

Partnership will generally be allocated to its partners (including our partnership and our intermediate holding company) pro rata in accordance with the percentages of their respective partner interests. Because we will directly and indirectly own an aggregate of 21% of the outstanding Group Partnership units upon completion of the Transactions, our partnership will initially be indirectly allocated 21% of the net profits and net losses of the Group Partnerships as described under "Distribution Policy." The remaining net profits and net losses will be allocated to the other holders of Group Partnership units, which will initially consist of KKR Holdings. These percentages are subject to change, including upon an exchange of Group Partnership units for our common units, as a result of the CCAM relating to our CVIs.

If the general partners of the Group Partnerships determine that distributions from the Group Partnerships would otherwise be insufficient to cover the tax liabilities of a holder of a Group Partnership unit, the partnership agreement of each Group Partnership will provide for cash distributions, which we refer to as tax distributions, to the holders of Group Partnership units. 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 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 non-deductibility of certain expenses and the character of the income). If we had completed the Transactions on January 1, 2008, the assumed effective tax rate for the year ended December 31, 2007 would have been approximately 46%. A portion of any such tax distributions received by us, net of amounts used by our subsidiaries to pay their tax liability, will be distributed to our unitholders. Such amounts are generally expected to be sufficient to permit our U.S. unitholders to fund their estimated U.S. tax obligations (including any federal, state and local income taxes) with respect to their distributive shares of net income or gain, other than taxes with respect to distributions paid by the intermediate holding company to us, after taking into account any withholding tax imposed on us. We cannot assure you that, for any particular unitholder, such distributions will be sufficient to pay the unitholder's actual U.S. or non-U.S. tax liability.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma financial information contained in this prospectus is subject to completion due to the fact that certain information relating to the Transactions and other arrangements to be entered into in connection therewith currently is not determinable. We intend to complete this pro forma financial information, including amounts relating to the pro forma adjustments set forth in the accompanying unaudited condensed pro forma statement of financial condition and unaudited condensed pro forma statements of operations, as and when we update this prospectus and such information becomes available.

The following unaudited condensed pro forma statements of operations for the year ended December 31, 2007 and the six months ended June 30, 2008 and the unaudited condensed pro forma statement of financial condition as of June 30, 2008 give effect to (i) the KFI Transaction in the pro forma statement of operations only, as the transaction occurred on May 30, 2008 and is already reflected in the statement of financial condition as of June 30, 2008, (ii) the Reorganization Transactions, (iii) the KPE Transaction and (iv) certain other arrangements entered into in connection therewith as if such transactions and arrangements had been completed as of January 1, 2007 with respect to the unaudited condensed pro forma statements of operations and as of June 30, 2008 with respect to the unaudited pro forma statement of financial condition.

The unaudited condensed pro forma statements of operations and the unaudited condensed pro forma statement of financial condition are based on the historical combined financial statements of the KKR Group, our accounting predecessor, included elsewhere in this prospectus. The unaudited pro forma measure of economic net income for the year ended December 31, 2007 and the six months ended June 30, 2008, which represents a supplemental measure used by management to make operating decisions, assess performance and allocate resources, is based upon historical measures of the KKR Group included elsewhere in this prospectus. The pro forma adjustments are described in the accompanying notes and are based on available information and assumptions that management believes are reasonable in order to reflect, on a pro forma basis, the impact of the transactions and related arrangements described above on the historical financial information of the KKR Group.

This unaudited pro forma financial information is included for informational purposes only and does not purport to reflect the results of operations or financial position that would have occurred had the transactions and arrangements described above occurred on the dates indicated or had we operated as a public company during the periods presented or for any future period or at any future date. You are cautioned not to place undue reliance on this information. You should read this information in conjunction with "Organizational Structure," "Our Management's Discussion and Analysis of Financial Condition and Results of Operations," "KPE Management's Discussion and Analysis of Financial Condition and Results of Operations," "The KPE Transaction" and the historical predecessor combined financial statements and related notes included elsewhere in this prospectus.

Basis of Presentation

The KKR Group will be our predecessor for accounting purposes upon completion of the Reorganization Transactions, which will take place subsequent to the time the registration statement, of which this prospectus forms a part, is declared effective, and its historical combined financial statements will be our historical financial statements following the completion of the Transactions. The entities comprising the KKR Group are under the common control of its senior principals. Because the legal entities that comprise the KKR Group are under the common control of the senior principals and will continue to be under their common control following the completion of the Transactions, we will account for the Transactions as a transfer of interests under common control. Certain portions of the Transactions, however, will be accounted for as acquisitions of non-controlling interests in consolidated entities using the purchase method of accounting with the KKR Group being treated as the accounting acquirer.

In accordance with GAAP, the historical combined financial statements of the KKR Group consolidate a number of funds that are sponsored by the KKR Group, despite the fact that the KKR Group has only a minority economic interest in those entities. This consolidation is due to the substantive controlling rights and operational discretion that the KKR Group maintains over the funds through its general partner or managing member interests and the fact that non-controlling interest holders do not hold any substantive rights that would enable them to impact the ongoing governance and operating activities of such entities.

As a result of the consolidation of the consolidated funds, the combined financial statements of the KKR Group reflect the assets, liabilities, revenues, expenses and cash flows of the consolidated funds on a gross basis. The majority of the economic interests in the consolidated funds, which are held by third-party investors, are reflected as non-controlling interests. Substantially all of the management fees and certain other amounts that the KKR Group earns from the consolidated funds are eliminated in combination. However, because those amounts are earned from non-controlling interest holders, the KKR Group's allocable share of the net income from the consolidated funds is increased by the amounts eliminated. Accordingly, the consolidation of the consolidated funds does not have a net effect on the amounts of income (loss) before taxes, net income (loss) or partners' capital that are reported by the KKR Group.

While the consolidation of the consolidated funds does not have a net effect on the amounts of income (loss) before taxes, net income (loss) or partners' capital reported by the KKR Group, the consolidation does significantly impact other aspects of the combined financial statement presentation of the KKR Group. This is due to the fact that the assets, liabilities, income and expenses of the consolidated funds are reflected on a gross basis while the allocable share of those amounts that are attributable to non-controlling interest holders are reflected as single line items. The single line items in which the assets, liabilities, income and expense attributable to non-controlling interest holders are recorded consist of non-controlling interests in consolidated entities in the statement of financial condition and non-controlling interests in income of consolidated entities in the statement of operations.

KFI Transaction

In the historical combined financial statements, the KKR Group held all of the equity interests in KFI other than certain non-controlling interests that allocated 35% of the net income generated by KFI to certain of its executives on an annual basis. On May 30, 2008, the KKR Group acquired all of these outstanding interests in KFI. As a result of the KFI Transaction, the KKR Group now owns 100% of the equity interests in KFI and is entitled to all of the net income and related cash flows generated by its fixed income segment. While not part of the Transactions, the pro forma condensed financial information includes the effects of the KFI Transaction, because management believes such information is important to understanding the ongoing operating results subsequent to the Transactions.

1996 Fund and Retained Interests

Following the time the registration statement, of which this prospectus forms a part, is declared effective and prior to the completion of the KPE Transaction, we will complete a series of transactions, which we refer to as the Reorganization Transactions, pursuant to which our business will be reorganized under the Group Partnerships. The reorganization will involve a contribution of equity interests in our business that are held by our principals to the Group Partnerships in exchange for newly issued partner interests in the Group Partnerships. No cash will be received in connection with such exchanges. Following the completion of the Reorganization Transactions, our business will be conducted through the Group Partnerships and we will serve as the ultimate general partner and parent company of those entities. Our principals will hold their equity in the Group Partnerships through KKR Holdings.

Upon completion of the Transactions, except for non-controlling interests in our funds that are held by fund investors, interests in the general partners of the 1996 Fund and the Retained Interests described below, the Group Partnerships will own:

- all of the controlling and economic interests in our fee-generating management companies and capital markets companies, which will allow us to control those entities and share ratably in the management, advisory and incentive fees earned from all of our funds, managed accounts, portfolio companies, capital markets transactions and other investment products; and

- all of the controlling and economic interests in the general partners of our funds and all of the entities that are entitled to receive carry from co-investment vehicles, which will allow us to control those entities and share ratably in the carried interest received by them as well as any returns on investments made by or on behalf of the general partners after the completion of the Transactions; and

- all of the controlling and economic interests in the Acquired KPE Partnership and the other assets of KPE, which will allow us to control the Acquired KPE Partnership and such other assets and share ratably in the returns that they generate.

In connection with the Transactions, certain minority investors will retain the following interests in the KKR Group and such interests will not be acquired by the Group Partnerships:

- controlling and economic interests in the general partners of the 1996 Fund, which interests will not be contributed to the Group Partnerships due to the fact that the general partners are not expected to receive meaningful proceeds from further realizations;

- non-controlling economic interests that will allocate to a former principal and such principal's designees an aggregate of 1% of the carried interest received by general partners of our funds and 1% of our other profits until a future date;

- non-controlling economic interests that will allocate to certain former principals and their designees a portion of the carried interest received by the general partners of the KKR Group's private equity funds with respect to private equity investments made during such former principals' tenure with the KKR Group;

- non-controlling economic interests that will allocate to certain current and former principals all of the capital invested by or on behalf of the general partners of the KKR Group's private equity funds before the completion of the Transactions and any returns thereon; and

- a non-controlling economic interest that will allocate to a third party an aggregate of 2% of the equity in the KKR Group's capital markets business.

The controlling and economic interests in the general partners of the 1996 Fund that are described above will no longer be reflected in the combined financial statements of the KKR Group following the completion of the Transactions, because such interests will not be acquired by the Group Partnerships. The other interests described in the immediately preceding bullets, which are referred to as the Retained Interests, will be accounted for as non-controlling interests in consolidated funds following the completion of the Transactions due to the fact that such interests will be held at a subsidiary level. The allocable share of income and expense attributable to such interests will be accounted for as non-controlling interests in income of consolidated entities, and the allocable share of capital attributable to such interests will be accounted for as non-controlling interests in consolidated entities.

Acquisition of Interests and Other Reorganization Transactions

In connection with the Reorganization Transactions, we, KKR Holdings and our principals will enter into certain other arrangements and transactions that are reflected in the following unaudited pro forma financial information. These arrangements and transactions relate to:

- the contribution by principals who are not senior principals (and therefore not part of our control group) of equity interests in our business in exchange for newly issued Group Partnership units that will be indirectly held through KKR Holdings;
- the compensation and equity ownership of our principals and other personnel in our business, including matters involving the vesting of Group Partnership units held indirectly through KKR Holdings, the allocation of distributions and other payments from KKR Holdings and the payment or funding of executive bonuses by KKR Holdings;
- the allocation of tax benefits that may result from exchanges of Group Partnership units held by our principals through KKR Holdings; and
- certain distributions that will be made to our existing owners prior to the completion of the Transactions.

We have made adjustments relating to these arrangements and transactions in the following unaudited pro forma financial information to the extent that information relating to such matters is currently available and objectively determinable.

KPE Transaction

In connection with the KPE Transaction, we will acquire all of the assets of KPE, including all of the interests in the Acquired KPE Partnership held by KPE, and assume all of the liabilities of KPE and its general partner in exchange for common units and CVIs that will be issued by us. Upon completion of the KPE Purchase, we will directly or indirectly contribute all of the assets acquired from KPE, including all of its interests in the Acquired KPE Partnership, to the Group Partnerships in exchange for newly issued Group Partnership units. Interests in one of our Group Partnerships will be held through an intermediate holding company that is taxable as a corporation for U.S. federal income tax purposes and will be subject to additional taxes on an entity level.

Upon completion of the KPE Transaction, we will initially hold 21% of the outstanding Group Partnership units and our principals, through KKR Holdings, will initially hold 79% of the outstanding Group Partnership units. The Group Partnership units that we will initially hold will include a capital contribution adjustment mechanism, which we refer to as the CCAM, which reflects the terms of our CVIs. Under the CCAM, if amounts become due under our CVIs, we will be entitled to receive a variable amount of newly issued Group Partnership units or cash in an amount sufficient to fund such amounts. KKR Holdings will have the right to determine whether the CCAM is settled with additional Group Partnership units or cash and, as a result, the form of settlement of the CVIs.

Public Company Expenses

Following the Transactions, we will incur costs associated with being a publicly traded company. Such costs will include new or increased expenses for such items as insurance, directors' fees, accounting work, legal advice, investor relations and compliance with applicable regulatory and stock exchange requirements, including costs associated with compliance with the Sarbanes-Oxley Act and periodic or current reporting obligations. No pro forma adjustments have been made to reflect such costs due to the fact that they currently are not objectively determinable.

Unaudited Pro Forma Condensed Combined Statement of Financial Condition

As of June 30, 2008

		Pre-KPE Transaction Adjustments					
	KKR Group Combined Historical	Adjustments for KFI Transaction(1), 1996 Fund and Retained Interests(2)	Acquisition of Interests and Other Reorganization Adjustments(3)	Adjustments for KPE Transaction(4)	KKR Group As Adjusted	Allocation to KKR Holdings(5)	KKR & Co. L.P. Combined Pro Forma
	($ in thousands)						
Assets							
Cash and Cash Equivalents	$ 117,992	$ (5,762)(c)			$		$
Cash and Cash Equivalents held at Consolidated Entities	783,946	(11,758)(c)					
Restricted Cash and Cash Equivalents	78,819						
Investments, at Fair Value	32,759,348	(1,081,549)(c)					
Due from Affiliates	48,614	2,115					
Other Assets	223,422						
Total Assets	$ 34,012,141	$ (1,096,954)	$		$		$
Liabilities and Partners' Capital							
Debt Obligations	$ 1,947,547				$		$
Due to Affiliates	9,007						
Accounts Payable, Accrued Liabilities and Other Liabilities	953,856	(52,174)(c)					
Total Liabilities	2,910,410	(52,174)					
Commitments and Contingencies							
Non-Controlling Interests in Consolidated Entities	29,710,041	(272,533)(c)(d)					
Partners' Capital							
Partners' Capital	1,379,875	(772,247)(c)(d)					
Accumulated Other Comprehensive Income	11,815						
Total Partners' Capital	1,391,690	(772,247)					
Total Liabilities and Partners' Capital	$ 34,012,141	$ (1,096,954)	$		$		$

Pre-KPE Transaction Adjustments

Unaudited Pro Forma Condensed Combined Statement of Operations
Year Ended December 31, 2007

	KKR Group Combined Historical	Pre-KPE Transaction Adjustments: Adjustments for KFI Transaction(1), 1996 Fund and Retained Interests(2)	Acqusition of Interests and Other Reorganization Adjustments(3)	Adjustments for KPE Transaction(4)	KKR Group As Adjusted	Allocation to KKR Holdings(5)	KKR & Co. L.P. Combined Pro Forma
	($ in thousands, except per unit data)						
Revenues							
Fee Income	$ 862,265	$ 6,087 (c)			$		$
Expenses							
Employee Compensation and Benefits	212,766						
Occupancy and Related Charges	20,068						
General, Administrative and Other	128,036	1,518 (b)(c)					
Fund Expenses	80,040	628 (c)					
Total Expenses	440,910	2,146					
Investment Income							
Net Gains (Losses) from Investment Activities	1,111,572	(395,763)(c)					
Dividend Income	747,544	(47,862)(c)					
Interest Income	218,920	(11,841)(c)					
Interest Expense	(86,253)	111 (c)					
Total Investment Income (Loss)	1,991,783	(455,355)					
Income (Loss) before Non-Controlling Interests in Income (Loss) of Consolidated Entites and Income Taxes	2,413,138	(451,414)					
Non-Controlling Interests in Income (Loss) of Consolidated Entities	1,598,310	(290,951)(a)(c)(d)					
Income (Loss) Before Taxes	814,828	(160,463)					
Income Taxes	12,064						
Net Income (Loss)	$ 802,764	$ (160,463)	$		$		$
Net Income (Loss) Per Common Unit(6)							
Basic							
Diluted							
Weighted Average Common Units							
Basic							
Diluted							

Unaudited Pro Forma Condensed Combined Statement of Operations
Six Months Ended June 30, 2008

	KKR Group Combined Historical	Pre-KPE Transaction Adjustments: Adjustments for KFI Transaction(1), 1996 Fund and Retained Interests(2)		Pre-KPE Transaction Adjustments: Acqusition of Interests and Other Reorganization Adjustments(3)	Adjustments for KPE Transaction(4)	KKR Group As Adjusted	Allocation to KKR Holdings(5)	KKR & Co. L.P. Combined Pro Forma
				($ in thousands, except per unit data)				
Revenues								
Fee Income	$ 135,302	$ 2,138	(c)			$		$
Expenses								
Employee Compensation and Benefits	91,704							
Occupancy and Related Charges	15,326							
General, Administrative and Other	68,953	1,408	(b)(c)					
Fund Expenses	34,540							
Total Expenses	210,523	1,408						
Investment Income								
Net Gains (Losses) from Investment Activities	(1,177,079)	144,800	(c)					
Dividend Income	77,098	(16,210)	(c)					
Interest Income	51,062	(3,109)	(c)					
Interest Expense	(67,984)	96	(c)					
Total Investment Income (Loss)	(1,116,903)	125,577						
Income (Loss) before Non-Controlling Interests in Income (Loss) of Consolidated Entites and Income Taxes	(1,192,124)	126,307						
Non-Controlling Interests in Income (Loss) of Consolidated Entities	(1,195,014)	10,036	(a)(c)(d)					
Income (Loss) Before Taxes	2,890	116,271						
Income Taxes	3,987							
Net Income (Loss)	$ (1,097)	$ 116,271		$		$		$
Net Income (Loss) Per Common Unit(6)								
Basic								
Diluted								
Weighted Average Common Units								
Basic								
Diluted								

Notes to Unaudited Pro Forma Financial Information

(All amounts are in thousands ($000's))

1. Adjustments for KFI Transaction

The KFI Transaction has been accounted for as an acquisition of non-controlling interests in a consolidated entity using the purchase method of accounting in accordance with Financial Accounting Standards Board ("FASB") Statement No. 141 ("SFAS 141") "Business Combinations." The total consideration of the KFI Transaction was $44,171. We recorded the excess of the total consideration over the carrying value of the non-controlling interests acquired (which approximates the fair value of the net assets acquired and which is already included in the combined statements of financial condition) to finite-lived identifiable intangible assets consisting of management, advisory, and incentive fee contracts. Based on the initial allocation of purchase price, we have recorded intangible assets of $37,886 and are expecting an estimated useful life of ten years, based on contractual provisions that enable renewal of the contracts without substantial cost and our prior history of such renewals. These initial estimates are subject to adjustment based on the results of a final third party valuation. Beginning June 1, 2008, 100% of the results of operations of the management companies of our fixed income segment are included in net income.

(a)

Reflects the elimination of the historical amount of non-controlling interests in income (loss) of consolidated entities as a result of the KFI Transaction. For the year ended December 31, 2007 and the six months ended June 30, 2008, the pro forma impact of the inclusion of these non-controlling interests resulted in a reduction of income attributable to the non-controlling interests of $23,265 and $6,421, respectively.

(b)

Reflects the recognition of the periodic amortization expense based on the value of the intangible assets on the date of the KFI Transaction. The identifiable intangible assets consist of management, advisory, and incentive fee contracts that are expected to have an estimated useful life of ten years, based on contractual provisions that enable renewal of the contracts without substantial cost and our prior history of such renewals. For the year ended December 31, 2007 and the six months ended June 30, 2008, the pro-forma impact of the periodic amortization expense associated with these intangible assets resulted in net charges accounted for in general, administrative and other expense of $3,789 and $1,579, respectively.

The following table illustrates the statement of operations line items affected by the KFI Transaction:

	December 31, 2007	June 30, 2008
General, Administrative and Other	$ 3,789	$ 1,579
Total Expenses	3,789	1,579
Income (Loss) before Non-Controlling Interests in Income (Loss) of Consolidated Entities and Income Taxes	(3,789)	(1,579)
Non-Controlling Interests in Income (Loss) of Consolidated Entities	(23,265)	(6,421)
Income (Loss) Before Taxes	$ 19,476	$ 4,842

2. Adjustments for 1996 Fund and Retained Interests

Presents the effects of the elimination of the controlling and economic interest in the general partners of the 1996 Fund and the elimination of the financial results of certain Retained Interests.

(c)

Reflects the elimination of the financial results of the general partners of the 1996 Fund, because the Group Partnerships will not acquire an interest in those general partners in connection with the Reorganization Transactions due to the fact that the general partners of those funds are not expected to receive meaningful proceeds from further realizations. Those general partners are entitled to carried interests that allocate to them a percentage of the net profits generated on the fund's investments, subject to certain requirements. The funds also pay management fees to the KKR Group in exchange for management and other services.

The elimination of the controlling and economic interests in the general partner of the 1996 Fund resulted in a $153,820 decrease in total partners' capital as of June 30, 2008, representing the excess of eliminated assets of $1,096,954 over eliminated liabilities of $52,174 and eliminated non-controlling interests in consolidated entities of $890,960. For the year ended December 31, 2007 and the six months ended June 30, 2008, the elimination of the 1996 Fund general partners' consolidated results resulted in (i) the recognition of $6,087 and $2,138, respectively, of fee income from management fees paid by the 1996 Fund that had been eliminated in consolidation as inter-company transactions, (ii) eliminations of $1,643 and $171 of expenses, respectively, (iii) eliminations of $455,355 and $(125,577) of investment income (loss), respectively, and (iv) eliminations of $338,667 and $(100,838) of non-controlling interests in income (loss) from consolidated entities, respectively, because those items will no longer be reflected in our consolidated financial statements following the completion of the Reorganization Transactions.

The following table illustrates the statement of financial condition line items affected by the deconsolidation of the 1996 Fund:

		As of June 30, 2008
Cash and Cash Equivalents	$	(5,762)
Cash and Cash Equivalents held at Consolidated Entities	$	(11,758)
Investments, at Fair Value	$	(1,081,549)
Due from Affiliates	$	2,115
Accounts Payable, Accrued Expenses and Other Liabilities	$	(52,174)
Non-Controlling Interests in Consolidated Entities	$	(890,960)
Partners' Capital	$	(153,820)

The following table illustrates the statement of operations line items affected by the deconsolidation of the 1996 Fund:

		For the year ended December 31, 2007		For the six months ended June 30, 2008
Fee Income	$	6,087	$	2,138
General, Administrative and Other		(2,271)		(171)
Fund Expenses		628		
Total Expenses		(1,643)		(171)
Net Gains (Losses) from Investment Activities		(395,763)		144,800
Dividend Income		(47,862)		(16,210)
Interest Income		(11,841)		(3,109)
Interest Expense		111		96
Total Investment Income (Loss)		(455,355)		125,577
Income (Loss) before Non-Controlling Interests in Income (Loss) of Consolidated Entities and Income Taxes		(447,625)		127,886
Non-Controlling Interests in Income (Loss) of Consolidated Entities		(338,667)		100,838
Income (Loss) Before Taxes	$	(108,958)	$	27,048

(d)

Reflects the adjustment for the inclusion of additional non-controlling interests in consolidated entities representing Retained Interests, other than the Retained Interests in our capital markets business, which have been reflected as non-controlling interests in consolidated entities in the historical periods. On a pro forma basis as of June 30, 2008, such additional non-controlling interests in consolidated entities were carried at $618,427 and have been reclassified from partners' capital.

Because capital investments made by or on behalf of the general partners of the KKR Group's private equity funds following the completion of the Reorganization Transactions will be held by the Group Partnerships, no pro forma adjustments have been made to the pro forma statements of operations to eliminate the financial results of any capital investments made on or after January 1, 2007. For the year ended December 31, 2007 and the six months ended June 30, 2008, on a pro forma basis, the inclusion of certain Retained Interests as non-controlling interests resulted in an increase (decrease) to non-controlling interests in income (loss) of consolidated subsidiaries of $70,981 and $(84,381), respectively.

See "Organizational Structure Components of Our Business Owned by the Group Partnerships" for a description of the Retained Interests.

The following table illustrates the statement of financial condition line items affected by the adjustments for retained interests as of June 30, 2008:

	1% of Carried Interest and our Other Profits Allocated to a Former Principal and Designees	Carried Interest of Certain Former Principals	Fair Value of Capital Invested by or on behalf of the General Partner of the KKR Group Private Equity Funds	Total Retained Interest Adjustment
Non-Controlling Interests in Consolidated Entities	12,380	45,056	560,991	618,427
Partners' Capital	(12,380)	(45,056)	(560,991)	(618,427)

The following table illustrates the line items in the statement of operations for the six months ended June 30, 2008 affected by the adjustments for Retained Interests:

	1% of Carried Interest and our Other Profits Allocated to a Former Principal and Designees	Carried Interest of Certain Former Principals	Fair Value of Capital Invested by or on behalf of the General Partner of the KKR Group Private Equity Funds	Total Retained Interest Adjustment
Non-Controlling Interests in Income (Loss) of Consolidated Entities	312	(23,930)	(60,763)	(84,381)
Income (Loss) Before Taxes	(312)	23,930	60,763	84,381

The following table illustrates the line items in the statement of operations for the year ended December 31, 2007 affected by the adjustments for Retained Interests:

	1% of Carried Interest and our Other Profits Allocated to a Former Principal and Designees	Carried Interest of Certain Former Principals	Fair Value of Capital Invested by or on behalf of the General Partner of the KKR Group Private Equity Funds	Total Retained Interest Adjustment
Non-Controlling Interests in Income (Loss) of Consolidated Entities	7,565	10,472	52,944	70,981
Income (Loss) Before Taxes	(7,565)	(10,472)	(52,944)	(70,981)

3. Acquisition of Interests and Other Reorganization Adjustments

(e)

The contribution by principals who are not senior principals of their equity interests in the KKR Group to the Group Partnerships in the Reorganization Transactions will be accounted for as an acquisition of a non-controlling interest in a consolidated entity using the purchase method of accounting with the KKR Group being treated as the accounting acquirer. The total consideration paid approximates $ and reflects the fair value of vested Group Partnership units held indirectly through KKR Holdings interests issued in the exchange. We have reflected the acquired tangible net assets at their fair value, which approximates $. The remainder of the purchase price over the fair value of the tangible assets acquired approximates $ and has been included in Other Assets in the unaudited condensed consolidated pro forma statement of financial condition as of June 30, 2008. As the equity interests acquired represent the right to receive a portion of the future carry to be received by the general partners of the funds from our current private equity portfolio, the remainder of the purchase price equals the fair value of these finite-lived intangible assets acquired.

The following is a preliminary estimate of the allocation of the purchase price as described above. This allocation is subject to change as valuation analyses are finalized and remaining information on the fair value of assets and liabilities is received.

Purchase price	$
Net assets acquired at fair value	$
Identifiable intangible assets	$
Total	$

The estimated useful lives of the identifiable intangibles are expected to range between and years and are expected to be amortized over their estimated useful lives in a manner which reflects the pattern in which the asset's economic benefits are expected to be consumed. Accordingly, for the year ended December 31, 2007 and the six month period ended June 30, 2008, on a pro forma basis, periodic amortization expense related to these acquired intangible assets resulted in net charges accounted for in general, administrative and other expense of $ and $ of amortization expense, respectively.

(f)

The adjustments reflect the effect of one or more cash and in-kind distributions to certain of our existing principals representing substantially all of the cash-on-hand, certain receivables of our management companies and capital markets companies and certain personal property (consisting of non-operating assets) of the management company for our private equity funds. If the Transactions had occurred on June 30, 2008, we estimate that the aggregate amount of such distributions would have been $ as of such date. However, the actual amount of such distributions will depend on the amounts of available cash-on-hand and receivables of our management companies and capital markets companies and the book value of the distributed personal property at the time of distribution.

(g)

Following the Transactions, our principals will receive financial benefits from our business in the form of distributions or payments received from KKR Holdings and through their direct or indirect participation in the value of Group Partnership units held by KKR Holdings and KKR Holdings will bear the economic costs of any executive bonuses paid to them. Our principals' interest in Group Partnership units held by KKR Holdings will be subject to transfer restrictions that lapse over 8 to 10 year periods and, except for a certain amount of interests that will vest upon completion of the Transactions, will vest over 6 to 8 year periods. A portion of the distributions and payments made by KKR Holdings to our principals will also be subject to discretionary allocation. In addition, in connection with the Transactions, we expect to adopt an equity incentive plan and grant awards under such plan to personnel who do not hold interests in KKR Holdings.

The above arrangements are expected to give rise to periodic employee compensation and benefits charges in our consolidated financial statements, despite the fact that substantially all of the economic consequences of such arrangements will be borne solely by our principals. Except for cash-settled awards granted under our equity incentive plan and any cash compensation paid by us, but borne by KKR Holdings, these employee compensation and benefits charges will consist of non-cash charges.

The following table summarizes the pro forma effects of the above items on the KKR Group's combined statements of operations for the year ended December 31, 2007 and the six months ended June 30, 2008.

	Year Ended December 31, 2007	Six Months Ended June 30, 2008
	($ in thousands)	
Historical employee compensation and benefits expense(1)	$ 212,766	$ 91,704
Addition of non-cash charges relating to vesting of interests in KKR Holdings(2)		
Addition of cash and non-cash charges relating to executive bonuses borne by KKR Holdings previously included in distributions		
Addition of cash and non-cash charges relating to vesting of equity grants to other employees(3)		
Total change in employee compensation and benefits expense		
Employee compensation and benefits expense attributable to non-controlling interests in income of consolidated entities(4)		
Change in income before taxes		

(1) Historical employee compensation and benefits expense includes $ and $ of cash bonuses paid to non-member executives for the year ended December 31, 2007 and the six months ended June 30, 2008, respectively. Upon completion of the Transactions, the amounts paid to non-member executives will be borne by KKR Holdings and will therefore be included in employee compensation and benefits expense attributable to non-controlling interests in consolidated entities.

(2) Upon completion of the Transactions, % of the aggregate interests of our principals in Group Partnership units held by KKR Holdings will be vested and % of the aggregate interests of our principals in Group Partnership units held by KKR Holdings held by our principals will be unvested. The unvested interests will vest over periods ranging in duration from 6 to 8 years. We intend to reflect the vesting of unvested interests in KKR Holdings as non-cash employee compensation charges in accordance with Statement of Financial Accounting Standards No. 123(R), "Share-Based Payments."

(3) In connection with the Transactions, we will grant our employees, who do not hold interests in KKR Holdings, awards under our 2008 Equity Incentive Plan. The amount and form of such awards has not been determined. We will account for any awards that will be settled with unrestricted common units as equity awards with the fair value of the award determined at the service inception date, which will be concurrent with the completion of the Transactions. We will account for any awards that may be settled in cash as a liability at each reporting date subsequent to the service inception date, which will be concurrent with the completion of the Transactions. The fair value of these awards will be charged to compensation expense over the applicable service periods. The amounts presented above have been derived based upon an assumed price of per common unit, representing , multiplied by the number of restricted common units to be granted, expensed over the assumed service periods, which range from to years. In addition, the calculation of the expense assumes a forfeiture rate of %, which is based upon historical turnover rates.

(4) The non-controlling interests in consolidated entities include Group Partnership units held by KKR Holdings.

(h)

We have historically operated as a group of partnerships for U.S. federal income tax purposes and, in the case of certain entities located outside the United States, corporate entities for foreign income tax purposes. Because most of the entities in our consolidated group are taxed as partnerships, our income is generally allocated to, and the resulting tax liability is generally borne by, our partners and we generally are not taxed at the entity level. Accordingly, income tax provisions shown on our historical combined statements of operations of $ for the year ended December 31, 2007 and $ for the six months ended June 30, 2008 were primarily attributable to the New York City unincorporated business tax and foreign income taxes imposed on certain entities located outside the United States.

Following the Transactions, the Group Partnerships and their subsidiaries will continue to operate as partnerships for U.S. federal income tax purposes and, in the case of certain entities located outside the United States, corporate entities for foreign income tax purposes. Accordingly, those entities will continue to be subject to New York City unincorporated business taxes or foreign income taxes. Certain of the Group Partnership units owned by us, however, will be held through an intermediate holding company that will be taxable as a corporation for U.S. federal income tax purposes and subject to additional entity level taxes. As a result of such holding structure, we will record an additional provision for corporate income taxes that will reflect our current and deferred tax liability relating to the taxable earnings allocated to such entity.

In calculating the pro forma income tax provision for the periods presented, the following assumptions were made:

The amount of net income before taxes was attributed to the entities subject to corporate taxes (income of $ for the year ended December 31, 2007 and income of $ for the six months ended June 30, 2008) with the remainder attributed to the entities not subject to corporate income taxes. Net income was attributed to these entities based on income or losses of the subsidiaries of the entities. Please see "Material U.S. Federal Tax Considerations" for a discussion of the different tax requirements of our subsidiaries.

Income before taxes attributed to entities subject to corporate tax was adjusted to add back expenses of $ for the year ended December 31, 2007 and $ for the six months ended June 30, 2008, which are not deductible for corporate income tax purposes. Such expenses relate primarily to compensation charges recognized for book purposes that will not be deductible for tax.

The resulting balances of $ for the year ended December 31, 2007 and $ for the six months ended June 30, 2008 were then multiplied by a blended statutory tax rate of % and such amounts were added to the estimated foreign jurisdiction tax provisions to arrive at the aggregate tax provisions of $ for the year ended December 31, 2007 and $ for the six month period ended June 30, 2008. The blended statutory rate reflects statutory rate of % for federal taxes and the blended state rate (net of federal benefit) of %.

The amount of the adjustment reflects the difference between the actual tax provision for the historical organizational structure and the estimated tax provision that would have resulted had the Transactions been effected on January 1, 2007.

For a discussion of pending legislation that may preclude us from qualifying for treatment as a partnership for U.S. federal income tax purposes, see "Risk Factors Risks Related to Our Business Legislation has been introduced that would, if enacted, prelude us from qualifying as a partnership for U.S. federal income tax purposes. If this or any similar legislation or regulation were to be enacted and apply to us, we would incur a material increase in our tax liability that could result in a reduction in the value of our common units."

4. Adjustments for the KPE Transaction

The KPE Transaction will be accounted for as an acquisition of a non-controlling interest in a consolidated entity using the purchase method of accounting with the KKR Group being treated as the accounting acquirer. The total consideration to be paid has been estimated to approximate $, which reflects the combined fair value of our common units and CVIs issued in the exchange. As we expect to fair value the total consideration paid as of the acquisition date, these estimates are based on the expected fair value of our common units as of that date and are subject to change as valuation analyses are finalized.

The CVIs may result in an adjustment to the amount of consideration issued in the KPE Transaction under certain circumstances, as described under "Description of Our Contingent Value Interests" and "The KPE Transaction." The CVIs may be settled in cash or through the delivery of additional common units by us.

The acquired tangible net assets, consisting primarily of investment assets and debt, with a fair value of approximately $, is expected to be in excess of the total consideration paid. We expect this excess to be recognized as an extraordinary gain in the period in which the transaction is completed.

The following is a preliminary estimate of the allocation of purchase price as described above. This allocation is subject to change as valuation analyses are finalized and remaining information on the fair value of assets and liabilities is received.

Purchase price	$
Net assets acquired at fair value	$
Extraordinary gain	$
Total	$

(i)

Reflects the exclusion of non-controlling interests in consolidated entities representing interests in the Acquired KPE Partnership, which will be wholly-owned by the Group Partnerships upon completion of the KPE Transaction. As of June 30, 2008, these non-controlling interests were carried at $. For the year ended December 31, 2007 and the six months ended June 30, 2008, on a pro forma basis, the exclusion of these non-controlling interests resulted in net benefits (charges) accounted for as non-controlling interests in income of consolidated subsidiaries of $ and $, respectively, representing amounts of income (loss) attributable to the non-controlling interests. The foregoing pro forma adjustments resulted in a corresponding inverse impact to income before taxes and net income for the year ended December 31, 2007 and the six months ended June 30, 2008, respectively.

(j)

Reflects the inclusion of new non-controlling interests in consolidated entities representing a Retained Interest that a former principal and such person's designees will hold in the Acquired KPE Partnership. This Retained Interest will result in an allocation to such person an aggregate of 1% of the profit earned by the Group Partnerships until a future date, as described under "Organizational Structure." As of June 30, 2008, these non-controlling interests were carried at $. For the year ended December 31, 2007 and the six months ended June 30, 2008, on a pro forma basis, the inclusion of these non-controlling interests resulted in net charges accounted for as non-controlling interests in income of consolidated subsidiaries of $ and $, respectively, representing amounts of income attributable to the non-controlling interests.

5. Allocation to KKR Holdings

(k)

Reflects the inclusion of new non-controlling interests in consolidated entities representing the Group Partnership units that will be indirectly held by our principals through KKR Holdings following the completion of the Transactions. As of June 30, 2008, these non-controlling interests were carried at $. For the year ended December 31, 2007 and the six months ended June 30, 2008, on a pro forma basis, the inclusion of these non-controlling interests resulted in net charges accounted for as non-controlling interests in income of consolidated subsidiaries of $ and $, respectively, representing amounts of income (loss) attributable to the non-controlling interests.

6. Determination of Earnings Per Common Unit

(l)

For the purposes of the pro forma net income per common unit computation, the weighted average common units outstanding, basic and diluted, were calculated in the following manner.

	Year Ended December 31, 2007	Six Months Ended June 30, 2008
	Basic and Diluted	Basic and Diluted
Common units to be outstanding upon completion of the Transactions		
Restricted common units to be outstanding upon completion of the Transactions		
Group Partnership units to be outstanding upon completion of the Transactions(1)		
Weighted average common units outstanding		

(1) We will enter into an exchange agreement with KKR Holdings in connection with the Reorganization Transactions pursuant to which KKR Holdings or certain transferees of its Group Partnership units may, up to four times each year, exchange Group Partnership units held by them (together with corresponding special voting units) 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 lock-up, vesting and transfer restrictions. Group Partnership units are not included in the calculation of weighted average common units outstanding because to do so would have been anti-dilutive for the periods presented. If these Group Partnership units were to be exchanged for common units, net income available to holders of common units would increase due to the elimination of the non-controlling interests in consolidated entities associated with the Group Partnership units (offset by the associated tax effect) by a greater proportion than the corresponding increase in weighted average common units outstanding. As a result, diluted net income per common unit calculated assuming the exchange of all exchangeable Group Partnership units for common units would be greater than basic net income per common unit.

(m)

Pro forma basic and diluted net income per common unit were computed in the following manner.

	Year Ended December 31, 2007	Six Months Ended June 30, 2008
	Basic and Diluted	Basic and Diluted
Net income available to holders of common units	$	$
Weighted average common units outstanding		
Net income per common unit		

Our special voting units are not entitled to receive distributions from our partnership. Those units do not share in our earnings and no earnings are allocable to that class. Accordingly, pro forma basic and diluted net income per special voting unit has not been presented.

Economic Net Income

Economic net income, which is also referred to as ENI, represents net income excluding the impact of income taxes, non-cash employee compensation charges associated with equity interests in our business, any compensation borne by KKR Holdings and non-cash charges relating to the amortization of intangible assets and deferred financing costs. Adjustments relating to income tax expense and amortization are common in the calculation of supplemental measures of performance in our industry. In addition, we believe that the exclusion of non-cash compensation expense and any compensation borne by KKR Holdings provides investors with meaningful indication of our performance because these charges relate to the equity portion of our capital structure and not our core operating performance. We believe such adjustments are meaningful because they are indicators of our core operating results and our management uses them to evaluate our business and allocate resources.

We find ENI to be useful as a measure for understanding the performance of our operations from period to period and although not every company in our industry defines these metrics in precisely the same way that we do, we believe that this metric, as we use it, facilitates comparisons with other companies in our industry. While we use ENI to evaluate the performance of our business segments, our management uses ENI when making operating decisions for our business, including determining discretionary incentive compensation to our employees, which is the most significant component of our expenses. Management also uses ENI to allocate resources between our segments, as the amount of fee and investment income received is indicative of the performance of the management companies and funds in each of our segments. The measure is also consistent with the basis upon which the main portion of distributions to our senior principals is determined. ENI is also useful in helping management achieve our objective of aligning our interests with those of our fund investors; virtually all payments made to our senior principals and employees is based on our performance and growth for the year. We also believe that analysts and investors use ENI as a supplemental measure to evaluate our company's overall operating performance. However, ENI has material limitations as an analytical tool and you should not consider this in isolation, or as a substitute for analysis of our results as reported under GAAP.

The items we eliminate in calculating ENI are significant to our business: (i) income tax expense represents a necessary element of our costs and our ability to generate revenue because ongoing revenue generation is expected to result in future income tax expense; (ii) amortization may be a necessary element of our costs following the Transactions; and (iii) non-cash compensation expense and any compensation borne by KKR Holdings are expected to be recurring components of our costs and we may be able to incur lower cash compensation costs as a result of the financial benefits provided to principals through KKR Holdings and equity grants that may be made under our equity incentive plan. Furthermore, any measure that eliminates compensation costs and the carrying costs associated with assets on our balance sheet has material limitations as a performance measure. In light of the foregoing limitations, we do not rely solely on ENI as a performance measure and also consider our GAAP results. ENI is not a measurement of our financial performance under GAAP and should not be considered as an alternative to net income or any other measures prepared in accordance with GAAP. Because ENI is not calculated in the same manner by all companies, it may not be comparable to other similarly titled measures used by other companies.

Because our historical combined financial statements do not include any significant non-cash employee compensation charges, any compensation borne by KKR Holdings or any significant charges relating to the amortization of intangible assets or deferred financing costs, ENI is the equivalent of income before taxes for the historical periods presented. However, amounts of pro forma ENI for the year ended December 31, 2007 and the six months ended June 30, 2008 include the impact of non-cash employee compensation charges and any compensation borne by KKR Holdings described in Note 3(g) above and, accordingly, are not equivalent to pro forma income before taxes. The following table presents the adjustments to pro forma net income used to derive pro forma ENI for the year ended December 31, 2007 and the six months ended June 30, 2008.

	Year Ended December 31, 2007	**Six Months Ended June 30, 2008**
Pro forma net income	$	$
Adjustment for income tax		
Pro forma income before taxes		
Adjustment for non-cash employee compensation expense and compensation borne by KKR Holdings		
Adjustment for amortization expense		
Pro forma ENI		

OUR SELECTED HISTORICAL FINANCIAL AND OTHER DATA

The following tables set forth the selected historical combined financial data of the KKR Group as of and for the years ended December 31, 2003, 2004, 2005, 2006 and 2007 and as of June 30, 2008 and for the six months ended June 30, 2007 and 2008. We derived the selected historical combined data of the KKR Group as of December 31, 2006 and 2007 and for the years ended December 31, 2005, 2006 and 2007 from the audited predecessor combined financial statements included elsewhere in this prospectus. We derived the selected historical combined data of the KKR Group as of June 30, 2008 and for the six months ended June 30, 2007 and 2008 from the unaudited predecessor combined financial statements included elsewhere in this prospectus. We derived the selected historical combined data of the KKR Group as of December 31, 2003, 2004 and 2005 and for the years ended December 31, 2003 and 2004 from our unaudited predecessor combined financial statements which are not included in this prospectus. Our unaudited predecessor combined financial statements have been prepared on substantially the same basis as our audited predecessor combined financial statements and include all adjustments that we consider necessary for a fair presentation of our combined financial position and results of operations for all periods presented. We will not acquire all of the interests in the KKR Group in connection with the Reorganization Transactions and, accordingly, the combined financial statements of the KKR Group may not be indicative of the results of operations and financial condition that we will have following the completion of the Transactions. You should read the following data together with the "Organizational Structure," "Unaudited Pro Forma Financial Information," "Our Management's Discussion and Analysis of Financial Condition and Results of Operations" and the predecessor combined financial statements and related notes included elsewhere in this prospectus.

	Year Ended December 31,					Six Months Ended June 30,	
	2003	2004	2005	2006	2007	2007	2008
	($ in thousands)					($ in thousands)	
Statements of Operations Data:							
Revenues							
Fee income	$ 50,516	$ 183,462	$ 232,945	$ 410,329	$ 862,265	$ 115,380	$ 135,302
Expenses							
Employee compensation and benefits	46,724	69,956	79,643	131,667	212,766	50,581	91,704
Occupancy and related charges	8,858	10,688	13,534	19,295	20,068	9,909	15,326
General, administrative and other	35,315	36,931	54,336	78,154	128,036	59,506	68,953
Fund expenses	26,024	16,470	20,778	38,350	80,040	35,821	34,540
Total expenses	116,921	134,045	168,291	267,466	440,910	155,817	210,523
Investment Income							
Net gains (losses) from investment activities	2,325,294	3,026,396	2,984,504	3,105,523	1,111,572	3,147,328	(1,177,079)
Dividend income	32,285	14,611	729,926	714,069	747,544	133,160	77,098
Interest income	36,807	54,060	27,166	210,872	218,920	133,549	51,062
Interest expense	(234)	(524)	(697)	(29,542)	(86,253)	(40,486)	(67,984)
Total investment income (loss)	2,394,152	3,094,543	3,740,899	4,000,922	1,991,783	3,373,551	(1,116,903)
Income (loss) before non-controlling interests in income (loss) of consolidated entities and income taxes	2,327,747	3,143,960	3,805,553	4,143,785	2,413,138	3,333,114	(1,192,124)
Non-controlling interests in income (loss) of consolidated entities	1,863,355	2,358,458	2,870,035	3,039,677	1,598,310	2,661,912	(1,195,014)
Income before taxes	464,392	785,502	935,518	1,104,108	814,828	671,202	2,890
Income taxes	2,425	6,265	2,900	4,163	12,064	3,806	3,987
Net income (loss)	$ 461,967	$ 779,237	$ 932,618	$ 1,099,945	$ 802,764	$ 667,396	$ (1,097)
Statement of Financial Condition (period end):							
Total assets	$ 8,142,353	$ 9,701,478	$ 13,369,412	$ 23,292,783	$ 32,842,796		$ 34,012,141
Total liabilities	124,339	313,672	418,778	1,281,923	2,575,636		2,910,410
Non-controlling interests in consolidated entities	7,289,218	8,352,342	11,518,013	20,318,440	28,749,814		29,710,041
Total partners' capital	728,796	1,035,464	1,432,621	1,692,420	1,517,346		1,391,690

130

OUR MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the predecessor combined financial statements and the related notes included elsewhere in this prospectus. The historical combined financial data discussed below reflects the historical results and financial position of the KKR Group, which is considered our predecessor for accounting purposes. While the historical combined financial statements of the KKR Group will be our historical financial statements following the completion of the Transactions, the data does not give effect to the Transactions and is not necessarily representative of our future results and financial condition. See "Organizational Structure" and "Unaudited Pro Forma Financial Information." 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

Led by Henry Kravis and George Roberts, KKR is a global alternative asset manager with $60.7 billion in AUM and a 32-year history of leadership, innovation and investment excellence. When our founders started our firm in 1976, they established the principles that guide our business approach today, including a patient and disciplined investment process; the alignment of our interests with those of our investors, portfolio companies and other stakeholders; and a focus on attracting world-class talent.

We have consistently been a leader in the private equity industry. Our achievements include completing the first leveraged buyout in excess of $1 billion, several of the largest leveraged buyouts completed worldwide to date, the first buyout of a public company by tender offer and more than 165 private equity investments with a total transaction value in excess of $423 billion. We have experienced significant growth and expect to continue to expand our platform to include complementary businesses that leverage our business model, our brand and the intellectual capital of our people. Today, with over 500 employees and more than 120 world-class investment professionals across the globe, we believe we have a preeminent global platform for sourcing and making investments in multiple asset classes and throughout a company's capital structure.

Through our offices in New York, Menlo Park, San Francisco, Houston, London, Paris, Hong Kong, Beijing, Tokyo and Sydney, we provide asset management services to a broad range of investors, including public and private pension plans, university endowments, other institutional investors and public market investors. We have grown our AUM significantly, from $15.1 billion as of December 31, 2004 to $60.7 billion as of June 30, 2008, representing a compounded annual growth rate of 48.8%. Our growth has been driven by the success of our investments, our expansion into new lines of business, value that we have created through our operationally focused investment approach, innovation in the products that we offer investors and an increased focus on capital raising and distribution activities. Our relationships with investors have provided us with a stable source of capital for investments, and we anticipate that they will continue to do so.

As a global alternative asset manager, we earn ongoing management, advisory and incentive fees for providing investment management, advisory and other services to our funds, managed accounts and portfolio companies, and we generate transaction-specific advisory income from our capital markets transactions. We earn additional investment income from investing our own capital alongside fund investors and from the carried interest we receive from our private equity funds and carry-yielding co-investment vehicles. Our carried interest allocates to us a disproportionate share of the investment gains that are generated on third-party capital that we invest and typically equals 20% of the net realized returns generated on private equity investments. Following the completion of the Transactions, our net income will also reflect returns on assets acquired from KPE.

KPE Transaction

On July 27, 2008, we entered into a purchase and sale agreement with KPE pursuant to which we have agreed to acquire all of the assets of KPE, including interests in the Acquired KPE Partnership, and assume all of the liabilities of KPE and its general partner, in exchange for our common units and CVIs issued by us. As promptly as practicable after the KPE Purchase, KPE will distribute our common units and CVIs to its unitholders on a pro rata basis. Upon completion of the Transactions, the common units will represent 21% of our outstanding limited partner interests, on a fully diluted basis. The CVIs will entitle their holders to receive additional consideration from us, in the form of additional equity in our business or cash, under certain circumstances as described under "Description of Our Contingent Value Interests." The Group Partnership units include a capital contribution adjustment mechanism reflecting the terms of our CVIs. Under the adjustment mechanism, we will receive additional Group Partnership units, or cash contributed by KKR Holdings, to the extent any consideration is due in respect of the CVIs.

KPE is a permanent capital vehicle that historically has focused primarily on making private equity investments in our portfolio companies but has the flexibility to make other types of investments, including fixed income and public equity. The assets that we will acquire from KPE will provide us with a significant source of capital to further grow and expand our business, increase our participation in our existing portfolio of businesses and further align our interests with our investors and other stakeholders. We believe that this alignment of interest and the permanent capital that we will have following the completion of the Transactions will bolster our position as one of the world's leading asset managers and further enhance our diversity, scale, capital resources and growth prospects.

Business Segments

Historically, we have operated through two reportable business segments for management reporting purposes: private equity and fixed income. Within each of these segments, we have also conducted capital markets activities and managed public equity. In connection with the Transactions, we will acquire all of the assets of KPE, including KPE's interests in the Acquired KPE Partnership. We intend to manage these assets separately from our private equity and fixed income segments and account for them in a newly created reportable business segment referred to as our principal segment.

Private Equity

Through our private equity segment, we sponsor and manage a number of funds and co-investment vehicles that make primarily control-oriented investments in connection with leveraged buyouts and other similarly-yielding investment opportunities. Our private equity funds focus on the largest end of the leveraged buyout market, which we believe allows us to invest in industry-leading franchises with global operations, attract world-class management teams, deploy large amounts of capital in individual transactions and optimize the income that we earn on a per transaction basis.

Our three active traditional private equity funds are geographically differentiated and, as of June 30, 2008, consisted of the 2006 Fund (a $17.6 billion fund with $5.7 billion of unused capital commitments), the European Fund III (a $6.9 billion fund with $6.7 billion of unused capital commitments) and the Asian Fund (a $4.0 billion fund with $3.4 billion of unused capital commitments). Our other private equity products, such as co-investment structures and our principal protected private equity products, allow us to commit incremental capital that is subject to fees and carry allocations. As of June 30, 2008, our private equity segment had $47.6 billion of AUM and generated approximately $775.0 million and $(12.0) million of economic net income (loss) during the year ended December 31, 2007 and the six months ended June 30, 2008, respectively.

Fixed Income

We believe the experience of our people, our global platform and our ability to effectively adapt our investment strategies to different market conditions allow us to capitalize on investment opportunities at every level of the capital structure. Commencing in 2004, we began to actively pursue debt investments as a separate asset class and, through our fixed income segment, we now sponsor and manage a group of fixed income funds, structured finance vehicles and a managed account platform which focus on corporate debt investments. As of June 30, 2008, our fixed income segment had $13.1 billion of AUM, including $2.0 billion of AUM at KFN, $1.1 billion of AUM at the KKR Strategic Capital Funds, which consist of three side-by-side entities, and $10.0 billion of AUM managed through our structured finance vehicles. During the year ended December 31, 2007 and the six months ended June 30, 2008, our fixed income segment generated $39.8 million and $14.9 million of economic net income, respectively.

We conduct our fixed income business through KFI, which is the parent of our fixed income management companies. Prior to May 30, 2008, we owned all of the equity in KFI other than certain non-controlling interests that allocated 35% of the net income generated by KFI to certain of its executives on an annual basis. On May 30, 2008, we acquired all of these outstanding interests in order to further integrate our operations, enhance the existing collaboration among all of our investment professionals and accelerate the growth of our business. As a result of the KFI Transaction, we now own 100% of the equity interests in KFI and are entitled to all of the net income and related cash flows generated by our fixed income segment.

Principal

Upon completion of the Transactions, the assets, liabilities, income, expense and cash flows of KPE and its general partner will become ours. We intend to manage these assets separately from our private equity and fixed income segments and account for them in a newly created reportable business segment referred to as our principal segment. As of June 30, 2008, KPE had a NAV of $4.6 billion, representing its partner interests in the Acquired KPE Partnership. We intend to use the assets that we acquire from KPE as a source of capital to further grow and expand our business, increase our participation in our existing portfolio of businesses and further align our interests with these investors and other stakeholders.

Business Environment

As a global alternative asset manager, we are affected by financial and economic conditions in the United States, Europe, Asia and elsewhere in the world. Although the diversity of our operations and product lines has allowed us to generate attractive returns in different business climates, business conditions characterized by low inflation, low or declining interest rates and strong equity markets generally provide a more positive environment for us to generate attractive returns on existing investments. We may benefit, however, from periods of market volatility and disruption which allow us to use our large capital base and our experience with troubled companies and distressed securities to make investments at attractive prices and on favorable terms.

Beginning in late June 2007, the United States experienced considerable turbulence in the housing and sub-prime mortgage markets, which had a significant negative impact on other fixed income markets. Equity markets came under pressure in the latter part of 2007 as concerns of an economic slowdown were factored into valuations. As a result of reduced liquidity and greater volatility, several commercial and investment banks and hedge funds significantly reduced the carrying value of some of their fixed income holdings, threatening general market liquidity. Although the United States and other governments injected meaningful liquidity into the financial system and lowered benchmark lending rates in an attempt to avoid a liquidity crisis and stabilize economies, the effects of these measures remain uncertain.

Deteriorating conditions in fixed income markets deterred lenders from committing to new senior loans and high yield debt. Debt underwriting declined meaningfully in the second half of 2007 and the backlog resulting from pending private equity-led transactions reached record levels. This backlog, coupled with other poor-performing fixed income securities, has materially hindered lenders' willingness to fund new, large-sized acquisitions. As a consequence of reduced borrowing ability, the volume of new private equity acquisitions declined significantly in the second half of 2007 and the first half of 2008. Recently announced private equity-led acquisitions have mostly been smaller in sizes, with less leverage and less favorable terms for the debt provided, all of which has had a significant impact on our business. The duration of current conditions in the credit and high-yield debt markets is unknown.

While it is unclear whether the U.S. economy is in a recession, economic indicators point to a slowdown. The slowdown of the U.S. economy could have negative implications for other global economies and markets. The duration of current economic conditions is unknown.

Market Conditions

Our ability to grow our revenue and net income depends on our ability to continue to attract capital and investors, secure investment opportunities, obtain financing for transactions, consummate investments and deliver attractive investment returns. These factors are impacted by a number of market conditions, including:

The strength and competitive dynamics of the alternative asset management industry, including the amount of capital invested in, and withdrawn from, alternative investments. Our share of the capital that is allocated to alternative assets depends on the strength of our investment performance relative to the investment performance of our competitors. The amount of capital that we attract and our investment returns directly affect the level of our AUM, which in turn affects the fees, carried interest and other amounts that we are able to earn in connection with our asset management activities.

The strength and liquidity of debt markets. Our private equity funds use debt financing to fund portfolio company acquisitions. Our fixed income funds make significant investments in debt instruments and use varying degrees of leverage in order to enhance investment returns and to fund working capital requirements. As a result, our business generally benefits from strong and liquid debt markets that support our funds' investment activities, although periods of market volatility and disruption may create attractive investment opportunities.

As discussed under the caption " Business Environment" above, debt markets deteriorated significantly beginning in the third quarter of 2007. This has had a negative impact on both our private equity business and our fixed income business. Among other effects, these developments have increased the cost and difficulty of financing leveraged buyout transactions thereby significantly reducing private equity activity and impacted valuations. Increases in rates and spreads could negatively impact our returns further as the incremental cash flow required to service debt reduces cash flow available to investors in our funds and could lead to higher equity contribution requirements by our fund investors to effect future transactions. A reduction in leverage ratios or more restrictive covenants and other credit terms could also negatively impact our business.

The strength and liquidity of equity markets. Strong equity market conditions enable our private equity funds to increase the value of and to effect realizations of their portfolio company investments. Equity market conditions also affect the carried interest that we receive. After a prolonged period of positive performance and liquidity, equity market conditions have recently been unfavorable in the United States and in other markets. As a result, it has become more difficult for us to exit private equity investments profitably through offerings in the public markets, and our realized gains on such investments have declined significantly over earlier periods.

Market volatility. Volatility within the debt and equity markets increases both the opportunities and risks within our segments and directly affects the performance of our funds. Similarly, fluctuations in interest rates and foreign currency exchange rates, if not suitably hedged, may affect the performance of our funds. Historical trends in these markets are not necessarily indicative of our future performance. Recently, volatility in the equity markets and disruptions in the debt markets have made it more challenging to profit from our investments. If these conditions continue, their negative impact on our business may become more pronounced.

We believe that certain trends in the asset management industry during recent years have created a favorable environment for our AUM to grow. In particular:

Institutions and other investors have increased their capital allocations to the alternative asset management industry. As a leader in this industry, we have been and expect to continue to be able to attract a significant amount of new capital for our funds. In addition, we believe that strong capital flows to the alternative asset sector have played, and will continue to play, an important role in our growth initiatives, including new business lines contemplated by our growth strategy.

The allocation of capital to the alternative asset management industry depends in part on the performance of alternative assets relative to other asset classes. The primary markets in which we conduct our business have experienced relatively steady growth over time, and the performance of our funds has exceeded various traditional benchmarks of market performance enabling us to raise large pools of capital. Despite this, current liquidity constraints and increased market volatility and disruption have made raising capital more challenging in recent periods.

For a more detailed description of the manner in which economic and financial market conditions may materially affect our results of operations and financial condition, see "Risk Factors Risks Related to Our Business."

Legal and Regulatory Environment

Members of the U.S. Congress have introduced legislation that would, if enacted, preclude us from qualifying for treatment as a partnership for U.S. federal income tax purposes under the rules governing publicly traded partnerships and would require that we be treated as a corporation for U.S. federal income tax purposes. Separately, members of the U.S. Congress have introduced legislation that would, if enacted, treat income received for performing investment management services as ordinary income received for the performance of services, which would have a similar effect. If any of these pieces of legislation or any similar legislation or regulation were to be enacted and apply to us, we would incur a material increase in our tax liability, which could result in a reduction in the value of our common units. See "Risk Factors Risks Related to Our Business Legislation has been introduced that would, if enacted, prelude us from qualifying as a partnership for U.S. federal income tax purposes. If this or any similar legislation or regulation were to be enacted and apply to us, we would incur a material increase in our tax liability that could result in a reduction in the value of our common units."

Becoming a Public Company

As a privately owned firm, we have consistently approached our business and investments with a long-term view. Both in building and expanding our business and in determining the types of investments to make, we have focused on the best outcomes for our business, investors and stakeholders measured over a period of years rather than on short-term financial performance. Our long-term approach encourages us to continue to build value in all of our portfolio companies, including those with a long period remaining before producing distributable cash flow. However, our results of operations are affected by the timing of our investments and changes in the value of our investments, each of which may vary significantly over the short-term.

We intend to maintain our long-term focus after we become a public company and as we pursue our strategic growth initiatives, even though this may lead to increased volatility in our results from period to period. While a significant portion of the management and monitoring fees paid by our funds and portfolio companies are earned pursuant to multi-year contracts, other amounts that we earn, such as transaction-specific advisory fees, incentive fees and carried interest, are subject to significant variability based on transaction volume and size, as well as investment performance. We do not intend to permit the short-term perspectives to influence our business approach, our operational, strategic or investment decisions, our duties or commitments to investors or our focus on creating value over the long-term.

Impact of the Transactions and the KFI Transaction

The KKR Group will be our predecessor for accounting purposes upon completion of the Reorganization Transactions, which will take place subsequent to the time the registration statement, of which this prospectus forms a part, is declared effective, and its historical combined financial statements will be our historical financial statements following the completion of the Transactions. The entities comprising the KKR Group are under the common control of our senior principals. Because the legal entities that comprise the KKR Group are under the common control of our senior principals and will continue to be under their common control following the completion of the Transactions, we will account for the Transactions as a transfer of interests under common control. Certain portions of the Transactions, however, will be accounted for as acquisitions of non-controlling interests in consolidated entities using the purchase method of accounting with the KKR Group being treated as the accounting acquirer as described under "Unaudited Pro Forma Financial Information."

While the combined financial statements of the KKR Group will be our historical financial statements following the completion of the Transactions, our financial statements for future periods will differ from the financial statements of the KKR Group in many significant respects. In particular, following the completion of the Transactions:

- we will deconsolidate both the 1996 Fund and the fund's general partners, because the Group Partnerships will not acquire an interest in those general partners in connection with the Transactions;

- we will include non-controlling interests that will allocate to a former principal and such person's designees an aggregate of 1% of the carried interest received by general partners of our funds and 1% of our profits until a future date;

- we will include non-controlling interests that will allocate to certain of our former principals and their designees a portion of the carried interest received by the general partners of our private equity funds with respect to private equity investments made during such former principals' tenure with our firm;

- we will include non-controlling interests that will allocate to certain of our current and former principals all of the capital invested by or on behalf of the general partners of our private equity funds before the completion of the Transactions and any returns thereon;

- we will include non-controlling interests representing the Group Partnership units that KKR Holdings will hold in the Group Partnerships, which interests will allocate to KKR Holdings 79% of the equity in the Group Partnerships upon completion of the Transactions;

- we will make one or more cash and in-kind distributions to certain of our existing owners prior to the completion of the Transactions representing substantially all available cash-on-hand, certain receivables of our management companies and capital markets companies and certain personal property (consisting of non-operating assets) of the management company for our private equity funds;

- we will recognize employee compensation charges relating to discretionary distributions and payments made by KKR Holdings to our principals, executive bonuses that are paid or borne by KKR Holdings, the vesting of interests in KKR Holdings held by our principals and the granting and vesting of awards under our 2008 Equity Incentive Plan;

- we will record a provision for corporate income taxes on the income of our intermediate holding company, which will indirectly hold our interest in one of the Group Partnerships and will be taxable as a corporation for U.S. federal income tax purposes; and

- we will record amortization expense related to intangible assets recorded in connection with the acquisition of non-controlling interests in the Reorganization Transactions.

In addition, as a result of the KPE Transaction, the Acquired KPE Partnership will become a wholly-owned subsidiary of the Group Partnerships and all of its assets, revenues, expenses and cash flows, and liabilities of KPE and its general partner, will become ours. Because the Acquired KPE Partnership is consolidated in our predecessor combined financial statements, we will account for the KPE Transaction as an acquisition of non-controlling interests in a consolidated entity with the KKR Group being treated as the accounting acquirer. Such acquisition will result in the elimination of consolidated amounts attributable to KPE unitholders that were previously recorded in our predecessor combined financial statements as non-controlling interests in income of consolidated entities (statement of operations) and non-controlling interests in income of consolidated entities (statement of financial condition), which in turn will impact the consolidated amounts of income before taxes, net income or partners' capital that we report. While the acquisition may result in a reduction in the management fees that we report in our private equity segment, the corresponding expense previously incurred by the Acquired KPE Partnership may be reduced by the same amount. Accordingly, the prospective impact on our financial results relating to the KPE Transaction will include increased investment income (loss) and expenses, excluding management fee expenses.

While not part of the Transactions, on May 30, 2008, we acquired non-controlling interests in KFI that previously allocated 35% of the net income generated by KFI to certain of its executives on an annual basis. The KFI Transaction is accounted for as an acquisition of non-controlling interests in a consolidated entity using the purchase method of accounting with the KKR Group being treated as the accounting acquirer. As a result of the KFI Transaction, we now own 100% of the equity interests in KFI and are entitled to all of the net income and related cash flows generated by our fixed income segment. We also expect to amortize certain finite-lived intangibles recognized in connection with the acquisition over their estimated useful lives, which will give rise to periodic non-cash amortization charges in our statement of operations.

Due to the differences described above, the predecessor combined financial statements and related historical data included in this prospectus are not necessarily representative of our future results of operations and financial condition. To provide additional information illustrating the impact that the changes described above will have on our results of operations and financial condition, we have presented elsewhere in this prospectus unaudited pro forma financial information for the year ended December 31, 2007 and as of and for the six months ended June 30, 2008. This data gives pro forma effect to the Transactions, the KFI Transaction and certain other arrangements entered into in connection therewith as if such transactions and arrangements had been completed as of January 1, 2007 with respect to the unaudited condensed pro forma statements of operations and as of June 30, 2008 with respect to the unaudited pro forma statement of financial condition. Such information has been included for informational purposes only and does not purport to reflect the results of operations or financial position that would have occurred had the transactions referred to above occurred on the dates indicated or had we operated as a public company during the periods presented or for any future period or date. See "Unaudited Pro Forma Financial Information."

Basis of Financial Presentation

Combined Results

Impact of the Consolidation of Our Funds on Our Financial Presentation

In accordance with GAAP, a substantial number of our funds are consolidated in our predecessor combined financial statements notwithstanding the fact we hold only a minority economic interest in those funds. We refer to these consolidated entities as consolidated funds. Our consolidated funds consist of those funds in which our predecessor, through the ownership interests of our senior principals, holds a general partner or managing member interest that gives our predecessor substantive controlling rights over such funds and the Acquired KPE Partnership in which our predecessor holds a variable interest and has been determined to be the primary beneficiary. With respect to our consolidated funds, we generally have operational discretion and control over the funds and investors do not hold any substantive rights that would enable them to impact the funds' ongoing governance and operating activities.

As noted above, in connection with the Transactions, we will deconsolidate the 1996 Fund, but will continue to consolidate the other consolidated funds that are currently consolidated in our combined financial statements. Those other consolidated funds consist of the European Fund, the Millennium Fund, the European Fund II, the 2006 Fund, the Asian Fund, the European Fund III, the Acquired KPE Partnership and two of the three side-by-side funds that constitute the KKR Strategic Capital Funds. Except for interests in the Acquired KPE Partnership, we will not acquire any of the economic interests in such entities that are held by third party investors. In the case of the Acquired KPE Partnership, we will acquire all of the interests in the entity that are held by KPE and such entity will become our wholly-owned subsidiary as described below. See "Unaudited Pro Forma Financial Information." In addition, because we expect to continue to maintain a controlling interest in funds that we sponsor and manage, we expect to consolidate additional funds in future periods.

When we consolidate a consolidated fund, we reflect the assets, liabilities, revenues, expenses and cash flows of the consolidated fund on a gross basis. The majority of the economic interests in the consolidated fund, which are held by third party investors, are reflected as non-controlling interests. Substantially all of the management fees and certain other amounts that we earn from the consolidated fund are eliminated in combination. However, because those amounts are earned from non-controlling interest holders, our allocable share of the net income from the consolidated fund is increased by the amounts eliminated. Accordingly, the consolidation of the consolidated fund does not have a net effect on the amounts of income before taxes, net income or partners' capital that we report.

While the consolidation of a consolidated fund does not have a net effect on the amounts of income before taxes, net income or partners' capital that we report, the consolidation does significantly impact other aspects of our combined financial statement presentation. This is due to the fact that the assets, liabilities, income and expenses of the consolidated fund are reflected on a gross basis while the allocable share of those amounts that are attributable to non-controlling interest holders are reflected as single line items. The single line items in which the assets, liabilities, income and expense attributable to non-controlling interest holders are recorded consist of non-controlling interests in consolidated entities in the statement of financial condition and non-controlling interests in income of consolidated entities in the statement of operations.

Segment Results

We present the results of our reportable business segments in accordance with Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information." See " Business Segments." This standard is based on a management approach, which requires segment presentation based on internal organization and the internal financial reporting used by management to make operating decisions, assess performance and allocate resources. All inter-segment transactions are eliminated in the segment presentation.

Our management makes operating decisions, assesses performance and allocates resources based on financial and operating data and measures that are presented without giving effect to the consolidation of any of the funds that we manage. As a result, unlike the reporting in our predecessor combined financial statements, our segment reporting does not give effect to the consolidation of our funds. The exclusion of our consolidated funds in our segment reporting results in the inclusion of management fees and incentive fees in fee income that would otherwise be eliminated in combination, the exclusion of investment income and expenses that are attributable to non-controlling interests held by third-party investors and the exclusion of corresponding charges and credits that are accounted for as non-controlling interests in the income of consolidated entities. See " Combined Results Impact of the Consolidation of Our Funds on Our Financial Presentation" and " Key Financial Measures Segment Operating and Performance Measures."

Key Financial Measures

Revenues

Fee Income

Our combined fee income consists primarily of ongoing management, advisory and incentive fees we earn from providing investment management, advisory and other services to our funds, managed accounts and portfolio companies as well as transaction-specific advisory income from our capital markets transactions. These fees are based upon the contractual terms of the management and other agreements that we enter into with our funds, managed accounts and portfolio companies.

Our combined fee income does not include the management fees that we earn from our consolidated funds, because those fees are eliminated in consolidation as transactions between consolidated entities. However, because those management fees are earned from, and funded by, third-party investors who hold non-controlling interests in the consolidated funds, our allocable share of the net income from the consolidated funds is increased by the amount of the management fees that are eliminated in consolidation. Accordingly, while the consolidation of our funds impacts the amount of fee income that we recognize on a combined basis, it does not affect the ultimate amount of income before taxes, net income, or partners' capital that we recognize in our combined financial statements.

Expenses

Employee Compensation and Benefits Expense

Our employee compensation and benefits expense historically has consisted primarily of the cash salaries and bonuses that we have paid personnel who are not senior principals. Because our compensation arrangements with those individuals have involved a significant performance-based bonus component, our employee compensation and benefits expense has increased as our net income has grown. Following completion of the Transactions, KKR Holdings will bear the economic cost of executive bonuses paid to our principals as described below. Although our unitholders will not bear the cost of these bonuses, these arrangements will give rise to periodic non-cash charges in our statement of operations. Such charges will not, however, impact our cash available for distribution.

Our employee compensation and benefits expense has also grown in recent periods as a result of the expansion of our business, which has increased the number of our salaried employees. Our employee compensation and benefits expense is significantly not borne by fund investors and is not offset by credits attributable to our fund investors' non-controlling interests in our consolidated funds.

Unlike our other personnel, compensation expense related to our senior principals has not been historically reflected for their services provided to us. Instead, these individuals have relied on cash distributions that they have received on their equity interests in our business. Because those cash distributions have been paid to senior principals in their capacities as owners of our business, the distributions have been accounted for as distributions of partners' capital rather than employee compensation and benefits expense and, accordingly, we have not reflected those amounts as employee compensation and benefits expense in our statements of operations.

Upon completion of the Transactions, our principals will hold interests in our business through KKR Holdings, which will own all of the outstanding Group Partnership units that are not held by us. These individuals will receive financial benefits from our business in the form of distributions and payments received from KKR Holdings and through their direct and indirect participation in the value of Group Partnership units held by KKR Holdings, and KKR Holdings will bear the economic costs of any executive bonuses paid to them. Our principals' interests in Group Partnership units that are held by KKR Holdings will be subject to transfer restrictions that lapse over 8 to 10 year periods and, except for certain interests that will vest upon completion of the Transactions, will vest over 6 to 8 year periods. A portion of the distributions and payments made by KKR Holdings to our principals will also be subject to discretionary allocation. In addition, in connection with the Transactions, we expect to grant awards under our 2008 Equity Incentive Plan to personnel who do not hold interests in KKR Holdings.

The above arrangements are expected to give rise to periodic employee compensation and benefits charges in our consolidated financial statements following the completion of the Transactions, despite the fact that substantially all of the economic consequences of such arrangements will be borne solely by our principals. Except for any cash-settled awards granted under our equity incentive plan and any cash compensation paid by us but borne by KKR Holdings, these employee compensation and benefits charges will consist of non-cash charges.

General, Administrative and Other Expense

Our general, administrative and other expense consists primarily of professional fees paid to legal advisors, accountants, senior advisors and consultants; insurance costs; travel and related expenses; communications and information services; depreciation and amortization charges and other general and operating expenses. These expenses have increased in recent years due to fees paid to our senior advisors that are based in part on returns generated by our investments, which have increased significantly during recent periods, as well as increases in overhead resulting from the expansion and growth of our business. A substantial portion of our general, administrative and other expense is not borne by fund investors and is not offset by credits attributable to our fund investors' non-controlling interests in our consolidated funds.

Following the Transactions, we will incur additional general, administrative and other expenses associated with being a publicly traded company. Such costs will include new or increased expenses for such items as insurance, directors' fees, accounting work, legal advice, investor relations and compliance with applicable regulatory or stock exchange requirements, including costs associated with compliance with the Sarbanes-Oxley Act and periodic or current reporting obligations. Additionally, we will incur non-cash expenses related to the amortization of intangible assets recorded in connection with the acquisition of non-controlling interests in the KFI Transaction and the Reorganization Transactions. See "Unaudited Pro Forma Financial Information."

Fund Expenses

Our fund expenses consist primarily of costs that we incur in connection with potential investments that do not result in completed transactions (such as travel expenses, professional fees and research costs) and costs incurred in connection with the placement of limited partner interests in our private equity funds.

Investment Income

We recognize investment income with respect to our carried interests in investments of our private equity funds, the capital invested by or on behalf of the general partners of our private equity funds and the non-controlling interests that third party fund investors hold in our consolidated funds. Grants of restricted equity interests that we receive from KFN in respect of the management services we provide to the fund are not included as investment income until vested. When the equity interests vest, however, we include the interests as investments on our statement of financial condition and thereafter recognize investment income or loss with respect to changes in their fair value and any dividends or distributions paid thereon. See "Business Fixed Income KFN."

Net Gains from Investment Activities

Our net gains from investment activities consist primarily of the unrealized and realized gains and losses on investments that are made by our funds. Unrealized gains or losses result from changes in the fair value of these investments during a period. Upon disposition of an investment, previously recognized unrealized gains or losses are reversed and an offsetting realized gain or loss is recognized in the current period. While this reversal does not affect the amount of net gains that we recognize from investment activities, it does impact the cash flows that we record.

See "Risk Factors Risks Related to the Assets We Manage Valuation methodologies for certain assets in our funds can be subject to significant subjectivity 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 " Critical Accounting Policies Fair Value of Investments."

Dividend Income

Our dividend income consists primarily of the dividends and distributions that our private equity funds receive from the portfolio companies in which they invest. Typically, our private equity funds recognize dividend income primarily in connection with dispositions of operations by portfolio companies and other significant portfolio company transactions. Our dividend income has increased substantially in recent periods as a result of distributions by our portfolio companies following such dispositions or other transactions.

Interest Income

Our interest income consists primarily of interest that is paid on the fixed income instruments in which our consolidated funds invest and, to a lesser extent, interest payments that our private equity funds are paid when they provide bridge financing to a portfolio company in connection with a portfolio company acquisition. See "Private Equity Valuations and Related Data Bridge Financing Provided by Private Equity Funds." Our interest income has increased substantially in recent periods as a result of interest earned from cash management activities carried out by KPE, which began operations in May 2006 and made significant fixed income investments in connection with its cash management activities.

Interest Expense

Our interest expense consists primarily of interest that is payable by our funds or their general partners in connection with indebtedness that they incur to finance investments. A significant portion of our historical interest expense relates to long-term indebtedness that is used by our fixed income funds to leverage their investments and indebtedness incurred by KPE under its credit agreement. Our traditional private equity funds do not incur debt at the fund level.

The balance of our interest expense historically has consisted of short-term borrowings that are used by the general partners of our private equity funds, our management companies and our capital markets companies for working capital purposes. We have recently entered into two credit agreements with separate financial institutions, which provide us with additional sources of long-term liquidity for our management companies and our capital markets companies. Following the completion of the Transactions, all of KPE's indebtedness will become our indebtedness, and any interest expense arising therefrom will be attributable to us.

Impact of the Consolidation of Our Funds on the Presentation of Investment Income

Due to the consolidation of a majority of our funds, the amount of our funds' investment income that is allocable to our carried interests and capital investments is not readily shown in our combined financial statements. Instead, the portion of investment income that is allocable to us, after allocating amounts to non-controlling interests, is reflected in our net income. Because the substantial majority of our funds are consolidated and because we hold only a minority economic interest in our funds' investments, our allocable share of our funds' investment income is significantly less than the total amount of investment income presented in our predecessor combined financial statements.

Income Taxes

We have historically operated as a group of partnerships for U.S. federal income tax purposes and, in the case of certain entities located outside the United States, corporate entities for foreign income tax purposes. Because most of the entities in our consolidated group are taxed as partnerships, our income is generally allocated to, and the resulting tax liability is generally borne by, our principals and we generally are not taxed at the entity level. The income taxes included in our predecessor combined financial statements are attributable to the New York City unincorporated business tax and foreign income taxes imposed on certain entities located outside the United States.

Following the Transactions, the Group Partnerships and their subsidiaries will continue to operate as partnerships for U.S. federal income tax purposes and, in the case of certain entities located outside the United States, corporate entities for foreign income tax purposes. Accordingly, those entities will continue to be subject to New York City unincorporated business taxes or foreign income taxes, as the case may be. In addition, our intermediate holding company will be subject to additional entity-level taxes that will be reflected in our combined financial statements.

Non-Controlling Interests in Income of Consolidated Entities

Non-controlling interests in income of consolidated entities represent the ownership interests that unaffiliated third parties hold in entities that are consolidated in our financial statements. The allocable share of income and expense attributable to those interests is accounted for as non-controlling interests in the income of consolidated entities.

Historically, the amount of non-controlling interests in consolidated entities that we have recognized has been substantial and has resulted in significant charges and credits in our statements of operations. As of June 30, 2008, non-controlling interests in consolidated entities represented approximately 87% of our combined total assets and consisted primarily of:

- non-controlling interests that investors held in our consolidated funds, which economic interests allocated to the fund investors approximately 87% of our combined total assets as of June 30, 2008 and resulted in approximately $(1.2) billion and $2.7 billion of net charges in our statements of operations during the six months ended June 30, 2008 and 2007, respectively;

- non-controlling interests that allocated 35% of the net income generated by KFI to certain of its executives on an annual basis; and

- a non-controlling interest that allocated to a third party an aggregate of 2% of the equity in the KKR Group's capital markets business.

On May 30, 2008, we acquired all outstanding non-controlling interests in KFI and now own 100% of the entity. In connection with the KPE Transaction, we will similarly acquire all outstanding non-controlling interests in the Acquired KPE Partnership, which will become a wholly-owned subsidiary of ours. While these acquisitions will reduce the non-controlling interests in consolidated entities that are included in our consolidated statement of financial condition and the related charges for such items that our predecessor has historically recorded in its combined statement of operations, we expect to continue to recognize substantial non-controlling interests in the income of consolidated entities following the completion of the Transactions, and such items will continue to give rise to significant charges and credits in our statements of operations.

In particular, upon completion of the Transactions, we expect that non-controlling interests in consolidated entities will consist of:

- non-controlling interests that will allocate to a former principal and such person's designees an aggregate of 1% of the carried interest received by general partners of our funds and 1% of our profits until a future date;

- non-controlling interests that will allocate to certain of our former principals and their designees a portion of the carried interest received by the general partners of our private equity funds with respect to private equity investments made during such former principals' tenure with our firm;

- non-controlling interests that will allocate to certain of our current and former principals all of the capital invested by or on behalf of the general partners of our private equity funds before the completion of the Transactions and any returns thereon;

- a non-controlling economic interest that will allocate to a third party an aggregate of 2% of the equity in the KKR Group's capital markets business; and

- non-controlling interests that investors held in our consolidated funds.

142

In addition to the non-controlling interests in consolidated entities described above, our principals will retain substantial economic interests in our business following the completion of the Transactions through KKR Holdings' ownership of Group Partnership units. These interests will represent 79% of our total assets that are not allocable to holders of non-controlling interests upon completion of the Transactions. However, the Group Partnership units include a capital contribution adjustment mechanism that reflects the terms of our CVIs and which may result in an adjustment in the percentage interest that KKR Holdings has in the Group Partnerships. We will account for these interests in the same manner that we account for non-controlling interests in consolidated entities that are held by unaffiliated third parties. See "Unaudited Pro Forma Financial Information."

Assets Under Management

Our AUM represents the assets with respect to which we are entitled to receive a fee or carried interest. We calculate the amount of our AUM as of any date as the sum of: (i) the fair value of the investments of our traditional private equity funds and our carry-yielding co-investment vehicles plus the capital that we are entitled to call from investors in our traditional private equity funds with respect to their unfunded capital commitments; (ii) the NAVs of the KKR Strategic Capital Funds, the separately managed accounts managed by KFI and our principal protected private equity product; (iii) prior to the Transactions, the NAV of KPE and, after the Transactions, the NAV of the assets of the Acquired KPE Partnership; (iv) the equity of KFN; and (v) the capital raised by structured finance vehicles that we manage. As a result of raising new funds with sizeable capital commitments and increases in the NAV of our permanent capital funds and their retained profits, our AUM has increased significantly over the periods discussed below.

Increases in the AUM of our unconsolidated funds will generally result in increases in our fee income, as the amount of the management fees that we receive from these funds is calculated based on the amount of these assets. Similarly, increases in the AUM of our consolidated funds will generally result in increases in our allocable share of the net income from these consolidated funds. To the extent that increases in AUM consist of permanent capital, the related increases in fee income would be expected to continue during future periods. With respect to our traditional private equity funds, management fees are calculated based on the amount of capital committed to a fund during the investment period (typically the first six years of a fund's life) and thereafter on the cost basis of the fund's investments, which causes the fees to be reduced over time as investments are liquidated. As of June 30, 2008, approximately 61.6% of the AUM of our traditional private equity funds were associated with funds whose management fees were calculated based on capital commitments.

Segment Operating and Performance Measures

Fee Related Earnings

Fee related earnings is a profit measure that is reported by our two reportable business segments. The difference between fee related earnings and income before taxes presented in accordance with GAAP is that fee related earnings represent income before taxes adjusted to: (i) include management fees earned from consolidated funds that were eliminated in consolidation; (ii) exclude expenses of consolidated funds, non-cash employee compensation charges associated with equity interests in our business, employee compensation charges relating to compensation borne by unconsolidated persons and charges relating to the amortization of intangible assets; (iii) exclude investment income; and (iv) exclude non-controlling interests in income of consolidated entities. See " KPE Transaction; Principal Segment." We believe such adjustments are meaningful because management makes operating decisions and assesses the performance of our business based on financial and operating metrics and data that are presented without the consolidation of any of our investment funds.

Our current operations are managed based in part on our reported levels of fee related earnings, which consist primarily of management, advisory and incentive fees earned from all of our funds, managed accounts, portfolio companies, capital markets transactions and other investment products. It has been and remains a key objective of our firm to maximize our fee related earnings, because those amounts directly affect our net income and amounts that we have available to distribute to our unitholders. As a public entity, we will continue to focus on growing our fee earnings and use segment fee related earnings levels to make operating decisions and assess the performance of our business, because those amounts will directly affect the returns to our investors.

In connection with the Transactions, our principals will receive financial benefits from our business in the form of distributions or payments received from KKR Holdings and through their direct or indirect participation in the value of Group Partnership units held by KKR Holdings, and KKR Holdings will bear the economic costs of any executive bonuses paid to them. These financial benefits will be included in employee compensation and benefits in our combined financial statements after the Transactions. However, we will not bear the economic costs of these benefits, and KKR Holdings will not be consolidated in our financial statements. Accordingly, such financial benefits will not be included in our segment reporting and will not impact reported levels of ENI.

Segment Economic Net Income

Economic net income, which we refer to as ENI, is a key performance measure used by management when making operating decisions, assessing operating performance and allocating resources. ENI represents net income excluding the impact of income taxes, non-cash employee compensation charges associated with equity interests in our business, employee compensation charges relating to compensation borne by unconsolidated persons and charges relating to the amortization of intangible assets and deferred financing costs. Because our predecessor combined financial statements do not include any significant non-cash employee compensation charges associated with equity interests in our business, employee compensation charges relating to compensation borne by unconsolidated persons or any significant charges relating to the amortization of intangible assets or deferred financing costs, ENI is the equivalent of income before taxes for the historical periods presented. See "Unaudited Pro Forma Financial Information."

KPE Transaction; Principal Segment

In connection with the KPE Transaction, the Acquired KPE Partnership will become a wholly-owned subsidiary of the Group Partnerships and all of its assets, liabilities, revenues, expenses and cash flows will become ours. Because the Acquired KPE Partnership will no longer be considered a consolidated fund, the acquisition will result in the elimination from our fee related earnings of management fees previously recorded by our private equity segment. While the acquisition will therefore impact the results of our private equity segment, including reported levels of ENI, we will report new financial results relating to the net assets acquired, including investment income and expense, in our principal segment.

Private Equity Dollars Invested

Private equity dollars invested is the aggregate amount of capital invested by our private equity funds and carry-yielding co-investment vehicles in private equity transactions during a reporting period. Such amounts include both capital contributed by fund investors and co-investors with respect to which we are entitled to a carried interest and capital contributed by us as the general partner of a private equity fund with respect to which we are entitled to profits generated on the invested capital. We use private equity dollars invested as a measure of the productivity of our investment activities and as an indicator of potential returns that we may realize in future periods from our current private equity investments. From our inception through June 30, 2008, our first ten traditional private equity funds (representing all of our private equity funds that have invested at least 36 months) achieved a multiple of invested capital of 2.7x the amount of capital they invested in private equity investments.

Combined Results of Operations

The following is a discussion of our predecessor combined results of operations for the years ended December 31, 2005, 2006 and 2007 and the six months ended June 30, 2007 and 2008. You should read this discussion in conjunction with the information included under " Basis of Financial Presentation Combined Results" and the predecessor combined financial statements and related notes included elsewhere in this prospectus. For a more detailed discussion of the factors that affected the results of operations of our two business segments in these periods, see " Segment Analysis."

The following tables set forth information regarding our combined results of operations for the years ended December 31, 2005, 2006 and 2007 and for the six months ended June 30, 2007 and 2008.

	Year Ended December 31,			Six Months Ended June 30,	
	2005	2006	2007	2007	2008
		($ in thousands)		($ in thousands)	
Revenues					
Fee income	$ 232,945	$ 410,329	$ 862,265	$ 115,380	$ 135,302
Expenses					
Employee compensation and benefits	79,643	131,667	212,766	50,581	91,704
Occupancy and related charges	13,534	19,295	20,068	9,909	15,326
General, administrative and other	54,336	78,154	128,036	59,506	68,953
Fund expenses	20,778	38,350	80,040	35,821	34,540
Total expenses	168,291	267,466	440,910	155,817	210,523
Investment Income					
Net gains (losses) from investment activities	2,984,504	3,105,523	1,111,572	3,147,328	(1,177,079)
Dividend income	729,926	714,069	747,544	133,160	77,098
Interest income	27,166	210,872	218,920	133,549	51,062
Interest expense	(697)	(29,542)	(86,253)	(40,486)	(67,984)
Total investment income (loss)	3,740,899	4,000,922	1,991,783	3,373,551	(1,116,903)
Income (loss) before non-controlling interests in income of consolidated entities and income taxes	3,805,553	4,143,785	2,413,138	3,333,114	(1,192,124)
Non-controlling interests in income (loss) of consolidated entities	2,870,035	3,039,677	1,598,310	2,661,912	(1,195,014)
Income before taxes	935,518	1,104,108	814,828	671,202	2,890
Income taxes	2,900	4,163	12,064	3,806	3,987
Net income (loss)	$ 932,618	$ 1,099,945	$ 802,764	$ 667,396	$ (1,097)
	$ 23,350,700	$ 43,873,400	$ 53,215,700	$ 54,443,300	$ 60,785,100

	Year Ended December 31,			Six Months Ended June 30,	
Assets under management (period end)					

145

Six months ended June 30, 2008 Compared to Six months ended June 30, 2007

Fee Income

Fee income was $135.3 million for the six months ended June 30, 2008, an increase of $19.9 million, or 17.2%, from the six months ended June 30, 2007. The increase was primarily due to a $40.9 million increase in monitoring fees reflecting both an increase in the number of portfolio companies paying monitoring fees and an increase in the average monitoring fee received as well as the receipt of a non-recurring $15 million advisory fee from one of our portfolio companies. During the six months ended June 30, 2008, we had 35 portfolio companies that were paying an average fee of $1.4 million, compared with 31 portfolio companies that were paying an average fee of $0.8 million during the six months ended June 30, 2007. In addition, fee income relating to our capital markets business increased $13.2 million as a result of its formation in late 2007, and management fees at our credit strategy funds increased $3.1 million primarily as a result of increased assets under management. Offsetting these increases was a $15.6 million decrease in transaction fees earned in our private equity segment resulting from a lower combined completed transaction value during the period. During the first six months of 2008, we completed two transaction fee-generating private equity investments with a total completed transaction value of $3.5 billion, compared to three transaction fee-generating private equity investments with a total transaction value of $6.0 billion during the six months ended June 30, 2007. In addition, management and incentive fees relating to KFN decreased $21.7 million primarily as a result of KFN not achieving certain benchmark returns and other performance targets compared to the prior period when such returns and targets had been met.

Expenses

Expenses were $210.5 million for the six months ended June 30, 2008, an increase of $54.7 million, or 35.1%, from the six months ended June 30, 2007. The increase was primarily due to a $41.1 million increase in employee compensation and benefits resulting from the hiring of approximately 100 employees after June 30, 2007 in connection with the continued expansion of our business. Following the Transactions, KKR Holdings will bear the economic costs of any executive bonuses paid to our principals. While we will record non-cash charges associated with this arrangement, the arrangement will not impact our cash available for distribution to unitholders. General and administrative expenses increased $9.5 million primarily as a result of an increase in expenses at our newly formed capital markets business and an increase in professional fees reflecting the overall growth of our existing businesses. Additionally, occupancy and related charges increased $5.4 million reflecting the opening of new offices in Beijing and Sydney subsequent to June 30, 2007 as well as an increase in existing office space. Offsetting these increases was a decrease of $1.3 million in fund expenses as a result of a decrease in transaction related expenses that were attributable to unconsummated transactions during the period.

Net Gains (Losses) from Investment Activities

Net losses from investment activities were $(1.2) billion for the six months ended June 30, 2008, a decrease of $4.3 billion, or 138.7%, compared to net gains from investment activities of $3.1 billion for the six months ended June 30, 2007. The following is a summary of the components of net gains (losses) from investment activities:

	Six Months Ended	
	June 30, 2008	June 30, 2007
	($ in thousands)	
Realized Gains	$ 374,274	$ 574,043
Realized Losses	(45,801)	(1,336)
Unrealized Gains from Changes in Fair Value	2,140,777	3,470,199
Unrealized Gains from Sales of Investments and Realization of Losses	17,287	998
Unrealized Losses from Changes in Fair Value	(3,321,705)	(416,786)
Unrealized Losses from Sales of Investments and Realization of Gains	(341,911)	(479,790)
Total	$ (1,177,079)	$ 3,147,328

The overall decrease in net gains (losses) from investment activities from the prior period was primarily attributable to a net decrease in changes in unrealized gains (losses) of $4.1 billion resulting primarily from decreases in the market value of our investment portfolio and to a lesser extent a decline in net realized gains of $0.2 billion resulting primarily from a lower level of sales activity during the period. Substantially all of our net gains (losses) from investment activities are related to our private equity investments.

Dividend Income

Dividend income was $77.1 million for the six months ended June 30, 2008, a decrease of $56.1 million, or 42.1%, from the six months ended June 30, 2007. Our dividends are generally earned in connection with sales of significant operations or other restructuring transactions undertaken by our portfolio companies resulting in available cash that is distributed to our private equity funds. During the first half of 2008, we received $74.2 million of dividends from two portfolio companies and an aggregate of $2.9 million of comparatively smaller dividends from three portfolio companies. During the first half of 2007, we received $109.3 million of dividends from five portfolio companies and an aggregate of $23.9 million of comparatively smaller dividends from five portfolio companies.

Interest Income

Interest income was $51.1 million for the six months ended June 30, 2008, a decrease of $82.5 million, or 61.7%, from the six months ended June 30, 2007. The decrease primarily reflects a $60.9 million decrease in interest income earned in our fixed income segment that was attributable to the deconsolidation of one of the structured finance vehicles managed by us during the second quarter of 2007 as well as a decrease of $41.5 million in interest income earned from cash management activities at KPE following the deployment of a greater percentage of its cash to investments. Offsetting these decreases were increases in income earned from cash management activities at our traditional private equity funds and our management company of $19.2 million and $0.7 million, respectively.

Interest Expense

Interest expense was $68.0 million for the six months ended June 30, 2008, an increase of $27.5 million, or 67.9%, from the six months ended June 30, 2007. Average outstanding borrowings were $2.0 billion and $0.7 billion for the six months ended June 30, 2008 and 2007, respectively. The increase was primarily attributable to borrowings at KPE and leveraged structures used by KPE and our traditional private equity funds to enhance returns on certain assets which collectively resulted in the recognition of $55.0 million of additional interest expense. In addition, interest expense increased at our management company by $3.5 million due primarily to the amortization of deferred financing costs incurred in connection with a credit agreement entered into in early 2008. These increases were offset by a decrease of $31.0 million in our fixed income segment resulting from the deconsolidation of one of the structured finance vehicles managed by us during the second quarter of 2007.

Non-Controlling Interests in Income (Loss) of Consolidated Entities

Non-controlling interests in loss of consolidated entities were $(1.2) billion for the six months ended June 30, 2008, a decrease of $3.9 billion, or 144.4%, compared to non-controlling interests in income of consolidated entities of $2.7 billion for the six months ended June 30, 2007. The decrease primarily reflects a net loss allocable to non-controlling interests, which was driven by the overall changes in the components of net gains (losses) from investment activities described above.

Income before Taxes

Income before taxes was $2.9 million for the six months ended June 30, 2008, a decrease of $668.3 million, or 99.6%, from the six months ended June 30, 2007, primarily driven by the decrease in net gains (losses) from investment activities as described above.

Assets Under Management

Our AUM were $60.7 billion as of June 30, 2008, an increase of $6.3 billion, or 11.6%, from June 30, 2007. The increase was due primarily to the formation of the European Fund III, which received $6.9 billion of capital commitments from fund investors during the first half of 2008, an increase in the capital commitments of the 2006 Fund of $1.5 billion (bringing total capital commitments in the 2006 Fund to $17.6 billion), a $1.5 billion increase associated with the formation of private equity co-investment vehicles and other alternative private equity vehicles and a $3.8 billion increase in the capital relating to KFN and the structured finance vehicles that we manage. These increases offset $3.8 billion of net unrealized losses resulting from changes in the market values of our portfolio companies in our private equity segment and $3.6 billion of distributions from our traditional private equity funds comprised of $2.1 billion of realized gains and $1.5 billion of original cost.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Fee Income

Fee income was $862.3 million for the year ended December 31, 2007, an increase of $452.0 million, or 110.2%, from the year ended December 31, 2006. The increase was primarily due to a $425.1 million increase in transaction fees earned in our private equity segment, which was attributable to a significant increase in the total value of private equity transactions completed during 2007 relative to 2006. During 2007, we completed 13 transaction fee-generating private equity investments with a total combined value of $141.6 billion, compared to 11 transaction fee-generating private equity investments during 2006 with a total transaction value of $104.8 billion. A number of the transactions completed during 2007 entitled us to share a greater proportion of the overall transaction fees compared to the prior year. In addition, management and incentive fees relating to the KKR Strategic Capital Funds increased $14.1 million due to their formation in the fourth quarter of 2006, and incentive fees relating to KFN and our fixed income funds increased $9.7 million resulting primarily from the receipt of such fees beginning late in the second quarter of 2006. The remainder of the overall increase in fee income resulted primarily from an increase in monitoring fees of $11.5 million in our private equity segment reflecting an increase in the number of portfolio companies paying monitoring fees as well as an increase in the average monitoring fee received. During the twelve months ended December 31, 2007, we had 40 portfolio companies that were paying an average fee of $1.7 million, compared with 37 portfolio companies that were paying an average fee of $1.3 during the twelve months ended December 31, 2006. Offsetting these increases were decreases in management and incentive fees received from KFN of $8.4 million primarily as a result of KFN not achieving certain benchmark returns and other performance targets compared to the prior period when such targets had been met.

Expenses

Expenses were $440.9 million for the year ended December 31, 2007, an increase of $173.4 million, or 64.8%, from the year ended December 31, 2006. The increase was primarily due to an $81.1 million increase in employee compensation and benefits expense resulting from higher incentive compensation reflecting our improved financial performance during 2007 as well as the hiring of approximately 100 employees during the year ended December 31, 2007 in connection with the continued expansion of our business. Following the Transactions, KKR Holdings will bear the economic costs of any executive bonuses paid to our principals. In addition, general, administrative and other expenses increased $49.9 million resulting from the growth of our business, and included increases in professional fees, travel and entertainment expenses and to a lesser extent the opening of our Tokyo office and the formation of KPE in the second quarter of 2006. Fund expenses increased $41.7 million as a result of a $20.8 million increase in expenses incurred in our private equity segment in connection with the organization of newly formed funds and the placement of limited partner interests in such funds as well as an increase in transaction related expenses of $12.6 million that were attributable to unconsummated transactions during the period. Total transaction related expenses attributable to unconsummated transactions amounted to $40.7 million and $28.1 million for the years ended December 31, 2007 and 2006, respectively.

Net Gains from Investment Activities

Net gains from investment activities were $1.1 billion for the year ended December 31, 2007, a decrease of $2.0 billion, or 64.5%, from the year ended December 31, 2006. The following is a summary of the components of net gains from investment activities:

	Year Ended	
	December 31, 2007	December 31, 2006
	($ in thousands)	
Realized Gains	$ 1,885,562	$ 3,380,548
Realized Losses	(328,461)	(135,617)
Unrealized Gains from Changes in Fair Value	4,732,096	3,435,690
Unrealized Gains from Sales of Investments and Realization of Losses	255,720	138,873
Unrealized Losses from Changes in Fair Value	(3,723,744)	(822,201)
Unrealized Losses from Sales of Investments and Realization of Gains	(1,709,601)	(2,891,770)
Total	$ 1,111,572	$ 3,105,523

The overall decrease in net gains from investment activities from the prior period was primarily attributable to a decline in net realized gains of $1.7 billion resulting primarily from lower average realizations during the year as well as a net decrease in changes in unrealized gains (losses) of $0.3 billion resulting primarily from smaller net increases in the fair value of our portfolio. Substantially all of our net gains from investment activities is related to our private equity investments.

Dividend Income

Dividend income was $747.5 million for the year ended December 31, 2007, an increase of $33.4 million, or 4.7%, from the year ended December 31, 2006. Our dividends are generally earned in connection with sales of significant operations or other restructuring transactions undertaken by our portfolio companies resulting in available cash that is distributed to our private equity funds. During 2007, we received $717.7 million of dividends from eight portfolio companies and an aggregate of $29.8 million of comparatively smaller dividends from four portfolio companies. During 2006, we received $546.0 million of dividends from three portfolio companies and an aggregate of $168.1 million of comparatively smaller dividends from five portfolio companies.

Interest Income

Interest income was $218.9 million for the year ended December 31, 2007, an increase of $8.0 million, or 3.8%, from the year ended December 31, 2006. The increase primarily reflects a $38.6 million increase in interest income earned in our fixed income segment that was attributable to the formation of the KKR Strategic Capital Funds in the fourth quarter of 2006 and a $12.1 million increase in interest earned from cash management activities at our management companies. This increase was offset by $42.7 million of decreases in interest income earned from cash management activities at KPE following the deployment of a greater percentage of its cash to investments.

Interest Expense

Interest expense was $86.3 million for the year ended December 31, 2007, an increase of $56.8 million, or 192.5%, from the year ended December 31, 2006. Average outstanding borrowings were $1.5 billion and $0.6 billion for the years ended December 31, 2007 and 2006, respectively. The increased interest expense was primarily attributable to borrowings at KPE and leveraged structures used by KPE and our traditional private equity funds to enhance returns on certain assets, which collectively resulted in the recognition of $50.1 million of additional interest expense, as well as $19.3 million of additional interest expense incurred by the KKR Strategic Capital Funds, which were formed in the fourth quarter of 2006. These increases were offset by a $12.7 million decrease in interest expense at the general partners of our traditional private equity funds resulting from a decrease in short-term borrowings during the period.

Non-Controlling Interests in Income of Consolidated Entities

Non-controlling interests in income of consolidated entities were $1.6 billion for the year ended December 31, 2007, a decrease of $1.4 billion, or 46.7%, from the year ended December 31, 2006. The decrease primarily reflects a reduction in the total investment income allocable to non-controlling interests, which was driven by the overall changes in the components of investment income described above.

Income before Taxes

Income before taxes was $814.8 million for the year ended December 31, 2007, a decrease of $289.3 million, or 26.2%, from the year ended December 31, 2006.

Assets under Management

Our AUM were $53.2 billion as of December 31, 2007, an increase of $9.3 billion, or 21.2%, from December 31, 2006. The increase was due primarily to the formation of the Asian Fund, which received $4.0 billion of capital commitments from fund investors during the first half of 2007, an increase in the capital commitments to the 2006 Fund of $1.5 billion during 2007 (bringing total capital commitments in the 2006 Fund to $17.6 billion as of December 31, 2007), a $1.4 billion increase associated with the formation of carry-yielding co-investment vehicles and our principal protected private equity product, $0.9 billion of net unrealized gains resulting from changes in the market values of our portfolio companies in our private equity segment and a $5.8 billion increase in the capital relating to the KKR Strategic Capital Funds and the structured finance vehicles that we manage. These increases offset $4.3 billion of distributions from our traditional private equity funds comprised of $2.6 billion of realized gains and $1.7 billion of original cost.

Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

Fee Income

Fee income was $410.3 million for the year ended December 31, 2006, an increase of $177.4 million, or 76.1%, from the year ended December 31, 2005. The increase was primarily due to a $122.8 million increase in the transaction fees earned in our private equity segment, which was attributable to a significant increase in the total value of private equity transactions completed during 2006 relative to 2005. During 2006, we completed 11 transaction fee-generating private equity investments with a total combined value of $104.8 billion, compared to 11 transaction fee-generating private equity investments during 2005 with a total transaction value of $31.6 billion. Additionally, monitoring fees increased $23.7 million in our private equity segment reflecting both an increase in the number of portfolio companies paying monitoring fees and an increase in the average monitoring fee paid. During the twelve months ended December 31, 2006, we had 37 portfolio companies that were paying an average fee of $1.3 million, compared with 29 portfolio companies that were paying an average fee of $1.2 million during the twelve months ended December 31, 2005. Our fee income was also positively affected by an $8.9 million increase in management and incentive fees following the formation of the KKR Strategic Capital Funds in the third quarter of 2006, as well as a $21.9 million increase in management fees and incentive fees from KFN, which resulted from its favorable operating performance.

Expenses

Expenses were $267.5 million for the year ended December 31, 2006, an increase of $99.2 million, or 58.9%, from the year ended December 31, 2005. The increase was primarily due to a $52.0 million increase in employee compensation and benefits, which was attributable to an increase in the amount of incentive compensation paid to existing personnel reflecting our favorable financial performance and the hiring of approximately 110 employees in 2006 in connection with the continued expansion of our business. Following the Transactions, KKR Holdings will bear the economic costs of any executive bonuses paid to our principals. General, administrative and other expenses increased $23.8 million, primarily as a result of our continued geographical expansion, which included the opening of our Tokyo office and a full year of operations for our Hong Kong office during the year ended December 31, 2006. Additionally, fund expenses increased $17.6 million primarily as a result of an increase in transaction related expenses that were attributable to unconsummated transactions during the period. Total transaction related expenses attributable to unconsummated transactions amounted to $28.1 million and $16.0 million for the years ended December 31, 2006 and 2005, respectively.

Net Gains from Investment Activities

Net gains from investment activities were $3.1 billion for the year ended December 31, 2006, an increase of $121.0 million, or 4.1%, from the year ended December 31, 2005. The following is a summary of the components of net gains from investment activities:

	Year Ended	
	December 31, 2006	**December 31, 2005**
	($ in thousands)	
Realized Gains	$ 3,380,548	$ 1,632,887
Realized Losses	(135,617)	(65,575)
Unrealized Gains from Changes in Fair Value	3,435,690	4,219,633
Unrealized Gains from Sales of Investments and Realization of Losses	138,873	52,517
Unrealized Losses from Changes in Fair Value	(822,201)	(1,326,121)
Unrealized Losses from Sales of Investments and Realization of Gains	(2,891,770)	(1,528,837)
Total	$ 3,105,523	$ 2,984,504

The overall increase in net gains from investment activities from the prior period was primarily attributable to an increase in net realized gains of $1.7 billion resulting from higher average realizations during the year offset by net decreases in changes in unrealized gains (losses) of $1.6 billion resulting from smaller net increases in the fair value of our portfolio. Substantially all of our realized gains were related to our private equity investments.

Dividend Income

Dividend income was $714.1 million for the year ended December 31, 2006, a decrease of $15.9 million, or 2.2%, from the year ended December 31, 2005. During the year ended December 31, 2006, we received an aggregate of $546 million of dividends from three portfolio companies and an aggregate of $168.1 million of comparatively smaller dividends from five portfolio companies. During the year ended December 31, 2005, we received an aggregate of $479 million of dividends from two portfolio companies and $251 million of comparatively smaller dividends from two portfolio companies.

Interest Income

Interest income was $210.9 million for the year ended December 31, 2006, an increase of $183.7 million from the year ended December 31, 2005. The increase primarily reflects $143.3 million of interest earned from cash management activities carried out by KPE, which began operations in May 2006 and held significant interest-generating investments pending the deployment of its capital in investments, and to a lesser extent a $25.2 million increase in interest income earned in our fixed income segment that was attributable to an increase in the amount of AUM.

Interest Expense

Interest expense was $29.5 million for the year ended December 31, 2006, compared to less than $1 million for the year ended December 31, 2005. The increase was primarily due to an increase in the amount of AUM in our fixed income segment, which utilized additional leverage to enhance returns.

Non-Controlling Interests in Income of Consolidated Entities

Non-controlling interests in income of consolidated entities were $3.0 billion for the year ended December 31, 2006, an increase of $169.6 million, or 5.9%, from the year ended December 31, 2005. The increase primarily reflects an increase in the total investment income that was allocable to non-controlling interests, which increase was driven by the overall changes in the components of investment income described above.

Income before Taxes

Due to the factors described above, income before taxes was $1.1 billion for the year ended December 31, 2006, an increase of $168.6 million, or 18.0%, from the year ended December 31, 2005.

Assets Under Management

Our AUM were $43.9 billion as of December 31, 2006, an increase of $20.5 billion, or 87.9%, from December 31, 2005. The increase was due primarily to our formation of the 2006 Fund, which received $16.1 billion of capital commitments from fund investors, KPE, which had $5.0 billion of permanent capital as of December 31, 2006, and the KKR Strategic Capital Funds, which received $0.5 billion of capital commitments from investors. Additionally, the total capital of structured finance vehicles that we manage increased by $1.0 billion. Our AUM were also positively affected during the period by a $3.2 billion net increase in the value of the investments of our traditional private equity funds, which offset $5.3 billion of distributions from those funds comprised of $4.0 billion of realized gain and $1.3 billion of original cost.

Segment Analysis

The following is a discussion of the results of our two reportable business segments for the years ended December 31, 2005, 2006 and 2007 and the six months ended June 30, 2007 and 2008. You should read this discussion in conjunction with the information included under " Basis of Financial Presentation Segment Results" and the predecessor combined financial statements and related notes included elsewhere in this prospectus.

Private Equity Segment

The following tables set forth information regarding the results of operations and certain key operating metrics for our private equity segment for the years ended December 31, 2005, 2006 and 2007 and the six months ended June 30, 2007 and 2008.

	Year Ended December 31,			Six Months Ended June 30,	
	2005	2006	2007	2007	2008
	($ in thousands)			($ in thousands)	
Fee income					
Management fees	$ 94,197	$ 181,371	$ 231,527	$ 105,598	$ 178,685
Advisory fees	101,896	172,950	537,126	39,584	78,013
Total fee income	$ 196,093	$ 354,321	$ 768,653	$ 145,182	$ 256,698
Expenses					
Employee compensation and benefits	57,905	92,950	187,540	39,740	82,519
Other operating expenses	81,193	121,327	209,700	92,933	101,366
Total expenses	139,098	214,277	397,240	132,673	183,885
Fee related earnings	56,995	140,044	371,413	12,509	72,813
Investment income (loss)	861,976	929,518	403,601	633,338	(84,708)
Income (loss) before non-controlling interests in income of consolidated entities and income taxes	918,971	1,069,562	775,014	645,847	(11,895)
Non-controlling interests in income (loss) of consolidated entities					(67)
Economic net income (loss)	$ 918,971	$ 1,069,562	$ 775,014	$ 645,847	$ (11,962)
Assets under management (period end)	$ 19,696,600	$ 38,722,700	$ 42,234,800	$ 45,078,300	$ 47,642,000
Private equity dollars invested	$ 2,913,427	$ 6,661,698	$ 14,854,200	$ 1,786,600	$ 2,564,200

Six months ended June 30, 2008 Compared to Six months ended June 30, 2007

Fee Income

Fee income in our private equity segment was $256.7 million for the six months ended June 30, 2008, an increase of $111.5 million, or 76.8%, from the six months ended June 30, 2007. The increase was primarily due to an increase in management fees relating to our traditional private equity funds of $73.0 million resulting primarily from the formation of the European Fund III during the first quarter of 2008 and the Asian Fund during the third quarter of 2007 as well as an increase in fees relating to our permanent capital private equity fund of $4.3 million as a result of an increase in its invested capital on which we are entitled a fee. In addition, monitoring fees increased $35.3 million in our private equity segment reflecting an increase in the number of portfolio companies paying monitoring fees as well as an increase in the average monitoring fee received and fee income relating to our capital markets activities increased $13.2 million as a result of the formation of our capital markets business in late 2007. Offsetting these increases was a $10.0 million decrease in transaction fees earned in our private equity segment resulting from a lower combined completed transaction value during the period. During the first six months of 2008 we completed two transaction fee-generating private equity investments with a total completed transaction value of $3.5 billion, compared to three transaction fee-generating private equity investments with a total transaction value of $6.0 billion during the six months ended June 30, 2007.

Expenses

Expenses in our private equity segment were $183.9 million for the six months ended June 30, 2008, an increase of $51.2 million, or 38.5%, from the six months ended June 30, 2007. The increase was primarily due to a $42.8 million increase in employee compensation and benefits resulting from additional personnel hired after June 30, 2007 in connection with the continued expansion of our business. Following the Transactions, KKR Holdings will bear the economic costs of any executive bonuses paid to our principals. While we will record non-cash charges associated with this arrangement, the arrangement will not impact our cash available for distribution to unitholders. General and administrative expenses increased $6.3 million primarily as a result of an increase in expenses at our newly formed capital markets business and an increase in professional fees reflecting the overall growth of our existing business. Additionally, occupancy and related charges increased $5.1 million reflecting the opening of new offices in Beijing and Sydney subsequent to June 30, 2007 as well as an increase in existing office space. Offsetting these increases was a decrease of $3.0 million in fund expenses as a result of a decrease in transaction related expenses that were attributable to unconsummated transactions during the period.

Fee Related Earnings

Fee related earnings were $72.8 million for the six months ended June 30, 2008. As described above, fee income more than offset the increase in expenses resulting in an increase in fee related earnings in our private equity segment of $60.3 million, or 482.4%, from the six months ended June 30, 2007.

Investment Income (Loss)

Investment losses were $(84.7) million for the six months ended June 30, 2008, a decrease of $718.0 million, or 113.3%, compared to investment income of $633.3 million for the six months ended June 30, 2007. Investment income was comprised of net losses from investment activities of $(104.4) million, dividends of $18.6 million and net interest income of $1.1 million. The following is a summary of the components of net gains from investment activities:

	Six Months Ended	
	June 30, 2008	**June 30, 2007**
	($ in thousands)	
Realized Gains	$ 79,313	$ 143,072
Realized Losses	(7)	(65)
Unrealized Gains from Changes in Fair Value	436,877	786,838
Unrealized Gains from Sales of Investments and Realization of Losses	7	61
Unrealized Losses from Changes in Fair Value	(544,154)	(212,038)
Unrealized Losses from Sales of Investments and Realization of Gains	(76,439)	(109,915)
Total	$ (104,403)	$ 607,953

The overall decrease in net gains from investment activities compared to the prior period was primarily attributable to a net decrease in changes in unrealized gains (losses) of $648.7 million resulting primarily from net decreases in the market value of our investment portfolio and to a lesser extent a decline in net realized gains of $63.7 million resulting primarily from a lower level of sales activity during the period. Our allocated share of dividends decreased $6.4 million as a result of fewer dividends as well as a lower average dividend received during 2008. Carried interest represented $(66.7) million of total investment losses for the six months ended June 30, 2008 and $539.6 million of total investment income for the six months ended June 30, 2007.

Economic Net Income (Loss)

Economic net loss in our private equity segment was $(12.0) million for the six months ended June 30, 2008, a decrease of $657.8 million, or 101.9%, compared to economic net income of $645.8 million for the six months ended June 30, 2007. The investment loss described above was the main contributor to the period over period decrease in economic net income.

Assets Under Management

AUM in our private equity segment were $47.6 billion as of June 30, 2008, an increase of $2.6 billion, or 5.7%, from June 30, 2007. The increase was due primarily to the formation of the European Fund III, which received $6.9 billion of capital commitments from fund investors during the first half of 2008, an increase in the capital commitments of the 2006 Fund of $1.5 billion (bringing total capital commitments in the 2006 Fund to $17.6 billion), and a $1.5 billion increase associated with the formation of private equity co-investment vehicles and other alternative private equity vehicles. These increases offset $3.8 billion of net unrealized losses resulting from changes in the market values of our portfolio companies in our private equity segment and $3.6 billion of distributions from our traditional private equity funds comprised of $2.1 billion of realized gains and $1.5 billion of original cost.

Private Equity Dollars Invested

Private equity dollars invested were $2.6 billion for the six months ended June 30, 2008, an increase of $777.6 million, or 43.5%, from the six months ended June 30, 2007. The increase was due primarily to an increased number of private equity transactions during the first half of 2008. As of June 30, 2008, our traditional private equity funds had $16.0 billion of remaining unused capital commitments that could be called for investment in new private equity transactions.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Fee Income

Fee income in our private equity segment was $768.7 million for the year ended December 31, 2007, an increase of $414.4 million, or 116.9%, from the year ended December 31, 2006. The increase was primarily due to a $335.7 million increase in transaction fees earned in our private equity segment, which was attributable to a significant increase in the total value of private equity transactions completed during the 2007 relative to 2006. During 2007, we completed 13 transaction fee-generating private equity investments with a total combined value of $141.6 billion, compared to 11 transaction-fee generating private equity investments during 2006 with a total transaction value of $104.8 billion. A number of the transactions completed during 2007 entitled us to share a greater proportion of the overall transaction fees compared to the prior year. In addition, management fees relating to our traditional private equity funds increased $28.2 million as a result of the formation of the Asian Fund during 2007 as well as a full year of fees for the 2006 Fund, which was formed during the third quarter of 2006. Management fees relating to KPE increased $21.9 million as a result of its formation during the second quarter of 2006. The remainder of the overall increase in fee income resulted from an increase in monitoring fees reflecting an increase in the number of portfolio companies paying monitoring fees as well as an increase in the average monitoring fee received.

Expenses

Expenses in our private equity segment were $397.2 million for the year ended December 31, 2007, an increase of $182.9 million, or 85.3%, from the year ended December 31, 2006. The increase was primarily due to a $94.6 million increase in employee compensation and benefits resulting from additional personnel hired in connection with the continued expansion of our business as well as higher incentive compensation reflecting our improved financial performance during 2007. Following the Transactions, KKR Holdings will bear the economic costs of any executive bonuses paid to our principals. While we will record non-cash charges associated with this arrangement, the arrangement will not impact our available cash for distribution to unitholders. In addition, general, administrative and other expenses increased $41.2 million resulting from the growth of our business, and included increases in professional fees, travel and entertainment expenses and to a lesser extent the opening of our Tokyo office. Fund expenses increased $41.7 million as a result of a $20.8 million increase in expenses incurred in connection with the organization of newly formed funds and the placement of limited partner interests in such funds as well as an increase in transaction related expenses of $12.6 million that were attributable to unconsummated transactions during the period. Total transaction related expenses attributable to unconsummated transactions amounted to $40.7 million and $28.1 million for the years ended December 31, 2007 and 2006, respectively.

Fee Related Earnings

Fee related earnings in our private equity segment were $371.4 million for the year ended December 31, 2007, an increase of $231.4 million, or 165.3%, from the year ended December 31, 2006. The significant increase in fee income, as described above, was the main contributor to the year over year increase in fee related earnings.

Investment Income

Investment income was $403.6 million for the year ended December 31, 2007, a decrease of $525.9 million, or 56.6%, from the year ended December 31, 2006. Investment income in the December 31, 2007 period was comprised of net gains from investment activities of $226.5 million, dividends of $162.6 million and net interest income of approximately $14.5 million. The following is a summary of the components of net gains from investment activities:

	Year Ended	
	December 31, 2007	**December 31, 2006**
	($ in thousands)	
Realized Gains	$ 413,248	$ 764,001
Realized Losses	(61,286)	(20,119)
Unrealized Gains from Changes in Fair Value	1,025,713	812,535
Unrealized Gains from Sales of Investments and Realization of Losses	54,051	30,781
Unrealized Losses from Changes in Fair Value	(852,826)	(185,592)
Unrealized Losses from Sales of Investments and Realization of Gains	(352,352)	(616,317)
Total	$ 226,548	$ 785,289

The overall decrease in net gains from investment activities from the prior period was primarily attributable to a decline in net realized gains of $391.9 million resulting primarily from a lower level of sales activity during the year as well as a net decrease in changes in unrealized gains (losses) of $166.8 million resulting from smaller net increases in the fair value of our investment portfolio. Our allocated share of dividends increased $13.2 million as a result of higher average dividends received during 2007. Net interest income increased $19.7 million as a result of higher average cash balances at our management company during 2007 as well as a lower level of borrowing by the general partners of our traditional private equity funds. Carried interest represented $306 million and $719 million of total investment income for the year ended December 31, 2007 and 2006, respectively.

Economic Net Income

Economic net income in our private equity segment was $775.0 million for the year ended December 31, 2007, a decrease of $294.6 million, or 27.5%, from the year ended December 31, 2006. The decrease in investment income, as described above, was the main contributor to the year over year decrease in economic net income.

Assets Under Management

Our AUM were $42.2 billion as of December 31, 2007, an increase of $3.5 billion, or 9.0%, from December 31, 2006. The increase was due primarily to the formation of the Asian Fund, which received $4.0 billion of capital commitments from fund investors during 2007, an increase in the capital commitments to the 2006 Fund of $1.5 billion during 2007 (bringing total capital commitments in the 2006

Fund to $17.6 billion as of December 31, 2007), a $1.4 billion increase associated with the formation of carry-yielding co-investment vehicles and our principal protected private equity product and $0.9 billion of net unrealized gains resulting from changes in the market values of our portfolio companies in our private equity segment. These increases offset $4.3 billion of distributions from our traditional private equity funds comprised of $2.6 billion of realized gains and $1.7 billion of original cost.

Private Equity Dollars Invested

Private equity dollars invested were $14.9 billion for the year ended December 31, 2007, an increase of $8.2 billion or 122.4%, from the year ended December 31, 2006. The increase reflected an increase in the number of the companies that we acquired, as well as an increase in the average transaction size. As of December 31, 2007, our traditional private equity funds had $11.5 billion of remaining unused capital commitments that could be called for investment in new private equity transactions.

Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

Fee Income

Fee income in our private equity segment was $354.3 million for the year ended December 31, 2006, an increase of $158.2 million, or 80.7%, from the year ended December 31, 2005. The increase was partially due to a $60.0 million increase in transaction fees, which resulted from an increase in total completed transaction value. During 2006, we completed 11 transaction fee-generating private equity investments with a total combined value of $104.8 billion, compared to 11 transaction fee-generating private equity investments during 2005 with a total transaction value of $31.6 billion. Our segment fee income was also positively affected by a $89.7 million increase in the management fees earned from our private equity funds, which was due to an increase in the amount of AUM resulting from the formation of the 2006 Fund during the year and the fact that we received a full year of management fees from the European Fund II, which closed during the fourth quarter of 2005.

Expenses

Expenses in our private equity segment were $214.3 million for the year ended December 31, 2006, an increase of $75.2 million, or 54.0%, from the year ended December 31, 2005. The increase was primarily due to an increase of $47.6 million in employee compensation and benefits, which was attributable to additional personnel hired in connection with the continued expansion of our business and an increase in the amount of incentive compensation paid to existing personnel reflecting our favorable financial performance. Following the Transactions, KKR Holdings will bear the economic costs of any executive bonuses paid to our principals. While we will record non-cash charges associated with this arrangement, the arrangement will not impact our available cash for distribution to unitholders. Other expense categories collectively increased by $27.6 million as a result of the growth of our business, including the opening of our Tokyo office and a full year of operations for our Hong Kong office, as well as an increase in transaction related expenses resulting from unconsummated transactions during the period.

Fee Related Earnings

Due to the factors described above, fee related earnings in our private equity segment were $140.0 million for the year ended December 31, 2006, an increase of $83.0 million, or 145.7%, from the year ended December 31, 2005.

Investment Income

Investment income in our private equity segment was $929.5 million for the year ended December 31, 2006, an increase of $67.5 million, or 7.8%, from the year ended December 31, 2005. Investment income in the December 31, 2006 period was comprised of net gains from investment activities of $785.3 million and dividends and interest of $144.2 million. The following is a summary of the components of net gains from investment activities:

	Year Ended	
	December 31, 2006	December 31, 2005
	($ in thousands)	
Realized Gains	$ 764,001	$ 394,569
Realized Losses	(20,119)	(11,375)
Unrealized Gains from Changes in Fair Value	812,535	875,135
Unrealized Gains from Sales of Investments and Realization of Losses	30,781	11,375
Unrealized Losses from Changes in Fair Value	(185,592)	(329,946)
Unrealized Losses from Sales of Investments and Realization of Gains	(616,317)	(248,059)
Total	$ 785,289	$ 691,699

The overall increase in net gains from investment activities from the prior period was primarily attributable to a net decrease in changes in unrealized gains (losses) of $267.1 million resulting primarily from larger reversals of unrealized gains in connection with sales of investments offset by higher net realized gains of $360.7 million resulting from higher average realizations. Carried interest represented $719.3 million and $701.2 million of total investment income for the years ended December 31, 2006 and 2005, respectively.

Economic Net Income

Due to the factors described above, economic net income in our private equity segment was $1.1 billion for the year ended December 31, 2006, an increase of $150.6 million, or 16.4%, from the year ended December 31, 2005.

Assets Under Management

AUM in our private equity segment were $38.7 billion as of December 31, 2006, an increase of $19.0 billion, or 96.6%, from December 31, 2005. The increase was due primarily to our formation of the 2006 Fund, which had received $16.1 billion of capital commitments from fund investors as of December 31, 2006, and KPE, which provided us with an additional $5.0 billion of permanent capital as of December 31, 2006, and a $3.2 billion net increase in the value of the investments of our traditional private equity funds, which offset $5.3 billion of distributions of realized gain from those funds.

Private Equity Dollars Invested

Private equity dollars invested were $6.7 billion for the year ended December 31, 2006, an increase of $3.7 billion, or 128.7%, from the year ended December 31, 2005. The increase reflected an increase in the average enterprise value of the companies that we acquired. As of December 31, 2006, our traditional private equity funds had $17.6 billion of remaining unused capital commitments that could be called for investment in new private equity transactions, compared to $7.3 billion of unused capital commitments as of December 31, 2005.

Fixed Income Segment

The following tables set forth information regarding the results of operations and certain key operating metrics for our fixed income segment for the years ended December 31, 2005, 2006 and 2007 and the six months ended June 30, 2007 and 2008.

	Year Ended December 31,			Six Months Ended June 30,	
	2005	2006	2007	2007	2008
		($ in thousands)		($ in thousands)	
Fee income					
Management fees	$ 39,450	$ 55,994	$ 68,194	$ 38,941	$ 33,250
Advisory fees	5,034	9,119	11,421	5,282	7,608
Incentive fees		15,613	23,335	12,620	
Total fee income	$ 44,484	$ 80,726	$ 102,950	$ 56,843	$ 40,858
Expenses					
Employee compensation and benefits	12,252	18,662	24,507	10,621	9,185
Other operating expenses	5,629	12,193	16,349	7,803	10,339
Total expenses	17,881	30,855	40,856	18,424	19,524
Fee related earnings	26,603	49,871	62,094	38,419	21,334
Investment income (loss)	3,268	10,103	984	2,614	(61)
Income before non-controlling interests in income of consolidated entities and income taxes	29,871	59,974	63,078	41,033	21,273
Non-controlling interests in income of consolidated entities(1)	(13,324)	(25,428)	(23,264)	(15,678)	(6,421)
Economic net income	$ 16,547	$ 34,546	$ 39,814	$ 25,355	$ 14,852
Assets under management (period end)	$ 3,654,100	$ 5,150,700	$ 10,980,900	$ 9,365,000	$ 13,143,100

(1) Non-controlling interests represents the minority interests that other members held in the management company for our credit strategy funds prior to May 30, 2008. On May 30, 2008, we entered into an agreement to purchase the remaining outstanding interests in KFI, which had previously been included within non-controlling interests in the accompanying combined financial statements. The KFI Transaction was completed upon the execution of such agreement. As a result of the KFI Transaction, we own all of the equity interests in the parent of the management companies for our fixed income funds and are entitled to all of the net income and cash flows generated by the management companies.

Six months ended June 30, 2008 Compared to Six months ended June 30, 2007

Fee Income

Fee income in our fixed income segment was $40.9 million for the six months ended June 30, 2008, a decrease of $16.0 million, or 28.1%, from the six months ended June 30, 2007. This decrease was primarily due to the absence of an incentive fee from KFN in the first half of 2008 due to KFN's less favorable financial performance, compared to an incentive fee of $12.6 million in the first half of 2007. The remainder of the decrease is due primarily to a decrease in the amount of share-based management fees earned which was driven by declines in KFN's share price.

Expenses

Expenses in our fixed income segment were $19.5 million for the six months ended June 30, 2008, an increase of $1.1 million, or 6.0%, from the six months ended June 30, 2007. This increase was driven by an increase in general and administrative expenses of $2.1 million resulting from overall growth in the fixed income segment. Offsetting this increase was a decrease in employee compensation and benefits expense of $1.4 million as a result of lower incentive compensation driven by less favorable performance when compared to the prior period. Following the Transactions, KKR Holdings will bear the economic costs of any executive bonuses paid to our principals. While we will record non-cash charges associated with this arrangement, the arrangement will not impact our cash available for distribution to unitholders.

Fee Related Earnings

Fee related earnings in our fixed income segment were $21.3 million for the six months ended June 30, 2008, a decrease of $17.1 million, or 44.5%, from the six months ended June 30, 2007. The decrease in fee income, as described above, was the main contributor to the period over period decrease in fee related earnings.

Investment Income (Losses)

Investment losses were $0.1 million for the six months ended June 30, 2008, a decrease of $2.7 million, or 103.8%, compared to investment income of $2.6 million for the six months ended June 30, 2007. The majority of the KFN options and shares held by our credit segment were distributed during the third quarter of 2007 and, as a result, dividend income from KFN shares decreased by $1.7 million. The remainder of the overall decrease was due to depreciation in the fair value of vested KFN options we received for management services to that fund.

Non-Controlling Interests in Income of Consolidated Entities

Non-controlling interests in income of consolidated entities were $6.4 million for the six months ended June 30, 2008, a decrease of $9.3 million, or 59.2%, from the six months ended June 30, 2007. The decrease reflects a lower level of fee related earnings in the current period as well as the purchase of the non-controlling interests in KFI on May 30, 2008.

Economic Net Income

Due to the factors described above, economic net income in our fixed income segment was $14.9 million for the six months ended June 30, 2008, a decrease of $10.5 million, or 41.3%, from the six months ended June 30, 2007. The decrease in fee income, as described above, was the main contributor to the period over period decrease in economic net income.

Assets Under Management

AUM in our fixed income segment were $13.1 billion as of the six months ended June 30, 2008, an increase of $3.8 billion, or 40.8%, from the six months ended June 30, 2007. The increase was primarily due to $3.5 billion of additional capital raised by structured finance vehicles, and additional capital contributions of $0.3 billion of fee-paying capital received at KFN.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Fee Income

Fee income in our fixed income segment was $103.0 million for the year ended December 31, 2007, an increase of $22.2 million, or 27.6%, from the year ended December 31, 2006. This increase was primarily due to the formation of the KKR Strategic Capital Funds during the fourth quarter of 2006, which resulted in incremental management fees of $21.0 million. Additionally, incentive fees from KFN increased by $9.7 million due to KFN's improved performance for the majority of the quarters in 2007 compared to the corresponding quarters in 2006. Offsetting these increases was a decrease in management fees received from KFN of $8.5 million resulting from a reduction the amount of share- based management fees earned, which was driven by declines in KFN's share price.

Expenses

Expenses in our fixed income segment were $40.9 million for the year ended December 31, 2007, an increase of $10.0 million, or 32.4%, from the year ended December 31, 2006. The increase was primarily due to an increase in employee compensation and benefits of $5.8 million, which was attributable to an increase in the amount of incentive compensation paid to existing personnel corresponding to increased incentive fees earned, and, to a lesser extent, the hiring of additional personnel to support the growth of our fixed income segment since December 31, 2006. Following the Transactions, KKR Holdings will bear the economic costs of any executive bonuses paid to our principals. While we will record non-cash charges associated with this arrangement, the arrangement will not impact our available cash for distribution to unitholders. Additionally, general, administrative, and other expenses increased $4.2 million primarily from the formation of the KKR Strategic Capital Funds during the fourth quarter of 2006.

Fee Related Earnings

Fee related earnings in our fixed income segment were $62.1 million for the year ended December 31, 2007, an increase of $12.2 million, or 24.4%, from the year ended December 31, 2006. The significant increase in fee income, as described above, was the main contributor to the year over year increase in fee related earnings.

Investment Income

Investment income was $1.0 million for the year ended December 31, 2007, a decrease of $9.1 million, or 90.1%, from the year ended December 31, 2006. The decrease was due primarily to depreciation in the fair value of vested KFN options and shares of $6.9 million that we received for management services to that fund. In addition, the majority of the KFN options and shares held by our fixed income segment were distributed during the second quarter of 2007 and, as a result, dividends income from KFN shares decreased by $2.2 million.

Non-Controlling Interests in Income of Consolidated Entities

Non-controlling interests in income of consolidated entities were $23.3 million for the year ended December 31, 2007, a decrease of $2.2 million, or 8.6%, from the year ended December 31, 2006. While income increased overall from the prior period, the holders of the non-controlling interests were entitled to a lower allocable sharing of earnings from the fixed income segment.

Economic Net Income

Due to the factors described above, economic net income in our fixed income segment was $39.8 million for the year ended December 31, 2007, an increase of $5.3 million, or 15.4%, from the year ended December 31, 2006.

Assets Under Management

AUM in our fixed income segment were $11.0 billion as of December 31, 2007, an increase of $5.8 billion, or 111.5%, from December 31, 2006. The increase was primarily due to $5.0 billion of additional capital raised by structured finance vehicles and additional capital contributions of $0.8 billion received in the KKR Strategic Capital Funds.

Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

Fee Income

Fee income in our fixed income segment was $80.7 million for the year ended December 31, 2006, an increase of $36.2 million, or 81.5%, from the year ended December 31, 2005. The increase was primarily due to a $10.6 million increase in incentive and management fees resulting from the formation of the KKR Strategic Capital Funds during the year ended December 31, 2006 and increased incentive and management fees earned from KFN of $25.6 million as a result of its favorable performance during the year.

Expenses

Expenses in our fixed income segment were $30.9 million for the year ended December 31, 2006, an increase of $13.0 million, or 72.6%, from the year ended December 31, 2005. The increase was primarily due to an increase in employee compensation and benefits of $6.4 million, which was attributable to an increase in the amount of incentive compensation paid to existing personnel reflecting our favorable financial performance, and the hiring of eleven additional personnel to support the growth of our fixed income segment.

Fee Related Earnings

Due to the factors described above, fee related earnings in our fixed income segment were $49.9 million for the year ended December 31, 2006, an increase of $23.3 million, or 87.5%, from the year ended December 31, 2005.

Investment Income

Investment income in our fixed income segment was $10.1 million for the year ended December 31, 2006, an increase of $6.8 million from the year ended December 31, 2005. The increase was due primarily to the appreciation in the fair value of vested KFN shares we receive as compensation for management services to that fund.

Economic Net Income

Due to the factors described above, economic net income in our fixed income segment was $34.5 million for the year ended December 31, 2006, an increase of $18.0 million, or 108.8%, from the year ended December 31, 2005.

Assets Under Management

AUM in our fixed income segment were $5.1 billion as of December 31, 2006, an increase of $1.5 billion, or 42.2%, from December 31, 2005. The increase was due primarily to $1.0 billion of additional capital raised by structured finance vehicles and our formation of the KKR Strategic Capital Funds, which raised an additional $0.4 billion of capital.

Liquidity and Capital Resources

Historical Liquidity and Capital Resources

We require capital to fund investments, grow our business and support our working capital requirements. Historically, we have funded investments using the capital resources of our existing owners, capital committed by our fund investors and indebtedness incurred by our funds and our portfolio companies. We generally have used the capital resources of our existing owners, accumulated net income from our business activities or short-term borrowings to fund our working capital requirements and to support our new business and growth initiatives.

We have managed our historical liquidity and capital requirements by focusing on our cash flows before the consolidation of our funds and the effect of normal changes in assets and liabilities, which we anticipate will be settled for cash within one year. Our primary cash flow activities on a deconsolidated basis involve: (i) generating cash flow from operations; (ii) funding capital commitments that we make to our funds as general partners (which amounts are eliminated when we consolidate funds); (iii) generating income from investment activities; (iv) funding our growth initiatives; and (v) distributing cash flow to our owners. Normal movements in our short-term assets and liabilities do not affect our distribution decisions given our current and historically available borrowing capability.

Our combined statements of cash flows, however, include the cash flows of our consolidated funds despite the fact that we have only a minority economic interest in those funds. The assets of our consolidated funds, on a gross basis, are substantially larger than the assets of our business and, accordingly, have a substantial effect on the cash flows reflected in our combined statements of cash flows. The assets of our consolidated funds have grown significantly during the periods reflected in our combined financial statements due to an increase in the number and size of the funds that we have raised, the amount of capital that we have invested and the appreciation in the value of our funds' investments.

The growth in the assets of our consolidated funds has significantly increased their cash flows and, in turn, has been the primary cause of the increase in the gross cash flows that are reflected in our combined statements of cash flows. In particular, the primary cash flow activities of our consolidated funds involve: (i) raising capital 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 are treated as investment companies for accounting purposes, these cash flow amounts are included in our cash flows from operations.

Six months ended June 30, 2008 and 2007

Net Cash Flow Provided by (Used in) Operating Activities

Our net cash flow used in operating activities was \$(1.4) billion and \$(1.3) billion during the six months ended June 30, 2008 and 2007, respectively. These amounts primarily included: (i) purchases of investments by our consolidated funds, net of proceeds from sales of investments, of \$(1.1) billion and \$(2.5) billion during the six months ended June 30, 2008 and 2007, respectively; (ii) net realized gains on investments of the consolidated funds of \$0.3 billion and \$0.6 billion during the six months ended June 30, 2008 and 2007, respectively; (iii) change in unrealized gains (losses) on investments allocable to us and non-controlling interests of \$(1.5) billion and \$2.6 billion during the six months ended June 30, 2008 and 2007, respectively; (iv) non-controlling interests in income (loss) of consolidated entities of \$(1.2) billion and \$2.7 billion during the six months ended June 30, 2008 and 2007, respectively; and (v) change in cash and cash equivalents held at consolidated entities of \$(0.4) billion and \$0.9 billion during the six months ended June 30, 2008 and 2007, respectively. These amounts are reflected as operating activities in accordance with investment company accounting.

Net Cash Flow Used in Investing Activities

Our net cash flow used in investing activities was \$84.9 million and \$136.7 million during the six months ended June 30, 2008 and 2007, respectively. Our investing activities primarily consisted of changes in restricted cash and cash equivalents of \$32.9 million and \$127.6 million for the six months ended June 30, 2008 and 2007, respectively.

Net Cash Flow Provided by (Used in) Financing Activities

Our net cash flow provided by financing activities was \$1.3 billion and \$1.4 billion during the six months ended June 30, 2008 and 2007, respectively. Our financing activities primarily included:

(i) contributions made by, net of distributions made to, the investors in our consolidated funds, reflected in our historical combined financial statements as non-controlling interests in consolidated entities, of $2.2 billion and $0.6 billion during the six months ended June 30, 2008 and 2007, respectively; (ii) net proceeds (repayments) from debt obligations of our consolidated funds of $0.7 billion and $(1.1) billion for the six months ended June 30, 2008 and 2007, respectively; and (iii) distributions to, net of contributions by, our equity holders of $(0.1) billion and $(0.2) billion during the six months ended June 30, 2008 and 2007, respectively.

Years Ended December 31, 2007, 2006 and 2005

Net Cash Flow Provided by (Used in) Operating Activities

Our net cash flow used in operating activities was $(8.5) billion, $(5.5) billion and $(0.1) billion during the years ended December 31, 2007, 2006, and 2005, respectively. These amounts primarily included: (i) purchases of investments by our consolidated funds, net of proceeds from sales of investments, of $(11.8) billion, $(4.4) billion and $(0.8) billion during the years ended December 31, 2007, 2006, and 2005, respectively; (ii) net realized gains on investments of the consolidated funds of $1.6 billion, $3.2 billion and $1.6 billion during the years ended December 31, 2007, 2006 and 2005, respectively; (iii) change in unrealized gains (losses) on investments allocable to KKR Group and non-controlling interests of $(0.4) billion, $(0.1) billion and $1.4 billion for the years ended December 31, 2007, 2006 and 2005, respectively; and (iv) non-controlling interests in income of consolidated entities of $1.6 billion, $3.0 billion and $2.9 billion during the years ended December 31, 2007, 2006 and 2005, respectively. These amounts are reflected as operating activities in accordance with investment company accounting.

Net Cash Flow Used in Investing Activities

Our net cash flow used in investing activities was $112.5 million, $130.1 million and $5.0 million during the years ended December 31, 2007, 2006, and 2005, respectively. Our investing activities included the purchases of furniture, fixtures, equipment and leasehold improvements, as well as a reduction in restricted cash and cash equivalents of $95.4 million, $108.3 million and $0 for the years ended December 31, 2007, 2006 and 2005, respectively.

Net Cash Flow Provided by (Used in) Financing Activities

Our net cash flow provided by financing activities was $8.8 billion, $5.7 billion, and $0.1 billion during the years ended December 31, 2007, 2006, and 2005, respectively. Our financing activities primarily included: (i) contributions made by, net of distributions made to, the investors in our consolidated funds, reflected in our historical combined financial statements as non-controlling interests in consolidated entities, of $7.1 billion, $5.8 billion and $0.3 billion during the years ended December 31, 2007, 2006, and 2005, respectively; (ii) meeting net capital requirements of our consolidated funds of $2.6 billion, $0.7 billion, and $0.2 billion for the years ended December 31, 2007, 2006 and 2005, respectively; and (iii) distributions to, net of contributions by, our equity holders of $(0.9) billion, $(0.8) billion and $(0.4) billion during the years ended December 31, 2007, 2006 and 2005, respectively.

Future Sources of Cash and Liquidity Needs

Liquidity Needs

We expect that our primary liquidity needs will consist of cash required to: (i) continue to grow our business, including funding capital commitments made to our existing and future funds and any net capital requirements of our capital markets companies, (ii) fund our cash operating expenses, including any compensation expense that is not borne by KKR Holdings, (iii) pay amounts that may become due under our tax receivable agreement with KKR Holdings; and (vi) fund distributions to our unitholders and holders of Group Partnership units in accordance with our distribution policy. See "Distribution Policy." We believe that the sources of liquidity described below will be sufficient to fund our working capital requirements for the next 12 months.

As described under "Business," the agreements governing our traditional private equity funds generally require the general partners of the funds to make minimum capital commitments to the funds, which usually range from 2% to 4% of a fund's total capital commitments at final closing. The following table presents our unfunded general partner capital commitments to our private equity funds as of June 30, 2008:

Private Equity Funds	**Original Commitment**	**Unfunded Commitment**
	($ in thousands)	
Millennium Fund	$ 150,000	$ 3,253
European Fund II	121,271	1,224
2006 Fund	375,000	109,564
Asian Fund	100,000	85,899
European Fund III	293,600	284,980
Total	$ 1,039,871	$ 484,920

In connection with the KPE Transaction, we will acquire the Acquired KPE Partnership, which has directly or indirectly made additional capital commitments to certain of our consolidated funds. As of June 30, 2008, approximately $991 million of these capital commitments remained unfunded.

Historically we have funded capital commitments with cash from operations that otherwise would be distributed to our principals and by our principals. Following the completion of the Transactions, we expect to fund any capital contributions that the general partners are required to make to a fund with future operating cash flows and other sources of liquidity available to us.

The agreements governing our traditional private equity funds include clawback provisions that require the general partner of a fund to repay any excess amounts previously received in respect of its carried interest if, upon liquidation of the fund, the general partner has received carried interest distributions in excess of the amount to which it is entitled under the governing documents of the relevant fund.

In connection with the Transactions, we will enter into an exchange agreement with KKR Holdings pursuant to which KKR Holdings or transferees of its Group Partnership units may up to four times each year (subject to the terms of the exchange agreement) exchange Group Partnership units (together with corresponding special voting units) for our common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. We will also enter into a tax receivable agreement with KKR Holdings or certain transferees of its Group Partnership units pursuant to which our intermediate holding company will be required to pay 85% of the amount of cash savings, if any, in U.S. federal, state and local income taxes that it realizes as a result of increases in the tax basis of certain of the assets of our intermediate holding company arising from any exchanges of Group Partnership units for our common units. See "Certain Relationships and Related Party Transactions Tax Receivable Agreement." This payment obligation will be an obligation of our intermediate holding company and not of either Group Partnership.

While the actual increase in tax basis and amount and timing of any payments under our tax receivable 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 Group Partnerships, the payments that we may be required to make could be substantial. We do not currently anticipate that these payments will impact our liquidity needs, as they generally will be made only to the extent that our intermediate holding company actually realizes cash savings as a result of exchanges of Group Partnership units by our principals. However, our intermediate holding company's obligations under the tax receivable agreement would be effectively accelerated upon the occurrence of an early termination of the tax receivable agreement by our intermediate holding company or 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. In the event that other of our current or future subsidiaries become taxable as corporations and acquire Group Partnership units in the future, or if we become taxable as a corporation, for U.S. federal income tax purposes, each will become subject to a tax receivable agreement with substantially similar terms.

In connection with the KPE Transaction, we will issue CVIs that will entitle KPE unitholders to receive a variable amount of newly issued common units (or the cash equivalent thereof) on the third anniversary of the issue date in the event that the trading price of our common units over an averaging period plus the cumulative distributions paid on our common units from the issue date is less than $22.25 per common unit. If the cash settlement option is selected, KKR Holdings will contribute cash to the Group Partnership (for further distribution to us) in an amount sufficient to settle the amounts due to CVI holders.

We intend to make quarterly cash distributions to our unitholders in amounts that in the aggregate are expected to constitute substantially all of the cash earnings of our asset management business each year in excess of amounts determined by our Managing Partner to be necessary or appropriate to provide for the conduct of our business, to make appropriate investments in our business and our funds, to comply with applicable law and any of our debt instruments or other agreements or to provide for future distributions to our unitholders for any one or more of the ensuing four quarters. Our distribution policy reflects our belief that distributing substantially all of the cash earnings of our asset management business will provide transparency for our unitholders and impose on us an investment discipline with respect to the businesses and strategies that we pursue. A number of factors such as the general economic and business climate, our financial condition and operating results, the execution of our current and/or future business strategies, future legal, tax and regulatory requirements and restrictions, future working capital requirements and other such factors may impact our ability to make cash distributions to our common unitholders. Because we will not know what the cash earnings of our asset management business will be for any year until the end of such year, we expect that our first three quarterly distributions in respect of any given year will generally be smaller than the final quarterly distribution in respect of such year.

Sources of Cash

Following the Transactions, our principal source of cash will consist of cash balances contributed to the Group Partnerships as part of the KPE Transaction. We will also receive cash from time to time from: (i) our operating activities, including the management, advisory and incentive fees earned from all of our funds, managed accounts, portfolio companies, capital markets transactions and other investment products; (ii) realizations on carried interest, capital invested by or on behalf of our general partners and principal segment assets; (iii) realized returns that are generated on investments that are made with capital invested by or on behalf of the general partners of our funds; (iv) returns on assets acquired by KPE; and (v) borrowings under the credit facilities described below. We may also issue additional common units and other securities to investors with the objective of increasing our available capital.

We have access to funding under various credit facilities that we have entered into in connection with major financial institutions. Following the completion of the Transactions, we will also have borrowing availability under a credit facility that KPE has entered into with a syndicate of lenders. The following is a summary of the principal terms of these facilities:

In February 2008, the management company for our private equity funds entered into a credit agreement with a major financial institution providing for revolving borrowings of up to $1 billion with a $50 million sublimit for swingline notes and a $25 million sublimit for letters of credit. This facility has a term of five years. As of June 30, 2008, $25 million was outstanding under this facility and the interest rate on such borrowings was approximately 5% for the six months ended June 30, 2008.

In February 2008, the management company for our private equity funds renewed its $25 million line of credit with a major financial institution. The facility has a term of one year and is available for general corporate purposes. There were no amounts outstanding under this facility as of June 30, 2008.

In February 2008, the holding company for our capital markets business entered into a credit agreement with a major financial institution. The credit agreement provides for revolving borrowings of up to $700 million with a $500 million sublimit for letters of credit. This facility has a term of five years. There were no amounts outstanding under this facility as of June 30, 2008.

In June 2007, the Acquired KPE Partnership entered into a credit agreement with a syndicate of lenders. The credit agreement provides for up to $1.0 billion of senior secured credit, subject to availability under a borrowing base determined by the value of certain investments pledged as collateral security for obligations under the agreement. The facility has a term of five years. As of June 30, 2008, the Acquired KPE Partnership had $598.1 million of borrowings outstanding under the facility. Such borrowings bore interest at rates ranging from 4.07% to 6.88%.

In addition, certain of our consolidated funds, including the Acquired KPE Partnership, have entered into financing arrangements in connection with specific investments with the objective of enhancing returns. Such financing arrangements include $1,146.4 million of financing provided through total return swaps and $178.1 million of financing provided through a term loan and revolving credit facility.

Contractual Obligations, Commitments and Contingencies

In the ordinary course of our business, we and our consolidated funds enter into contractual arrangements that may require future cash payments. The following table sets forth information relating to the anticipated future cash payments that were associated with those contractual obligations as of June 30, 2008.

	Payments due by Period				
Type of Contractual Obligations	**<1 Year**	**1 to 3 Years**	**3 to 5 Years**	**>5 Years**	**Total**
			($ in millions)		
Before Consolidation of Funds:					
Capital commitments to traditional private equity funds(1)	$ 484.9	$	$	$	$ 484.9
Debt payment obligations	25.0				25.0
Lease obligations	22.1	68.2	19.2	112.9	222.4
Total	$ 532.0	$ 68.2	$ 19.2	$ 112.9	$ 732.3
After Consolidation of Funds:					
Equity commitments(2)	$ 461.0	$	$	$	$ 461.0
Lease obligations	22.1	68.2	19.2	112.9	222.4
Debt payment obligations(3)	25.0		1,922.5		1,947.5
Total(4)	$ 508.1	$ 68.2	$ 1,941.7	$ 112.9	$ 2,630.9

(1) These capital commitments represent commitments by the general partners of our traditional private equity funds to contribute capital to fund a portion of the purchase price paid for each portfolio company investment made by the fund. Following the completion of the KPE Transaction, such amounts will also reflect capital commitments that have directly or indirectly been made by the Acquired KPE Partnership to certain of our consolidated funds. As of June 30, 2008, approximately $991 million of these capital commitments remained unfunded. 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 rates at which our funds make investments, we expect that the capital commitments presented above will be called over a period of several years, if not longer. See " Liquidity and Capital Resources Future Sources of Cash and Liquidity Needs Liquidity Needs."

(2)

These equity commitments represent contractual commitments entered into by our private equity funds to fund a portion of the purchase price of unconsummated portfolio company investments. Our funds pay amounts due with respect to these commitments using capital contributed by fund investors and capital provided by us and, in the case of our larger transactions, with amounts funded by third-party co-investors or financial intermediaries to whom a portion of the equity commitment is syndicated. Whether and when the transactions regarding which we have entered into commitments will be consummated depends on a number of factors, some or all of which may be outside of our control, and we cannot assure you that any of these commitments will be funded. As a result, the equity commitments presented above do not necessarily reflect our fund's actual future cash outflows.

(3) Debt payment obligations include interest to be paid over the maturity of the related debt obligation, which has been calculated assuming no prepayments are made and the debt is held until its final maturity date. Future interest rates have been calculated using rates in effect as of June 30, 2008, including both variable and fixed rates provided for by the relevant debt agreements. The amounts presented above include outstanding indebtedness of the Acquired KPE Partnership, which will become our indebtedness upon completion of the KPE Transaction. As of June 30, 2008, the Acquired KPE Partnership had $598.1 million of borrowings outstanding under the facility. Such borrowings bore interest at rates ranging from 4.07% to 6.88%.

(4) Our contractual obligations table does not give effect to the potential obligations described in the paragraphs below.

In the normal course of business, we also enter into contractual arrangements that contain a variety of representations and warranties and that include general indemnification obligations. The purchase and sale agreement that we have entered into with KPE includes additional representations and warranties as well as certain indemnification obligations as described under "KPE Transaction." Our maximum exposure under the foregoing arrangements is unknown due to the fact that the exposure would relate to claims that may be made against us in the future. Accordingly, no amounts have been included in our combined financial statements as of June 30, 2008 relating to indemnification obligations.

As of June 30, 2008, the amount of carried interest we have received, excluding carried interest received by general partners of the 1996 Fund, that is subject to this contingent repayment obligation was $776.6 million, assuming that all applicable private equity funds were liquidated at no value. Had the investments in such funds been liquidated at their June 30, 2008 fair values, the contingent repayment obligation would have been $61.5 million. If, as a result of poor performance of later investments in the life of one of our traditional private equity funds, the fund does not achieve overall profitability, the general partners of those funds could potentially be required to make a payment under such a clawback obligation.

At the time of formation of each of our traditional private equity funds, our senior principals, personally guaranteed, on a several basis and subject to a cap, the clawback obligation of the general partner of the relevant private equity fund. In connection with the Transactions, with respect to each fund general partner in which we hold an interest, we will enter into an agreement with each of our personnel who has entered into such a guarantee pursuant to which we will indemnify such person for any liabilities incurred with respect to the guarantee. No indemnification will be provided with respect to clawback obligations of fund general partners in which we do not hold an interest, including the general partners of the 1996 Fund. See "Certain Relationships and Related Party Transactions Guarantee of Contingent Obligations to Fund Partners; Indemnification."

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 revenues, income and expense. Our management bases these estimates and judgments on available information, historical experience and other assumptions that we believe are reasonable under the circumstances. These estimates, judgments and assumptions, however, 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 our combined financial statements for the period in which the actual amounts become known. We believe the following critical accounting policies could potentially produce materially different results if we were to change underlying estimates, judgments or assumptions. Please see the notes to the predecessor combined financial statements included elsewhere in this prospectus for further detail regarding our critical accounting policies.

Principles of Consolidation

Our policy is to consolidate those entities in which we, through our senior principals, have control, as well as those entities in which we are the primary beneficiary of a variable interest entity, or a VIE. VIEs are defined as entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional financial support from other parties. A VIE must be consolidated only by its primary beneficiary, which is defined as the party who, along with its affiliates and agents, will absorb a majority of the VIE's expected losses or receive a majority of the expected residual returns as a result of holding variable interests. We refer to all entities that are included in the accompanying combined financial statements are referred to as consolidated entities.

The majority of the consolidated entities are under the common control of our senior principals and are comprised of: (i) those entities in which we, directly or through our senior principals, have majority ownership and control over significant operating, financial and investing decisions; and (ii) our consolidated funds, which are those entities in which we, through our senior principals, hold substantive, controlling general partner or managing member interests. With respect to our consolidated funds, we generally have operational discretion and control, and fund investors have no substantive rights to impact ongoing governance and operating activities of the funds.

Our consolidated funds do not consolidate their majority-owned and controlled investments in portfolio companies. Rather, those investments are accounted for as investments and carried at fair value as described below.

Non-controlling interests in consolidated entities represent the ownership interests in consolidated entities, including our consolidated funds, held by entities or persons other than our existing owners. Non-controlling interest holders have a substantial ownership position in our combined total assets (approximately 87% as of June 30, 2008).

Fair Value of Investments

Our consolidated funds are treated as investment companies under the AICPA Audit and Accounting Guide, "Investment Companies," for the purposes of GAAP and, as a result, reflect their investments on our predecessor combined statement of financial condition at fair value, with unrealized gains or losses resulting from changes in fair value reflected as a component of investment income in our predecessor combined statements of operations. We have retained the specialized accounting of the consolidated funds pursuant to EITF Issue No. 85-12, Retention of Specialized Accounting for Investments in Consolidation.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 applies to reporting periods beginning after November 15, 2007. The adoption of SFAS 157 on January 1, 2008 did not have a material impact on our combined financial statements.

The adoption of SFAS 157 requires us to classify and disclose investments measured and reported at Fair Value in one of the following categories:

Level I Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I include listed equities and listed derivatives. In addition, securities sold, but not yet purchased, and options written by the Acquired KPE Partnership are included in Level I. As required by SFAS 157, 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. We classified

11.3% of investments measured and reported at fair value as Level I at June 30, 2008, including 10.6% of our private equity investments.

Level II Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives. We classified 8.4% of investments measured and reported at fair value as Level II at June 30, 2008, including 7.5% of our private equity investments.

Level III Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include private portfolio companies held through our private equity funds and KPE. We classified 80.3% of investments measured and reported at fair value as Level III at June 30, 2008, including 79.0% of our private equity investments. The valuation of our Level III investments at June 30, 2008 represents management's best estimate of the amounts that we would anticipate realizing on the sale of these investments 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, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and we consider factors specific to the investment.

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. If no sales occurred on such day, we use the "bid" price at the close of business on that date and, if sold short, the "asked" price at the close of business on that date day. Forward contracts are valued based on market rates or prices obtained from recognized financial data service providers.

The majority of our private equity investments are valued utilizing unobservable pricing inputs. Management's determination of fair value is based upon the best information available for a given circumstance and may incorporate assumptions that are management's best estimates after consideration of a variety of internal and external factors. We generally employ two valuation methodologies when determining the fair value of a private equity investment. The first methodology is a market multiples approach that considers a specified financial measure (such as EBITDA) and recent public market and private transactions and other available measures for valuing comparable companies. Other factors such as the applicability of a control premium or illiquidity discount, the presence of significant unconsolidated assets and liabilities and any favorable or unfavorable tax attributes are also considered in arriving at a market multiples valuation. The second methodology utilized is a discounted cash flow approach. In this approach, we will incorporate significant assumptions and judgments in determining the most likely buyer, or market participant for a hypothetical sale, which might include an initial public offering, private equity investor, strategic buyer or a transaction consummated through a combination of any of the above. Estimates of assumed growth rates, terminal values, discount rates, capital structure and other factors are employed in this approach. The ultimate fair value recorded for a particular investment will generally be within the range suggested by the two methodologies, adjusted for issues related to achieving liquidity including size, registration process, corporate governance structure, timing, an initial public offering discount and other factors, if applicable. As discussed above, we utilize several unobservable pricing inputs and assumptions in determining the fair value of our private equity 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.

Prior to our adoption of SFAS 157, we determined the fair value of our private equity investments in good faith. There was no single standard for determining fair value in good faith and in many cases fair value was best expressed as a range of fair values from which a single estimate may be derived. When making fair value determinations, we typically used a market multiples approach that considered a specified observable financial measure (such as EBITDA) or a discounted cash flow or liquidation analysis. We also considered a range of additional factors that we deemed relevant, including the price at which the investment was acquired, the nature of the investment (such as whether it is a controlling interest), local market conditions, market prices for comparable securities and financing transactions and models that consider the current and expected operating performance and cash flows of the company in which the investment was made. Fair values of investments that do not have readily observable market prices were based on the best information available in light of the circumstances and may have incorporated or involved significant assumptions or judgments by management.

Approximately 18%, or $5.7 billion, and 27%, or $5.1 billion, of the value of the investments in our consolidated private equity funds were valued using quoted market prices, which have not been adjusted, as of December 31, 2007 and December 31, 2006, respectively.

Approximately 82%, or $25.9 billion, and 73%, or $14.2 billion, of the value of the investments in our consolidated private equity funds were valued in the absence of readily observable market prices as of December 31, 2007 and December 31, 2006, respectively. The majority of these investments were valued using internal models with significant unobservable market parameters and our determinations of the fair values of these investments may differ materially from the values that would have resulted if readily observable market prices had existed. Additional external factors may cause those values, and the values of investments for which readily observable market prices 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.

Our calculations of the fair values of private equity investments were reviewed by Duff & Phelps, LLC, an independent valuation firm, who provided third-party valuation assistance to us, which consisted of certain limited procedures that we identified and requested it to perform. Upon completion of such limited procedures, Duff & Phelps, LLC concluded that the fair value, as determined by us, of those investments subjected to their limited procedures did not appear to be unreasonable. The limited procedures did not involve an audit, review, compilation or any other form of examination or attestation under generally accepted auditing standards. The general partners of our funds are responsible for determining the fair value of investments in good faith, and the limited procedures performed by Duff & Phelps, LLC are supplementary to the inquiries and procedures that the general partner of each fund is required to undertake to determine the fair value of the investments. See "Private Equity Valuations and Related Data" for a further discussion of our private equity investment valuations.

Changes in the fair value of the investments of our consolidated private equity funds may impact our results of operations as follows:

- The management fees that we are paid by KPE are based on the approximate NAV of the fund, which in turn is impacted by the fair values of its investments. Historically, a change in the fair values of the funds' investments during a reporting period would have affected the amount of management fees that were payable following the completion of the reporting period, but would not have had an immediate impact on our results. In connection with the Transactions, the Acquired KPE Partnership will become a wholly-owned subsidiary of ours and we will no longer generate net income. The management fees paid by our traditional private equity funds are calculated based on the amount of capital committed to, or invested by, the funds and are not directly affected by changes in the fair value of the funds' investments.

- The net gains from investment activities of our private equity funds are directly affected by changes in the fair values of the funds investments as described under " Key Financial Measures Investment Income Net Gains from Investment Activities." Based on the investments of our private equity funds as of June 30, 2008, we estimate that an immediate 10% decrease in the fair value of the funds' investments generally would result in a 10% immediate change in net gains from the funds' investment activities (including carried interest), regardless of whether the investment was valued using observable market prices or internal models with significant unobservable market parameters. However, we estimate the impact that the consequential decrease in investment income would have on our reported amounts of income before taxes and net income would be significantly less than the amount presented above, given that a majority of the change in fair value would be absorbed by fund investors who hold non-controlling interests in the funds.

Substantially all of the value of the investments in our consolidated fixed income funds were valued using observable market parameters, which may include quoted market prices, as of June 30, 2008 and December 31, 2007. Quoted market prices, when used, are not adjusted.

The management fees that are paid by the KKR Strategic Capital Funds are based on their respective NAVs. Accordingly, a 10% decrease in the fair value of the funds' investments as of June 30, 2008 would have resulted in a reduction in management fees for the six months ended June 30, 2008 of $1.0 million. KFN's base management and incentive fees are indirectly impacted by changes in the fair values of assets, and a decline in the fair value of assets that results in a 10% decrease in the shareholder's equity of KFN would have resulted in a reduction in management fees for the six months ended June 30, 2008 of $1.2 million. There were no incentive fees earned at the KKR Strategic Capital Funds or KFN for the six months ended June 30, 2008.

Revenue Recognition

Fee income consists primarily of advisory fees that we receive from our portfolio companies and the management and other fees that we receive directly from our unconsolidated funds, including both the base management fees and the incentive fees that are paid by our unconsolidated fixed income funds. These fees are based upon the contractual terms of the management and other agreements that we enter into with the applicable funds and portfolio companies. We recognize fee income in the period during which the related services are performed and the amounts have been contractually earned in accordance with the relevant management or other agreements. Incentive fees are accrued either annually or quarterly, after all contingencies have been removed, based on performance to date versus the performance benchmark stated in the management agreement.

Recognition of Investment Income

Investment income consists primarily of the unrealized and realized gains on investments, dividend and interest income received from investments and foreign currency gains as reduced by unrealized and realized losses on investments, interest expense incurred in connection with investment activities and foreign currency losses on investments. Unrealized gains or losses result from changes in the fair value of our funds' investments during a period. Upon disposition of an investment, previously recognized unrealized gains or losses are reversed and a corresponding realized gain or loss is recognized in the current period. While this reversal does not impact the net amounts of gains that we recognize from investment activities, it affects the manner in which we classify our gains and losses for reporting purposes.

We recognize investment income with respect to our carried interests in investments of our private equity funds, the capital invested by or on behalf of the general partners of our private equity funds and the non-controlling interests that third-party fund investors hold in our consolidated funds. A carried interest entitles us to a percentage of the gain generated on third-party capital invested by a private equity fund, subject in the case of our traditional private equity funds to the fund achieving a profit on all investments as a whole. The instruments governing our traditional private equity funds include clawback provisions that require the general partner of a fund to repay any excess amounts previously received in respect of its carried interest if, upon liquidation of the fund, the general partner has received carried interest distributions in excess of the amount to which it is entitled under the governing documents of the fund. This feature operates only with respect to the investments of an individual fund and does not provide for netting of gains and losses across funds. As of June 30, 2008, the amount of carried interest we have received, excluding carried interest received by the general partners of the 1996 Fund, that is subject to this contingent repayment obligation was $776.6 million, assuming that all applicable private equity funds were liquidated at no value. Had the investments in such funds been liquidated at their June 30, 2008 fair values, the contingent repayment obligation would have been $61.5 million.

Because carried interests allocate to us a disproportionate share of our private equity funds' earnings relative to our capital contributions, those interests reduce the amount of our funds' earnings that are allocated to fund investors' non-controlling interests in consolidated funds. We recognize investment income attributable to a carried interest in a fund to the extent that the fund's investment returns are positive. When a carried interest is subject to a clawback provision, we recognize the related investment income based on the terms of the fund's instruments assuming that the fund was terminated on that date and that the fair value of the fund's investments were then realized in full. Given the long durations during which our private equity funds hold investments, management believes that this approach results in income recognition that best reflects our performance in any given period as the manager of our private equity funds.

Due to the consolidation of the majority of our funds, the share of our funds' investment income that is allocable to our carried interests and capital investments is not shown in our combined financial statements. Instead, the investment income that we retain in our net income, after allocating amounts to non-controlling interests, represents the portion of our investment income that is allocable to us. Because the substantial majority of our funds are consolidated and because we hold only a minority economic interest in our funds' investments, our share of the investment income generated by our investment activities is significantly less than the total amount of investment income presented in our predecessor combined financial statements.

Recent Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value, with changes in fair value recognized in earnings. SFAS 159 applies to reporting periods beginning after November 15, 2007. The adoption of SFAS 159 on January 1, 2008 did not have a material impact on the combined financial statements.

In June 2007, the AICPA issued Statement of Position No. 07-1, "Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies" ("SOP 07-1"), for issuance. SOP 07-1 addresses whether the accounting principles of the AICPA Audit and Accounting Guide Investment Companies may be applied to an entity by clarifying the definition of an investment company and whether those accounting principles may be retained by a parent company in consolidation or by an investor in the application of the equity method of accounting. Generally, in order for an entity to retain investment company accounting for a subsidiary or equity method investee: (i) the subsidiary or equity method investee should meet the definition of an investment company pursuant to the guidance in SOP 07-1; (ii) the entity should follow established policies that effectively distinguish the nature and type of investments made by the investment company from the nature and type of investments made by other entities within the consolidated group that are not investment companies; and (iii) the entity (through the investment company), should be investing for current income, capital appreciation, or both, rather than for strategic operating purposes. On October 17, 2007, the FASB voted to defer indefinitely the adoption date of SOP 07-1.

In December 2007, the FASB issued SFAS 160, "Noncontrolling Interests in Consolidated Financial Statements" ("SFAS 160"). SFAS 160 amends Accounting Research Bulletin No. 51 "Consolidated Financial Statements" ("ARB 51"). Key provisions of SFAS 160 include: (1) a requirement that noncontrolling interests are to be treated as a separate component of equity, rather than a liability or other item outside of equity; (2) clear presentation of the amount of consolidated net income attributable to noncontrolling interests on the face of the consolidated statement of operations; and (3) enhanced disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling-interest holders. SFAS 160 is effective for periods beginning on or after December 15, 2008. We are currently assessing the impact of adopting SFAS 160 on the combined financial statements.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), "Business Combinations" ("SFAS 141(R)"). SFAS 141(R) replaces SFAS No. 141, "Business Combinations." SFAS 141(R) expands the scope of business combinations to include all transactions and other events in which one entity obtains control over one or more other businesses. SFAS 141 applied only to business combinations in which control was obtained by transferring consideration. Key provisions of SFAS 141(R) require that: (1) the acquirer recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at their fair values on the acquisition date; (2) the acquirer in a business combination achieved in stages (sometimes referred to as a step acquisition) recognize the identifiable assets and liabilities, as well as the noncontrolling interest in the acquiree, at the full amounts of their fair values (or other amounts determined in accordance with SFAS 141(R)); (3) the acquirer recognize contingent consideration at fair value on the acquisition date; and (4) acquisition-related costs be recognized separately from the cost of the acquisition. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. We are currently assessing the impact of adopting SFAS 141(R) on the combined financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS No. 161"). SFAS No. 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. We are currently assessing the impact of adopting SFAS No. 161 on the combined financial statements.

In March 2008, the EITF reached a consensus on Issue No. 07-4, "Application of the Two-Class Method under FASB Statement No. 128, Earnings Per Share, to Master Limited Partnerships" ("EITF 07-4"). EITF 07-4 applies to master limited partnerships that make incentive equity distributions. EITF 07-4 is to be applied retrospectively beginning with financial statements issued in the interim periods of fiscal years beginning after December 15, 2008. We are currently assessing the impact that EITF 07-4 may have on the combined financial statements.

In April 2008, the FASB issued Staff Position No. FAS 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP No. 142-3"). FSP No. 142-3 amends the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under SFAS No. 142, "Goodwill and Other Intangible Assets." FSP No. 142-3 affects entities with recognized intangible assets and is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The new guidance applies prospectively to (1) intangible assets that are acquired individually or with a group of other assets and (2) both intangible assets acquired in business combinations and asset acquisitions. We are currently assessing the impact that FSP No. 142-3 may have on the combined financial statements.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS No. 162"). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles. SFAS No. 162 is effective 60 days following the Securities and Exchange Commission's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Presented Fairly in Conformity with Generally Accepted Accounting Principles." We are currently assessing the impact of adopting SFAS No. 162 on the combined financial statements.

Qualitative and Quantitative Disclosures About Market Risk

Our exposure to market risks primarily relates to our role as general partner or manager of our funds and sensitivities to movements in the fair value of their investments, including the effect that those movements have on the management fees and carried interests that we receive. Following the completion of the Transactions, we will have increased exposure to market risks as a result of the assets acquired from KPE. The fair value investments may fluctuate in response to changes in the value of securities, foreign currency exchange rates and interest rates.

Although our funds share many common themes, we generally maintain separate investment and risk management processes for monitoring and managing market risks. In particular:

- The investment process for private equity involves a detailed analysis of potential acquisitions and industry-specific investment teams are assigned to oversee the operations, strategic development, financing and capital deployment decisions of our funds' portfolio companies. Investment decisions are subject to approval by our equity investment committee, which consists of a group of our senior principals, and portfolio company investments are monitored by our portfolio management committee, which consists of a group of our senior principals and senior advisors.

- Our approach to making debt investments focuses on creating investment portfolios that generate attractive risk-adjusted returns on invested capital, allocating capital across multiple asset classes, selecting high-quality investments that may be made at attractive prices, applying rigorous standards of due diligence when making investment decisions, subjecting investments to regular monitoring and oversight and making buy and sell decisions based on price targets and relative value parameters. We employ both "top-down" and "bottom-up" analyses when making debt investments. Our top-down analysis involves a macro analysis of relative asset valuations, long-term industry trends, business cycles, interest rate expectations, credit fundamentals and technical factors to target specific industry sectors and asset classes in which to invest. Our bottom-up analysis includes a rigorous analysis of the credit fundamentals and capital structure of each credit considered for investment and a thorough review of the impact of credit and industry trends and dynamics and dislocations events on such potential investment.

Market Risk

Our consolidated funds hold investments that are reported at fair value. Net changes in the fair value of investments impact the net gains from investments in our combined statements of operations. Based on the investments of our funds as of June 30, 2008, we estimate that a 10% decrease in the fair value of our funds' investments would result in a corresponding reduction in investment income. However, we estimate the impact that the consequential decrease in investment income would have on our reported amounts of income before taxes and net income would be significantly less than the amount presented above, given that a substantial majority of the change in fair value would be allocated to fund investors who hold non-controlling interests in our funds. As a result of our acquisition of non-controlling interests in the Acquired KPE Partnership, the extent of such allocation will be less in future periods.

Our base management fees are calculated based on the amount of capital committed or invested by a fund or the NAV of a fund's investments, as described under "Business Private Equity Traditional Private Equity Funds." In the case of our fixed income funds, our incentive fees are calculated based on the performance of a fund's investments, which in the case of one of our fixed income funds is calculated based on the appreciation in the NAV of the fund's investments. To the extent that base management or other amounts 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 and other amounts that are based on NAV depends on the number and type of funds in existence. For a discussion of the impact of market risks on our fair value of investments, see " Critical Accounting Policies Fair Value of Investments."

Exchange Rate Risk

Our private equity funds make investments from time to time in currencies other than those in which their capital commitments are denominated. 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 capital commitments are denominated and the currency in which the investments are made. Our policy is to minimize these risks by employing hedging techniques, including using foreign exchange contracts to reduce exposure to future changes in exchange rates when our funds have invested a meaningful amount of capital in currencies other than the currencies in which their capital commitments are denominated.

Because most of the capital commitments to our funds are denominated in U.S. dollars, 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 (primarily euro, British pound and Australian dollars). We estimate that a simultaneous parallel movement by 10% in the exchange rates between the U.S. dollar and all of the foreign currencies in which our funds' investments were denominated as of June 30, 2008 would result in net gains or losses from investment activities of our funds of $469 million. However, we estimate that the effect on our income before taxes and our net income from such a change would be significantly less than the amount presented above, because a substantial majority of the gain or loss would be absorbed by fund investors who hold non-controlling interests in our funds.

Interest Rate Risk

Interest rate risk is defined as the sensitivity of our current and future earnings to interest rate volatility, variability of spread relationships, and the effect that interest rates may have on our cash flows. Our fixed income funds and the Acquired KPE Partnership have outstanding indebtedness that accrues interest at variable rates. As a result, changes in interest rates affect the amount of interest payments that those funds are required to make, which may impact the earnings and cash flows of those funds. However, we estimate the effect on our income before taxes and our net income from such an increase would be substantially allocated to fund investors in proportion to their non-controlling interests in the funds. As a result of our acquisition of non-controlling interests in the Acquired KPE Partnership, the extent of such allocation will be less in future periods.

In addition, our fixed income funds and the Acquired KPE Partnership make investments in floating rate investments that are primarily financed with variable rate borrowings. Interest rates on our floating rate investments and our variable rate borrowings do not reset on the same day or with the same frequency and, as a result, we are exposed to basis risk with respect to index reset frequency. Our floating rate investments may reprice on indices that are different than the indices that are used to price our variable rate borrowings and, as a result, we are exposed to basis risk with respect to repricing indices.

We manage interest rate risk and make interest rate decisions by evaluating our projected earnings under selected interest rate scenarios. During periods of increasing interest rates we tend to purchase floating rate investments. We manage our interest rate risk using various techniques ranging from the purchase of floating rate investments to the use of interest rate derivatives. We generally fund our floating rate investments with variable rate borrowings with similar interest rate reset frequencies. We also may use interest rate derivatives to hedge the variability of cash flows associated with existing or forecasted variable rate borrowings. We did not use any material interest rate derivatives during any of the periods presented.

Credit Risk

Certain of our funds enter into derivative instruments that subject us to the risk that the counterparties may be unable to meet their obligations under those agreements. We seek to minimize our risk exposure by limiting the counterparties with which we enter into contracts to highly rated major financial institutions with strong credit ratings.

KPE'S SELECTED HISTORICAL FINANCIAL AND OTHER DATA

The following tables set forth the selected historical financial data of KPE as of and for the partial year ended December 31, 2006, the year ended December 31, 2007 and as of June 30, 2008 and for the six months ended June 30, 2007 and 2008. KPE derived the selected historical financial data as of and for the partial year ended December 31, 2006 and the year ended December 31, 2007 from the audited financial statements of KPE included elsewhere in this prospectus. KPE derived the selected historical financial data as of June 30, 2008 and for the six months ended June 30, 2007 and 2008 from the unaudited financial statements of KPE included elsewhere in this prospectus. KPE's unaudited financial statements have been prepared on substantially the same basis as its audited financial statements and include all adjustments that it considers necessary for a fair presentation of its financial position and results of operations for all periods presented. You should read the following data together with KPE Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements of KPE and related notes included elsewhere in this prospectus. The following amounts are presented in thousands, except per unit and unit amounts.

	April 18, 2006 (Date of Formation) to December 31, 2006	Year Ended December 31, 2007	Six Months Ended	
			June 30, 2007	June 30, 2008
Statements of Operations Data:				
Net investment income (loss)	$ 126,479	$ 19,029	$ 47,610	$ (39,546)
Net realized gain (loss)	34,547	113,196	16,604	(38,521)
Net change in unrealized appreciation (depreciation)	83,327	(136,359)	242,684	(350,537)
Net increase (decrease) in net assets resulting from operations	244,353	(4,134)	306,898	(428,604)
Statements of Assets and Liabilities Data (period end):				
NAV	$ 5,035,599	$ 4,982,373		$ 4,558,176
NAV per unit	24.62	24.36		22.25
Partners' capital, net of offering costs	4,830,110	4,830,110		4,834,517
Number of common units outstanding	204,550,001	204,550,001		204,902,226

KPE MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the financial statements of KPE, the consolidated financial statements of the Acquired KPE Partnership and the related notes included elsewhere in this prospectus. 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

KPE seeks to create long-term value by participating in private equity and opportunistic investments identified by KKR. Formed in April 2006, KPE enables certain public market investors to invest in KKR-sponsored investments. KPE makes its investments through the Acquired KPE Partnership as its sole limited partner. KPE's limited partnership agreement provides for the management of its business and affairs by a general partner. KPE's general partner, a Guernsey limited company that is owned by individuals who are affiliated with KKR, has a majority-independent board of directors.

Unless the context suggests otherwise, KPE uses the term "KPE's investments" to refer both to KPE's limited partner interests in the Acquired KPE Partnership, which are the only investments that KPE records in its statements of assets and liabilities, and investments that are made by the Acquired KPE Partnership. Although the investments that the Acquired KPE Partnership makes with KPE's capital do not appear as investments in KPE's financial statements, KPE is directly affected by the overall performance of these investments. The term "KPE's investments" also refers to portfolio investments of KKR's funds in which the Acquired KPE Partnership invests. While other KKR fund partners are involved in those portfolio company investments, the Acquired KPE Partnership, and therefore KPE, is generally entitled to share ratably in the returns and, conversely, the risk of loss with respect to such investments.

KPE investments, which are made by the Acquired KPE Partnership, include:

- **Private equity investments, which include:**
  - limited partner interests in KKR's private equity funds, including current funds, future funds and past funds through the purchase of secondary interests;
  - the opportunity to co-invest in certain portfolio companies of those funds; and
  - the ability to make negotiated equity investments in newly issued equity or equity-linked securities.
- **Opportunistic investments**, which include any investments identified by KKR in the course of its business other than private equity investments, including public equities and fixed income investments; and
- **Temporary investments**, which include investments made in connection with cash management activities.

KPE's policies and procedures state that the Acquired KPE Partnership will invest at least 75% of its adjusted assets in private equity and temporary investments and no more than 25% of its adjusted assets in opportunistic investments. "Adjusted assets" are defined as the Acquired KPE Partnership's consolidated assets less the amount of indebtedness that is recorded as a liability on its consolidated statement of assets and liabilities.

Additionally, the Acquired KPE Partnership also generally seeks to employ strategic hedging transactions to mitigate selected risk exposures, such as pairing trades and writing or buying options. Whether part of a hedging transaction or a fundamental transaction in its own right, securities sold short represent obligations of the Acquired KPE Partnership to deliver the specified security at the contracted price and thereby create a liability to repurchase the security in the market at then prevailing prices.

In connection with the formation of KPE and the initial offering of its common units, affiliates of KKR contributed $75.0 million in cash to KPE and the Acquired KPE Partnership, of which $65.0 million was contributed to KPE in exchange for common units and $10.0 million was contributed to the Acquired KPE Partnership in respect of general partner interests in the Acquired KPE Partnership. In addition, KPE entered into an investment agreement with KKR pursuant to which KKR agreed to cause its affiliates to contribute to KPE, on a periodic basis, an amount equal to 25% of the aggregate pre-tax cash distributions, if any and subject to certain exceptions, that are made in respect of its carried interests and incentive distribution rights.

Investments Held by the Acquired KPE Partnership

As of June 30, 2008, the Acquired KPE Partnership's NAV was $4,563.2 million, with $4,553.6 million allocated to KPE as its sole limited partner and $9.6 million allocated to the Acquired KPE Partnership's general partner. The Acquired KPE Partnership's net assets were comprised of the following, with amounts in thousands, as of June 30, 2008:

	Net Assets	Percent of Total
Private equity investments:		
Co-investments	$ 2,506,347	54.9%
Private equity funds	1,666,940	36.5
Negotiated equity investments	852,121	18.7
	5,025,408	110.1
Temporary investments	207,613	4.6
Revolving credit agreement	(598,064)	(13.1)
Long-term debt	(350,000)	(7.7)
Other, net	(65,756)	(1.4)
	4,219,201	92.5
Opportunistic investments:		
Non-private equity fund investment	173,953	3.8
Other non-private equity investments	170,071	3.7
	344,024	7.5
Net assets	$ 4,563,225	100.0%

Business Environment

Global financial markets experienced significant stress during the second half of fiscal 2007 and through 2008 to date. Uncertainty regarding the value of assets and the ability of counterparties to meet their obligations, and a lack of transparency regarding the magnitude of risk inherent in certain investments, spread from the residential real estate market to credit markets generally. As a result, the sources of liquidity described below under "Liquidity and Capital Resources" may be more difficult to obtain in the current market environment.

Basis of Presentation

KPE's financial statements and the consolidated financial statements of the Acquired KPE Partnership were prepared in accordance with U.S. GAAP and are presented in U.S. dollars. On October 16, 2007, KPE received a letter from the Netherlands Authority for the Financial Markets, or

AFM, in which the AFM granted KPE special dispensation from the requirement to prepare financial statements in accordance with Dutch GAAP and International Financial Reporting Standards so long as KPE's financial statements are prepared in accordance with U.S. GAAP. Prior to the receipt of this letter, KPE's financial statements and the consolidated financial statements of the Acquired KPE Partnership were prepared in accordance with U.S. GAAP pursuant to a temporary approval from the AFM.

KPE utilizes a reporting schedule comprised of four three-month quarters with an annual accounting period that ends on December 31. KPE's quarterly periods end on March 31, June 30, September 30 and December 31. Interim results may not be indicative of KPE's results for a full fiscal year. The financial results presented herein include activity for the six months ended June 30, 2008 and June 30, 2007, the year ended December 31, 2007 and for the period from the date of formation on April 18, 2006 to December 31, 2006, referred to as "the partial year ended December 31, 2006." KPE's operations effectively commenced on May 10, 2006, upon receipt of the net proceeds from the May 3, 2006 initial offering. Therefore, the activity presented for the partial year ended December 31, 2006 is not comparable to that for the year ended December 31, 2007.

Because KPE does not hold a controlling interest in the Acquired KPE Partnership and because of the exclusion for investment companies included in FASB Interpretation No. 46, *Consolidation of Variable Interest Entities*, as amended by Interpretation No. ("FIN") 46(R), KPE does not consolidate the results of operations, assets or liabilities of the Acquired KPE Partnership in its financial statements. However, KPE does reflect its proportionate share of the Acquired KPE Partnership's net investment income or loss and net gain or loss on investments and foreign currency transactions in its statement of operations.

KPE operates through one reportable business segment for management reporting purposes.

Key Financial Measures

Investment Income and Gain/Loss on Investments

As described above, under "Basis of Presentation," because the assets of the Acquired KPE Partnership are not consolidated in KPE's financial statements, the only investments that KPE records as assets are limited partner interests in the Acquired KPE Partnership. As a result, KPE's investment income (loss) is primarily comprised of KPE's proportionate share of the Acquired KPE Partnership's investment income, net of expenses, and income related to KPE's own cash management activities. Income is recorded as earned.

KPE also records its proportionate share of the Acquired KPE Partnership's income in the form of realized gains or losses and unrealized appreciation or depreciation. At the end of each quarterly accounting period when investments are valued, any new unrealized appreciation or depreciation in the value of those investments impacts the change in net assets resulting from operations during the period. See "Application of Critical Accounting Policies Valuation of Limited Partner Interests and Investments" below. The value of KPE's investments in limited partner interests in the Acquired KPE Partnership relate directly to the underlying value of the Acquired KPE Partnership's NAV.

The assets of the Acquired KPE Partnership generally generate income in the form of capital gains, dividends and interest. The Acquired KPE Partnership also records income or loss in the form of unrealized appreciation or depreciation from investments and foreign currency transactions at the end of each quarterly accounting period when the investments are valued. When an investment carried as an asset is sold and a resulting gain or loss is realized, including but not limited to, any related gain or loss from foreign currency transactions, an accounting entry is made to reverse any unrealized appreciation or depreciation that has previously been recorded in order to ensure that the realized gain or loss recognized in connection with the sale of the investment does not result in the double counting of the previously reported unrealized appreciation or depreciation.

Operating Expenses

The results of operations of the Acquired KPE Partnership are not consolidated in KPE's financial statements. However, KPE records its proportionate share of the Acquired KPE Partnership's operating expenses. KPE's operating expenses are limited to the expenses that KPE directly incurs in connection with its operation. These expenses consist primarily of KPE's allocated share of the total management fee that is payable under the services agreement, if any, expenses of KKR that are attributable to KPE's operations and reimbursable under the services agreement, professional fees, the directors' fees and expenses that KPE's Managing Partner pays to its independent directors and other administrative costs.

Neither KPE nor KPE's general partner employs any of the individuals who carry out the day-to-day management and operations of KPE. The investment professionals and other personnel that carry out investment and other activities are members of KKR's general partner or employees of KKR. Their services are provided to KPE for KPE's benefit under the services agreement with KKR. None of these individuals, including KPE's Managing Partner's chief financial officer, are required to be dedicated full-time to KPE.

Operating expenses of the Acquired KPE Partnership consist primarily of its allocated share of the management fees that are payable under the services agreement, incentive fees incurred by one of the KKR Strategic Capital Funds, or SCF, if any, fees and expenses associated with the Acquired KPE Partnership's credit agreement, other interest expense, dividend expense related to securities sold short, the expenses of KKR that are directly attributable to the operations of the Acquired KPE Partnership and reimbursable under the services agreement, professional fees and other administrative costs.

Income Taxes

KPE is not a taxable entity in Guernsey and has made a protective election to be treated as a partnership for U.S. federal income tax purposes and, therefore, incurs no U.S. federal income tax liability. Instead, each unitholder takes into account its allocable share of items of income, gain, loss, deduction and credit of KPE in computing its U.S. federal income tax liability.

NAV

KPE's common units outstanding were 204,902,226 as of June 30, 2008 and 204,550,001 as of December 31, 2007 and December 31, 2006.

The NAV per unit since KPE's formation in April 2006 was as follows(1):

(1) Represents the NAV net of distributions paid. KPE has paid the following distributions since its formation in April 2006:

Record Date	Payment Date	Cash Distribution Paid per Common Unit
December 1, 2006	December 15, 2006	$0.19
August 31, 2007	September 17, 2007	0.24
		$0.43

(2) The NAV as of May 10, 2006 is immediately subsequent to the initial offering and related transactions and is stated on a pro forma basis, as if the over-allotment option was exercised on May 10, 2006.

Operating Results of KPE

The following table sets forth KPE's results of operations for the partial year ended December 31, 2006, the year ended December 31, 2007 and the six months ended June 30, 2007 and June 30, 2008, with amounts in thousands:

	April 18, 2006 (Date of Formation) to December 31, 2006	Year Ended December 31, 2007	Six Months Ended June 30, 2007	Six Months Ended June 30, 2008
Net investment income (loss) allocated from the Investment Partnership:				
Investment income	$ 143,220	$ 126,540	$ 83,182	$ 30,721
Expenses	12,853	100,707	32,738	67,584
	130,367	25,833	50,444	(36,863)
Investment income interest income	212	70	28	60
Expenses General and administrative expenses	4,100	6,874	2,862	2,743

	April 18, 2006 (Date of Formation) to December 31, 2006	Year Ended December 31, 2007	Six Months Ended June 30, 2007	Six Months Ended June 30, 2008
Net investment income (loss)	126,479	19,029	47,610	(39,546)
Realized and unrealized gain (loss) from investments and foreign currency allocated from the Acquired KPE Partnership:				
Net realized gain (loss)	34,547	113,196	16,604	(38,521)
Net change in unrealized appreciation (depreciation)	83,327	(136,359)	242,684	(350,537)
Net gain (loss) on investments and foreign currency transactions	117,874	(23,163)	259,288	(389,058)
Net increase (decrease) in net assets resulting from operations	$ 244,353	$ (4,134)	$ 306,898	$ (428,604)

Operating Results for the Six Months Ended June 30, 2008 Compared to the Six Months Ended June 30, 2007

Net Investment Income (Loss) Allocated from the Acquired KPE Partnership

Net investment income (loss) allocated from the Acquired KPE Partnership is generally comprised of KPE's portion of the Acquired KPE Partnership's income and expenses, which included interest and dividend income, management fees, incentive fees, interest expense, dividend expense and general and administrative expenses. During the six months ended June 30, 2008, the net investment loss allocated from the Acquired KPE Partnership was $36.9 million, compared to net investment income of $50.4 million allocated from the Acquired KPE Partnership during the six months ended June 30, 2007. See "Consolidated Operating Results of the Acquired KPE Partnership" below.

Investment Income

During the six months ended June 30, 2008 and June 30, 2007, investment income of less than $0.1 million represented interest income from cash management activities.

General and Administrative Expenses

General and administrative expenses during the six months ended June 30, 2008 and June 30, 2007 were $2.7 million and $2.9 million, respectively, which included fees for professional services, fees and expenses of KPE's Managing Partner's board of directors and other administrative costs.

Net Gain (Loss) on Investments and Foreign Currency Transactions Allocated from the Acquired KPE Partnership

During the six months ended June 30, 2008, KPE recorded a net realized loss of $38.5 million and net change in unrealized depreciation of $350.5 million based on KPE's allocated portion of the Acquired KPE Partnership's net loss on investments and foreign currency transactions. During the six months ended June 30, 2007, KPE recorded a net realized gain of $16.6 million and net change in unrealized appreciation of $242.7 million based on KPE's allocated portion of the Acquired KPE Partnership's net gain on investments and foreign currency transactions. See "Consolidated Operating Results of the Acquired KPE Partnership" below.

Net Increase (Decrease) in Net Assets Resulting from Operations

During the six months ended June 30, 2008, the net decrease in net assets resulting from operations was $428.6 million. During the six months ended June 30, 2007, the net increase in net assets resulting from operations was $306.9 million. KPE's total annualized return for the six months ended June 30, 2008 and June 30, 2007 was (17.3)% and 12.3%, respectively.

Operating Results for the Year Ended December 31, 2007 Compared to the Partial Year Ended December 31, 2006

Net Investment Income Allocated from the Acquired KPE Partnership

During the year ended December 31, 2007 and the partial year ended December 31, 2006, net investment income allocated from the Acquired KPE Partnership of $25.8 million and $130.4 million, respectively, represented KPE's portion of the Acquired KPE Partnership's income and expenses. See "Consolidated Operating Results of the Acquired KPE Partnership" below.

Investment Income

During the year ended December 31, 2007 and the partial year ended December 31, 2006, investment income of $0.1 million and $0.2 million, respectively, represented interest income from cash management activities.

General and Administrative Expenses

General and administrative expenses during the year ended December 31, 2007 and the partial year ended December 31, 2006 were $6.9 million and $4.1 million, respectively, which included fees for professional services, fees and expenses of KPE's Managing Partner's board of directors and other administrative costs.

Net Gain (Loss) on Investments and Foreign Currency Transactions Allocated from the Acquired KPE Partnership

During the year ended December 31, 2007, KPE recorded a net realized gain of $113.2 million and net change in unrealized depreciation of $136.4 million based on KPE's allocated portion of the Acquired KPE Partnership's net gain on investments and foreign currency transactions. During the partial year ended December 31, 2006, KPE recorded a net realized gain of $34.5 million and net unrealized appreciation in KPE's limited partner interests in the Acquired KPE Partnership of $83.3 million based on KPE's allocated portion of the Acquired KPE Partnership's net gain on investments and foreign currency transactions. See "Consolidated Operating Results of the Acquired KPE Partnership" below.

Net Increase (Decrease) in Net Assets Resulting from Operations

During the year ended December 31, 2007, the net decrease in net assets resulting from operations was $4.1 million. During the partial year ended December 31, 2006, the net increase in net assets was $244.4 million. KPE's total annualized return for the year ended December 31, 2007 and the partial year ended December 31, 2006 was (0.1)% and 7.8%, respectively.

Consolidated Operating Results of the Acquired KPE Partnership

The following table sets forth the Acquired KPE Partnership's consolidated results of operations for the partial year ended December 31, 2006, the year ended December 31, 2007 and the six months ended June 30, 2007 and June 30, 2008, with amounts in thousands:

	April 18, 2006 (Date of Formation) to December 31, 2006	Year Ended December 31, 2007	Six Months Ended June 30, 2007	Six Months Ended June 30, 2008
Investment income:				
Interest income	$ 143,370	$ 102,605	$ 63,223	$ 22,027
Dividend income, net of withholding taxes of $96, 1,446, $765 and $249, respectively	146	24,197	20,131	8,756
Total investment income	143,516	126,802	83,354	30,783
Expenses:				
Management fees	9,874	46,629	19,457	26,738
Incentive fees	1,044	956	1,776	
Interest expense		48,557	9,606	37,424
Dividend expense				896
General and administrative expenses	1,941	4,677	1,926	2,611
Total expenses	12,859	100,819	32,765	67,669
Net investment income (loss)	130,657	25,983	50,589	(36,886)
Realized and unrealized gain (loss) from investments and foreign currency:				
Net realized gain (loss), net of withholding tax (benefit) of $0, $977, $977 and $(37), respectively	34,619	113,432	16,638	(38,602)
Net change in unrealized appreciation (depreciation)	83,500	(136,642)	243,188	(351,265)
Net gain (loss) on investments and foreign currency transactions	118,119	(23,210)	259,826	(389,867)
Net increase (decrease) in net assets resulting from operations	$ 248,776	$ 2,773	$ 310,415	$ (426,753)

Operating Results for the Six Months Ended June 30, 2008 Compared to the Six Months Ended June 30, 2007

Interest Income

During the six months ended June 30, 2008 and June 30, 2007, interest income was $22.0 million and $63.2 million, respectively, which primarily represented interest on cash management activities.

Dividend Income

During the six months ended June 30, 2008 and June 30, 2007, dividend income was $8.8 million and $20.1 million, respectively, which primarily represented dividends received from certain KKR portfolio companies and from investments in public equities.

Management Fees

Management fees were $26.7 million and $19.5 million during the six months ended June 30, 2008 and June 30, 2007, respectively. See Note 13 "Relationship with KKR and Related Party Transaction Management Fees" of the Acquired KPE Partnership's unaudited consolidated financial statements for the six months ended June 30, 2008 included elsewhere in this prospectus for a description of the management fee due under the services agreement.

Incentive Fees

During the six months ended June 30, 2007, incentive fees of $1.8 million were accrued related to SCF's investment performance. SCF did not incur incentive fee expense during the six months ended June 30, 2008. See Note 13 "Relationship with KKR and Related Party Transactions Carried Interests and Incentive Distributions" of the Acquired KPE Partnership's unaudited consolidated financial statements for the six months ended June 30, 2008 included elsewhere in this prospectus.

Interest Expense

During the six months ended June 30, 2008, interest expense of $37.4 million was incurred related primarily to the Acquired KPE Partnership's outstanding borrowing on its revolving credit facility and financing of an investment in Sun Microsystems, or Sun, and less significantly, to the amortization of debt financing costs, stock borrow costs, breakage costs and commitment fees. During the six months ended June 30, 2007, interest expense of $9.6 million was accrued primarily related to the Acquired KPE Partnership's financing of the investment in Sun. Less significantly, interest expense also included commitment fees and the amortization of debt financing costs associated with the revolving credit facility. See "Commitments, Obligations and Contingencies Debt Obligations" below.

Dividend Expense

During the six months ended June 30, 2008, dividend expense of $0.9 million related to securities sold short.

General and Administrative Expenses

During the six months ended June 30, 2008 and June 30, 2007, general and administrative expenses were $2.6 million and $1.9 million, respectively, which were comprised primarily of fees for professional services.

Net Realized Gain (Loss) from Investments and Foreign Currency Transactions

During the six months ended June 30, 2008, the Acquired KPE Partnership recorded a net realized loss of $38.6 million, which was comprised of $26.4 million from the sales of opportunistic investments in public equities and derivative instruments, $23.6 million from the secondary sales of limited partner interests in the 2006 Fund and the Millennium Fund and $7.2 million from the sale of investments in a non-private equity fund, offset by a realized gain of $16.0 million from the sale and partial sale of certain portfolio companies by KKR's private equity funds and $2.6 million related to the repayment in U.S. dollars of debt due in British pounds sterling.

During the six months ended June 30, 2007, the Acquired KPE Partnership recorded a net realized gain of $16.6 million, which was comprised of $12.6 million from the partial sale and sale of certain portfolio companies by KKR's private equity funds, $2.2 million from the sale of opportunistic investments and $1.8 million from the sale of investments in non-private equity funds.

Net Change in Unrealized Appreciation (Depreciation) on Investments and Foreign Currency Transactions

The net change in unrealized depreciation was comprised of changes in fair values of investments and included the impact of foreign currency transactions, as well as the change in value of forward foreign exchange contracts, related to certain investments and is reflected net of an accounting entry related to the reversal of net unrealized appreciation described below. During the six months ended June 30, 2008, the net change in unrealized depreciation of $351.3 million was comprised of net unrealized depreciation related to private equity investments of $207.6 million, $136.2 million related to negotiated equity investments, $15.6 million related to investments in a non-private equity fund and $4.3 million related to temporary investments, offset by a change in unrealized appreciation of $12.4 million related to opportunistic investments. Net unrealized depreciation in private equity investments primarily related to a net decrease in value of certain portfolio companies underlying the investments. Net unrealized depreciation related to negotiated equity investments was primarily due to the decrease in value of investments whereby the value was based on a reference asset for which a market quotation was readily available. The change in value of investments in a non-private equity fund was the result of a net decrease in the value of investments made by SCF. The change in value of opportunistic investments was primarily the result of mark-to-market adjustments in public equities.

During the six months ended June 30, 2007, the net change in unrealized appreciation of $243.2 million was comprised of unrealized appreciation related to private equity investments of $215.8 million, which was primarily the result of a net increase in value of certain portfolio companies underlying the investments, $49.5 million related to opportunistic investments, which was primarily the result of mark-to-market adjustments in public equities, and unrealized appreciation related to investments in a non-private equity fund of $5.8 million, which was the result of a net increase in the value of investments made by SCF, offset by net unrealized depreciation in the value of negotiated equity investments of $27.9 million, which was due primarily to the decrease in the fair value of an investment whereby the value was based on a reference asset for which a market quotation was readily available.

During the six months ended June 30, 2008 and June 30, 2007, the Acquired KPE Partnership recorded an accounting entry related to the realized sales and partial sales of investments of $12.2 million and $11.4 million, respectively, to reverse net unrealized depreciation previously recorded. When an investment carried as an asset is sold or otherwise disposed of and a resulting gain or loss is realized, including any related gain or loss from foreign currency transactions, an accounting entry is made to reverse any unrealized appreciation or depreciation previously recorded in order to ensure that the realized gain or loss recognized in connection with the sale of the investment does not result in the double counting of the previously reported unrealized appreciation or depreciation. See "Net Realized Gain (Loss) from Investments and Foreign Currency Transactions" above.

Net Increase (Decrease) in Net Assets Resulting from Operations

During the six months ended June 30, 2008, the net decrease in net assets resulting from operations was $426.8 million. During the six months ended June 30, 2007, the net increase in net assets resulting from operations was $310.4 million. The Acquired KPE Partnership's total annualized return, based on the weighted average net assets, for the six months ended June 30, 2008 and June 30, 2007 was (17.2)% and 12.4%, respectively.

Operating Results for the Year Ended December 31, 2007 Compared to the Partial Year Ended December 31, 2006

Interest Income

During the year ended December 31, 2007 and the partial year ended December 31, 2006, interest income was $102.6 million and $143.4 million, respectively, which primarily represented interest on cash management activities.

Dividend Income

During the year ended December 31, 2007, dividend income was $24.2 million, which primarily represented dividends received from certain KKR portfolio companies and various investments in public equities.

Management Fees

During the year ended December 31, 2007 and the partial year ended December 31, 2006, management fees were $46.6 million and $9.9 million, respectively. During the one-year period following the commencement of KPE's operations, through May 10, 2007, management fees did not include any portion of the proceeds from the initial offering and related transactions while such proceeds were invested in temporary investments or any distributable earnings that were generated by such temporary investments.

Incentive Fees

During both the year ended December 31, 2007 and the partial year ended December 31, 2006, incentive fees of $1.0 million were incurred related to SCF's investment performance.

Interest Expense

During the year ended December 31, 2007, interest expense of $48.6 million was incurred related primarily to the Acquired KPE Partnership's outstanding borrowings on its revolving credit facility and financing of the investment in Sun, and, less significantly, for commitment fees and the amortization of debt financing costs.

General and Administrative Expenses

During the year ended December 31, 2007 and the partial year ended December 31, 2006, general and administrative expenses were $4.7 million and $1.9 million, respectively, which were comprised primarily of fees for professional services.

Net Realized Gain from Investments and Foreign Currency Transactions

During the year ended December 31, 2007, the Acquired KPE Partnership recorded a net realized gain of $113.4 million, which was comprised of $88.0 related to the sale, partial sale and recapitalization of certain portfolio companies, $17.8 million from the sale of opportunistic investments in public equities and related derivative transactions and $7.6 million from the sale of investments and related derivative transactions in SCF.

During the partial year ended December 31, 2006, the Acquired KPE Partnership recorded a net realized gain of $34.6 million, which was comprised of $33.3 million from the sale of opportunistic investments in public equities (which included a $1.0 million net loss on foreign currency transactions) and $1.3 million from the sale and partial sale of certain portfolio companies.

Net Change in Unrealized Appreciation (Depreciation) on Investments and Foreign Currency Transactions

During the year ended December 31, 2007, the net change in unrealized depreciation of $136.6 million was comprised of net unrealized depreciation of $63.3 million related to private equity investments, $49.8 million related to opportunistic investments, $12.5 million related to investments in a non-private equity fund and $11.0 million related to negotiated equity investments.

During the partial year ended December 31, 2006, the Acquired KPE Partnership recorded net unrealized appreciation in the amount of $83.5 million. Net appreciation in investments by KKR's private equity funds was $73.5 million. In addition, unrealized appreciation of $6.0 million related to the increase in value of certain investments by SCF and unrealized appreciation in opportunistic investments was $4.0 million, which included unrealized gains from foreign currency transactions.

During the year ended December 31, 2007, the Acquired KPE Partnership recorded an accounting entry related to the realized sales, partial sale and recapitalization of investments of $33.2 million to reverse net unrealized appreciation previously recorded. When an investment carried as an asset is sold or otherwise disposed of and a resulting gain or loss is realized, including any related gain or loss from foreign currency transactions, an accounting entry is made to reverse any unrealized appreciation or depreciation previously recorded in order to ensure that the realized gain or loss recognized in connection with the sale of the investment does not result in the double counting of the previously reported unrealized appreciation or depreciation. See "Net Realized Gain from Investments and Foreign Currency Transactions" above.

Net Increase in Net Assets Resulting from Operations

During the year ended December 31, 2007 and the partial year ended December 31, 2006, the net increase in net assets resulting from operations was $2.8 million and $248.8 million, respectively. The Acquired KPE Partnership's total annualized return, based on the weighted average net assets, for the year ended December 31, 2007 was 0.1%, compared to 8.0% during the partial year ended December 31, 2006.

Liquidity and Capital Resources

KPE's Net Cash Flows for the Six months Ended June 30, 2008 and June 30, 2007

As of June 30, 2008 and June 30, 2007, KPE's cash balance was $5.8 million and $0.4 million, respectively. During the six months ended June 30, 2008, cash provided by operating activities was $0.9 million. KPE received a distribution from the Acquired KPE Partnership in the amount of $5.0 million, which was offset by working capital requirements. Cash provided by financing activities during the six months ended June 30, 2008 was $4.4 million as a result of a contribution from affiliates of KKR in exchange for 352,225 newly issued common units pursuant to the investment agreement.

During the six months ended June 30, 2007, cash used in operating activities was $0.8 million, which was the result of working capital requirements, offset by a distribution received from the Acquired KPE Partnership in the amount of $2.0 million. KPE did not have cash flows from financing activities during the six months ended June 3, 2007.

KPE's Net Cash Flows for the Year Ended December 31, 2007 and the Partial Year Ended December 31, 2006

As of December 31, 2007 and December 31, 2006, KPE's cash balance was $0.5 million and $1.1 million, respectively. During the year ended December 31, 2007, cash provided by operating activities was $48.4 million. During the year ended December 31, 2007, KPE received distributions from the Acquired KPE Partnership in the amount of $54.1 million, which was partially offset by working capital requirements. Cash used in financing activities during the year ended December 31, 2007 was $49.1 million, which was the result of distributions by KPE to its unitholders.

During the partial year ended December 31, 2006, cash provided by financing activities was $4,791.2 million, which resulted from partners' capital contributions, net of offering costs and distributions to unitholders. Cash provided by financing activities was offset by $4,790.1 million of cash used in operating activities due in substantial part to the acquisition of limited partner interests in the Acquired KPE Partnership.

KPE's Sources of Cash and Liquidity Needs

KPE's primary uses of cash are to make capital contributions to the Acquired KPE Partnership for use in investments, to make distributions to KPE's unitholders, if and when declared by KPE's Managing Partner's board of directors, and to pay KPE's operating expenses. Taking into account generally expected market conditions, KPE believes that the sources of liquidity described below will be sufficient to fund KPE's working capital requirements.

KPE's sources of liquidity depend primarily on distributions by the Acquired KPE Partnership, capital contributions that KPE receives in connection with the issuance of additional common units or other securities and borrowings.

KPE receives distributions from the Acquired KPE Partnership from time to time to assist KPE in making distributions to KPE's unitholders, if and when declared by KPE's Managing Partner's board of directors, and to allow KPE to pay its operating expenses as they become due. KPE believes that the Acquired KPE Partnership will fund its distributions with returns generated by the private equity, opportunistic and temporary investments that it makes. The ability of the Acquired KPE Partnership to fund cash distributions to KPE will depend on a number of factors, including, among others, the actual results of operations and financial condition of the Acquired KPE Partnership, restrictions on cash distributions that are imposed by applicable law or the organizational documents or agreements of the Acquired KPE Partnership, the timing and amount of cash generated by investments that are made by the Acquired KPE Partnership, any contingent liabilities to which the Acquired KPE Partnership may be subject, the amount of taxable income generated by the Acquired KPE Partnership and other factors that the general partner of the Acquired KPE Partnership's Managing Partner deems relevant.

KPE entered into an investment agreement with KKR that provides KPE with an additional source of liquidity. Under the investment agreement, KKR agreed to cause its affiliates to contribute to KPE, on a periodic basis, an amount equal to 25% of the aggregate pre-tax cash distributions, if any and subject to certain limitations, that are made pursuant to the carried interest and incentive distribution rights that are applicable to the Acquired KPE Partnership's investments in exchange for newly issued KPE common units. The purchase price for the common units that KPE will issue pursuant to the investment agreement is equal to (i) the average of the high and low sales prices of KPE's common units as quoted by the primary securities exchange on which KPE's common units are listed or trade during the ten business days immediately preceding the issuance of the common units or (ii) if during such ten-day period KPE's common units are not listed or admitted to trading on any securities exchange or there have not been any sales of KPE's common units on the primary securities exchange on which KPE's common units are then listed or admitted to trading, the fair value of KPE's common units will be determined jointly by KKR and the board of directors of KPE's general partner (with the special approval of a majority of its independent directors).

KPE may also issue additional common units and other securities to other investors with the objective of increasing KPE's available capital. KPE generally expects to contribute to the Acquired KPE Partnership the net cash proceeds that KPE receives from the issuance of common units or other securities to the extent that such cash is not used to fund distributions to KPE's unitholders or to pay KPE's operating and other expenses. KPE expects that such contributions will be used by the Acquired KPE Partnership to make investments that meet KPE's investment criteria as set forth in KPE's investment policies and procedures and KPE's limited partnership agreement.

KPE may enter into a working capital facility with one or more lenders for the purpose of providing KPE with an additional source of liquidity. If KPE enters into such a facility, KPE anticipates that it would draw funds under the credit facility primarily in connection with the funding of short-term liquidity needs. As of June 30, 2008, KPE had not entered into such a facility.

The Acquired KPE Partnership's Net Cash Flows for the Six Months Ended June 30, 2008 and June 30, 2007

As of June 30, 2008 and June 30, 2007, the Acquired KPE Partnership's cash balance was $207.6 million and $1,090.9 million, respectively. During the six months ended June 30, 2008, cash provided by operating activities was $358.4 million. During the six months ended June 30, 2008, the Acquired KPE Partnership received proceeds of $850.6 million from the sale of opportunistic and private equity investments, which included $299.5 million from secondary sales of limited partner interests in the 2006 Fund and the Millennium Fund. Proceeds received from the sale of investments were offset by $429.3 million from the purchase of opportunistic and private equity investments. Cash flows from financing activities during the six months ended June 30, 2008 were $406.2 million, which was comprised of payments of $401.2 million to reduce borrowings outstanding under the revolving credit agreement and $5.0 million related to a distribution to the Acquired KPE Partnership's general and limited partners.

During the six months ended June 30, 2007, cash used in operating activities was $1,046.7 million due primarily to purchases of private equity and opportunistic investments totaling $1,866.4 million, offset by the maturity of a $650.0 million time deposit and $117.7 million of proceeds received from the sales of opportunistic investments and investments by private equity funds. Cash flows from financing activities during the six months ended June 30, 2007 were $2.0 million related to a distribution to the Acquired KPE Partnership's general and limited partners.

The Acquired KPE Partnership's Net Cash Flows for the Year Ended December 31, 2007 and the Partial Year Ended December 31, 2006

As of December 31, 2007 and December 31, 2006, the Acquired KPE Partnership's cash balance was $255.4 million and $2,139.6 million, respectively. During the year ended December 31, 2007, cash used in operating activities was $2,824.9 million due primarily to purchases of private equity and opportunistic investments totaling $4,698.8 million, offset by the maturity of a $1.0 billion time deposit and $839.9 million of proceeds received from the sales of opportunistic investments and investments by private equity funds. During the year ended December 31, 2007, cash provided by financing activities was $940.7 million due primarily to borrowings under the revolving credit facility, net of deferred financing costs, of $994.9 million, offset by $54.2 million related to distributions to the Acquired KPE Partnership's general and limited partners.

During the partial year ended December 31, 2006, cash provided by financing activities was $4,797.6 million, which resulted from partners' capital contributions, net of distributions to its limited and general partners. Cash provided by financing activities was offset by $2,658.0 million of cash used in operating activities due primarily to private equity and opportunistic investments totaling $2,017.5 million and cash of $1.0 billion held in a time deposit account, offset by proceeds of $237.6 million received from the sale of opportunistic investments and investments by KKR's private equity funds.

The Acquired KPE Partnership's Sources of Cash and Liquidity Needs

In June 2007, the Acquired KPE Partnership entered into a $1.0 billion five-year revolving credit agreement, which KPE refers to as the KPE Credit Agreement. Borrowings under the KPE Credit Agreement may be used for general business purposes of the Acquired KPE Partnership, including the acquisition and funding of investments. As of June 30, 2008, the Acquired KPE Partnership had $598.1 million of borrowings outstanding, which included $595.4 million of borrowings and $2.7 million of foreign currency adjustments (an unrealized loss of $3.6 million and an unrealized gain of $0.9 million related to borrowings denominated in Canadian dollars and British pounds sterling, respectively). As of June 30, 2008, the Acquired KPE Partnership's availability for further borrowings under the Credit Agreement was $401.9 million.

In addition, during the year ended December 31, 2007, the Acquired KPE Partnership financed $350.0 million in connection with the investment in Sun. See "Commitments, Obligations and Contingencies Debt Obligations" below for a description of the terms of the KPE Credit Agreement and the financing related to the investment in Sun.

The Acquired KPE Partnership uses its cash primarily to fund investments, to make distributions to its general and limited partners, to pay its operating expenses, to make debt repayments and to make any payments to KKR's affiliates, including management fees pursuant to the services agreement, the carried interests that are applicable to co-investments and negotiated equity investments and the incentive distribution rights that are applicable to opportunistic and temporary investments. Taking into account generally expected market conditions, KPE believes that the sources of liquidity described below will be sufficient to fund the working capital requirements of the Acquired KPE Partnership due within a one-year time horizon.

Because the Acquired KPE Partnership has followed the over-commitment approach described below under "Commitments, Obligations and Contingencies Private Equity Commitments" when making investments in private equity funds, the amount of capital committed by the Acquired KPE Partnership for future private equity investments exceeds its available cash. Any available cash that is held by the Acquired KPE Partnership is temporarily invested.

The Acquired KPE Partnership receives cash from time to time from the investments that it makes. This cash is in the form of capital gains and dividends on equity investments and payments of interest and principal on fixed income investments. Temporary investments made in connection with KPE's cash management activities provide a more regular source of cash than less liquid private equity and certain opportunistic investments, but may generate returns that are generally lower than KPE's other investments. Opportunistic investments that may be more liquid may be sold or leveraged to generate additional liquidity. Opportunistic investments that are less liquid and private equity investments may also be sold to generate additional liquidity. Other than amounts that are used to pay expenses, used to make distributions to its general and limited partners, used to make debt repayments or used to make payments to KKR's affiliates, including management fees pursuant to the services agreement, carried interests and incentive distribution rights, any returns generated by investments made by the Acquired KPE Partnership are generally reinvested in accordance with KPE's investment policies and procedures.

Additionally, the Acquired KPE Partnership may receive further capital contributions from KPE in the future with the objective of increasing the amount of investments that are made on KPE's behalf. Further capital contributions from KPE are expected to consist primarily of the capital contributions that KPE receives from investors in connection with future capital raising activities, if any, including common units issued to affiliates of KKR pursuant to the investment agreement.

The Acquired KPE Partnership may exercise its option to increase the amounts available under the KPE Credit Agreement (subject to the satisfaction of certain customary conditions, including the consent of the lenders thereto) or may enter into additional credit facilities and other financial instruments from time to time with the objective of increasing the amount of cash that it has available for general business purposes. Other debt financing arrangements may consist of margin financing under which specific investments will be pledged as collateral and repurchase agreements pursuant to which particular investments will be sold to counterparties with an agreement to repurchase the investments at a price equal to the sale price plus an interest factor. The Acquired KPE Partnership may also use other forms of indebtedness, including derivative instruments, to leverage investments.

Commitments, Obligations and Contingencies

Private Equity Commitments

As of June 30, 2008, the Acquired KPE Partnership had the following commitments to KKR private equity funds, with amounts in thousands:

	Capital Commitment	Unfunded Commitment
KKR 2006 Fund L.P.	$ 1,555,000	$ 450,045
KKR European Fund III, Limited Partnership	300,000	291,192
KKR Asian Fund L.P.	285,000	244,812
KKR Millennium Fund L.P.	205,000	4,440
KKR European Fund II, Limited Partnership	100,000	1,010
	$ 2,445,000	$ 991,499

Because capital contributions are due on demand, the Acquired KPE Partnership considers these obligations as due within one year. However, given the size of such commitments and the rates at which KPE's funds make investments, KPE expects that the unfunded capital commitments presented above will be called over a period of several years, if not longer.

As is common with investments in investment funds, the Acquired KPE Partnership follows an over-commitment approach when making investments through KKR's investment funds in order to maximize the amount of capital that is invested at any given time. When an over-commitment approach is followed, the aggregate amount of capital committed by the Acquired KPE Partnership to investments at a given time may exceed the aggregate amount of cash that the Acquired KPE Partnership has available for immediate investment. Because the general partners of KKR's investment funds are permitted to make calls for capital contributions following the expiration of a relatively short notice period, when an over-commitment approach is used, the Acquired KPE Partnership is required to time investments and manage available cash in a manner that allows it to fund its capital commitments as and when capital calls are made. As the service provider under the services agreement, KKR is primarily responsible for carrying out these activities for the Acquired KPE Partnership.

KKR takes into account expected cash flows to and from investments, including cash flows to and from KKR's investment funds, when planning investment and cash management activities with the objective of seeking to ensure that the Acquired KPE Partnership is able to honor its commitments to funds as and when they become due. KKR will also take into account the senior secured credit facility established by the Acquired KPE Partnership. As of June 30, 2008, the Acquired KPE Partnership was over-committed; however, the sources of liquidity described above under "Liquidity and Capital Resources The Acquired KPE Partnership's Sources of Cash and Liquidity Needs" are believed to be sufficient to honor the Acquired KPE Partnership's commitments as and when they become due.

Debt Obligations

In June 2007, the Acquired KPE Partnership entered into the KPE Credit Agreement with a syndicate of financial institutions. The KPE Credit Agreement provides for up to $1.0 billion of senior secured credit, subject to availability under a borrowing base determined by the value of certain investments of the Acquired KPE Partnership pledged as collateral for its obligations. The borrowing base is subject to certain investment concentration limitations and the value of the investments constituting the borrowing base is subject to certain advance rates based on type of investment.

Pursuant to the terms of the KPE Credit Agreement, the Acquired KPE Partnership has an option to seek an increase of the commitments available under the KPE Credit Agreement up to a maximum amount of $2.0 billion, subject to the satisfaction of certain customary conditions, including the consent of the lenders thereto.

The interest rates applicable to loans under the KPE Credit Agreement are generally based on either (i) the greater of the administrative agent's base rate or U.S. federal funds rate plus a specified margin of 0.5% or (ii) the Eurodollar rate plus a specified margin ranging from 0.75% to 1.0%, depending on the relevant assets constituting the borrowing base. The Acquired KPE Partnership must pay an annual commitment fee of 0.2% on the undrawn commitments under the KPE Credit Agreement.

Pursuant to covenants in the KPE Credit Agreement, the Acquired KPE Partnership must maintain a ratio of senior secured debt to total assets of 50% or less. In addition, the KPE Credit Agreement contains certain other customary covenants as well as certain customary events of default. As of June 30, 2008, the Acquired KPE Partnership was in compliance with its covenants in all material respects.

The KPE Credit Agreement will expire in June 2012, unless earlier terminated upon an event of default. Borrowings under the KPE Credit Agreement may be used for general business purposes of the Acquired KPE Partnership, including the acquisition and funding of investments. The Acquired KPE Partnership's borrowings outstanding under the KPE Credit Agreement were as follows, with amounts in thousands:

	December 31, 2007	June 30, 2008
Borrowings outstanding	$ 999,266	$ 595,386
Foreign currency adjustments:		
Unrealized loss related to borrowings denominated in Canadian dollars	6,211	3,546
Unrealized gain related to borrowings denominated in British pounds sterling	(3,237)	(868)
	$ 1,002,240	$ 598,064

As of June 30, 2008, the Acquired KPE Partnership had $401.9 million available for future borrowings under the KPE Credit Agreement.

If total borrowings outstanding exceed 105% of the $1.0 billion available under the KPE Credit Agreement due to fluctuations in foreign exchange rates, the Acquired KPE Partnership may be required to make certain prepayments on outstanding borrowings. As of June 30, 2008, the Acquired KPE Partnership was not subject to such prepayment requirements.

During the six months ended June 30, 2007, the Acquired KPE Partnership entered into a financing arrangement with a major financial institution with respect to $350.0 million of its $700.0 million convertible notes investment in Sun. The financing was structured through the use of total return swaps. Pursuant to the terms of the financing arrangement, $350.0 million of the Sun convertible notes are directly held by the Acquired KPE Partnership and have been pledged to the financial institution as collateral or the Pledged Notes, and the remaining $350.0 million of the Sun convertible notes are directly held by the financial institution, or the Swap Notes. Pursuant to the security agreements with respect to the Pledged Notes, the Acquired KPE Partnership has the right to vote the Pledged Notes and the financial institution is obligated to follow the instructions of the Acquired KPE Partnership, subject to certain exceptions, so long as a default does not exist under the security agreements or the underlying swap agreements. The Acquired KPE Partnership is also restricted from transferring the Pledged Notes without the consent of the financial institution.

At settlement, the Acquired KPE Partnership will be entitled to receive payment equal to any appreciation on the value of the Swap Notes and the Acquired KPE Partnership will be obligated to pay to the financial institution any depreciation on the value of the Swap Notes. In addition, the financial institution is obligated to pay the Acquired KPE Partnership any interest that would be paid to a holder of the Swap Notes when payment would be received by the financial institution. The per annum rate of interest payable by the Acquired KPE Partnership for the financing is equivalent to the three-month LIBOR plus 0.90%, which accrues during the term of the financing and is payable at settlement. The financing provides for early settlement upon the occurrence of certain events, including an event based on the value of the collateral and other events of default.

The Pledged Notes are held by wholly-owned subsidiaries formed by the Acquired KPE Partnership to enter into the Sun investment, and the rights and obligations described above with respect to the Pledged Notes and Swap Notes are rights and obligations of these wholly-owned subsidiaries without recourse to the Acquired KPE Partnership.

As of June 30, 2008, the Acquired KPE Partnership's scheduled principal payments for borrowings under the KPE Credit Agreement and long-term debt related to the financing of Sun were as follows, with amounts in thousands:

	Payments Due by Period				
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Revolving credit agreement	$	$	$ 598,064	$	$ 598,064
Long-term debt			175,000	175,000	350,000
Total	$	$	$ 773,064	$ 175,000	$ 948,064

Interest Rate Swap

The Acquired KPE Partnership entered into an interest rate swap transaction related to the US dollar denominated borrowings outstanding under the KPE Credit Agreement with a notional amount of $350.0 million, effective February 25, 2008 and maturing February 25, 2010. In this transaction, the Acquired KPE Partnership receives a floating rate based on the one-month LIBOR interest rate and pays a fixed rate of 3.993% on the notional amount of $350.0 million. The fair value of the interest rate swap is calculated using the current market yield of the relevant interest rate duration and an appropriate discount rate to determine a present value. The resulting net equity (loss) related to the interest rate swap is included in the consolidated statements of assets and liabilities of the Acquired KPE Partnership. The Acquired KPE Partnership has recorded an unrealized loss on the interest rate swap in the amount of $4.5 million as of June 30, 2008. As of June 30, 2008, the Acquired KPE Partnership had posted $11.0 million of restricted cash to collateralize losses on the interest rate swap transaction.

Foreign Currency Contracts

The Acquired KPE Partnership entered into forward foreign currency exchange contracts primarily to economically hedge against foreign currency exchange rate risks on certain non-U.S. dollar denominated investments. The Acquired KPE Partnership agreed to deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed-upon future date. The net equity (loss) in the contracts is the difference between the forward foreign exchange rates at the date of entry into the contracts and the forward rates at the reporting date applied to the notional amount of each respective contract at an appropriate discount rate to determine a present value and is included in the consolidated statements of assets and liabilities of the Acquired KPE Partnership. The Acquired KPE Partnership has recorded an unrealized loss on foreign currency exchange contracts in the amount of $90.8 million, $46.1 million and $5.7 million as of June 30, 2008, December 31, 2007 and December 31, 2006, respectively. As of June 30, 2008, unrealized losses on foreign currency exchange contracts are collateralized by $62.3 million of restricted cash.

Management Fees

KPE, KPE's Managing Partner, the Acquired KPE Partnership, the Acquired KPE Partnership's Managing Partner and its general partner have entered into a services agreement with KKR pursuant to which KKR has agreed to provide certain investment, financial advisory, operational and other services to them. Under the services agreement, KKR is responsible for the day-to-day operations of the service recipients and is subject at all times to the supervision of their respective governing bodies. Under the services agreement, KPE and the other service recipients have jointly and severally agreed to pay KKR a management fee.

KKR and its affiliates are paid only one management fee, regardless of whether it is payable pursuant to the services agreement or the terms of the KKR investment funds in which the Acquired KPE Partnership is invested. See Note 13 "Relationship with KKR and Related-Party Transactions Management Fees" of the unaudited consolidated financial statements of the Acquired KPE Partnership for the six months ended June 30, 2008 included elsewhere in this prospectus for a detailed description of the calculation of the management fee under the services agreement.

Carried Interests and Incentive Distributions

Each investment that is made by the Acquired KPE Partnership is subject either to a carried interest or incentive distribution right, which generally entitles the Acquired KPE Partnership's Managing Partner or an affiliate of KKR to receive a portion of the profits generated by the investment. See Note 13 "Relationship with KKR and Related-Party Transactions Carried Interests and Incentive Distributions" of the Acquired KPE Partnership's unaudited consolidated financial statements for the six months ended June 30, 2008 included elsewhere in this prospectus for descriptions of carried interests and incentive distributions by investment class.

Legal Proceedings

As with any partnership, KPE may become subject to claims and litigation arising in the ordinary course of business. KPE does not believe that KPE or the Acquired KPE Partnership have any pending or threatened legal proceedings that would have a material adverse effect on KPE's financial position, operating results or cash flows.

Off Balance Sheet Arrangements

Other than contractual commitments, obligations and contingencies incurred in the normal course of KPE's business and in the normal course of the Acquired KPE Partnership's business, KPE does not have any off balance sheet financings or liabilities.

Application of Critical Accounting Policies

The preparation of financial statements in conformity with U.S. GAAP requires the making of estimates and assumptions that affect the amounts reported in the financial statements and related notes. Actual results may vary from estimates in amounts that may be material to the financial statements. For a description of significant accounting policies, see Note 2 to the financial statements of KPE and Note 2 to the consolidated financial statements of the Acquired KPE Partnership. The following accounting estimates and related policies are considered critical to the preparation of KPE's financial statements and the consolidated financial statements of the Acquired KPE Partnership due to the judgment and estimation processes involved in their application. The development and selection of these estimates and their related disclosure have been reviewed by the board of directors of KPE's Managing Partner and the board of directors of the general partner of the Acquired KPE Partnership's Managing Partner.

Valuation of Limited Partner Interests and Investments

KPE's Managing Partner's board of directors is responsible for reviewing and approving valuations of investments that are carried as assets in KPE's financial statements and the board of directors of the general partner of the Acquired KPE Partnership's Managing Partner is responsible for reviewing and approving valuations of investments that are carried as assets in the Acquired KPE Partnership's consolidated financial statements. Because valuing investments requires the application of valuation principles to the specific facts and circumstances of the investments, in satisfying their responsibilities, each board of directors utilizes the services of KKR to determine the fair values of certain investments and the services of an independent valuation firm, which performs certain agreed upon procedures with respect to valuations that are prepared by KKR, to confirm that such valuations are not unreasonable.

Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. KPE and the Acquired KPE P