

KKR & Co. L.P.  
Form S-1/A  
August 13, 2008

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As filed with the Securities and Exchange Commission on August 13, 2008

Registration No. 333-144335

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## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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### Amendment No. 3

to

### FORM S-1

REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

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### 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**  
(State or other jurisdiction of  
incorporation or organization)

**6282**  
(Primary Standard Industrial  
Classification Code Number)

**26-0426107**  
(I.R.S. Employer  
Identification No.)

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**New York, NY 10019**  
**Telephone: (212) 750-8300**  
(Address, including zip code, and telephone number,  
including area code, of Registrant's principal executive offices)

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**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.

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.

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.

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.

**CALCULATION OF REGISTRATION FEE**

<b>Title Of Each Class Of Securities To Be Registered</b>	<b>Amount to be Registered</b>	<b>Proposed Maximum Aggregate Offering Price</b>	<b>Amount of Registration Fee</b>
Common Units Representing Limited Partner Interests	(1)	(2)	(3)
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 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.
- (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) Includes any common units issuable upon settlement of the contingent value interests. No separate consideration will be received for the contingent value interests or such common units. 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.**

**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, AUGUST 13, 2008**

**PRELIMINARY PROSPECTUS**

## **Common Units Representing Limited Partner Interests Contingent Value Interests**

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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 as well as contingent value interests providing consideration of up to an additional 6% of our fully diluted equity, depending on the trading price of our common units three years after completion of the KPE Transaction. 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 a majority of the outstanding KPE units (excluding KPE units whose consent rights are controlled by us or our affiliates) is a condition 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 27 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.

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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.

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You should rely only on the information contained in this prospectus or in any free writing prospectus we may authorize to be delivered to you. 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.

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 is considered our predecessor for accounting purposes 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 "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;

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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" and "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 \$57.7 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 \$420 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 \$57.7 billion as of March 31, 2008, representing a compounded annual growth rate of 50.9%. 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.

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. 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. 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 those of our investors and other stakeholders. We believe that this alignment of interests and the additional 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 business diversity, scale, capital resources and growth prospects.

### **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 upon the completion of the Transactions or the cash equivalent thereof.

### **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 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 26.1% from our inception in 1976 through March 31, 2008, compared to the 9.8% 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 more than doubled the value of capital that we have invested in private equity, turning \$43.1 billion of invested capital into \$87.1 billion of value. Excluding our less mature funds, we have nearly tripled the value of capital invested, turning \$25.4 billion of capital into \$68.6 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.

**Amount Invested and Total Value  
All Investments  
As of March 31, 2008**

**Amount Invested and Total Value  
Mature Funds  
As of March 31, 2008**

**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 \$58.5 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.

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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 \$6.2 billion of uninvested capital commitments), the European Fund III (a \$5.5 billion fund with \$5.3 billion of uninvested capital commitments) and the Asian Fund (a \$4.0 billion fund with \$3.4 billion of uninvested capital commitments) as of March 31, 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 March 31, 2008, our private equity segment had \$46.7 billion of AUM.

Our current private equity portfolio, which is held among a number of private equity funds and co-investment vehicles, consists of 50 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).



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The following charts present information concerning the composition of our private equity portfolio by geography and industry as of March 31, 2008 based on fair value.

### **Fair Value by Geography**

(1996 Fund and Subsequent Funds as of March 31, 2008)

### **Fair Value by Industry**

(1996 Fund and Subsequent Funds as of March 31, 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 54.0% in North America, 37.2% in Europe and 8.8% in Asia. If the 1996 Fund is not included in the "Fair Value by Industry" chart above, the fair value of investments in the following industries changed by at least 1.0%: Manufacturing (-1.2%) and Chemicals (-1.5%).

### ***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 March 31, 2008, our fixed income segment had \$11.0 billion of AUM, including \$1.7 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 \$8.2 billion of AUM managed through our structured finance vehicles.

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The following chart presents the growth in the AUM of our fixed income segment from the commencement of operations through March 31, 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 March 31, 2008, KPE had an NAV of \$4.7 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 \$11.0 billion of AUM as of March 31, 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.

#### *Distinguished Track Record Across Economic Cycles*

During our 32-year history, we have successfully invested in all types of economic and financial conditions, developing a track record that we believe distinguishes our firm. From our inception through March 31, 2008, our traditional private equity funds generated a cumulative gross IRR of 26.1%, compared to the 9.8% gross IRR achieved by the S&P 500 Index over the same period. Despite cyclical and sometimes challenging economic periods, our lowest returning mature private equity fund generated a cumulative gross IRR of 12.2% and we have generated positive returns across all industries in which we make private equity investments. We have more than doubled the value of capital that we have invested in private equity, turning \$43.1 billion of capital into \$87.1 billion of value. Excluding our less mature funds, we have nearly tripled the value of capital invested, turning \$25.4 billion of capital into \$68.6 billion of

value. We believe that the consistency of our returns allowed us to create strong investor relationships and raise significant amounts of capital through multiple fundraising cycles.

#### ***Sizeable Long-Term Capital Base***

As of March 31, 2008, we had \$57.7 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 March 31, 2008, approximately 98%, or \$56.6 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 March 31, 2008, approximately 43% of our investment professionals were based outside the United States and approximately 47% 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.

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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 contingent value interests 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 the trading price of our common units over an averaging period plus the cumulative amount of distributions that we make on our common units three years after the issue date 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 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 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; and

the absence of a historical trading market for our common units.



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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 is 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, 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, 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

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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;

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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 above interests 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. 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."

For the year ended December 31, 2007 and the three months ended March 31, 2008, we made cash and in-kind distributions of \$1.3 billion and \$106.3 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. 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.

#### **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.

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.
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 upon completion of the Transactions (or the cash equivalent thereof), in the event that the trading price of our common units over an averaging period plus the cumulative amount of distributions made on our common units three years after the issue date 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.



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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](http://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](http://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," "Selected Historical Financial and Other Data," "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 March 31, 2008 and for the three months ended March 31, 2007 and 2008 from our unaudited predecessor combined financial statements which are included elsewhere in this prospectus.

The KKR Group is considered our predecessor for accounting purposes 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,			Three Months Ended March 31,	
	2005	2006	2007	2007	2008
	(\$ in thousands)			(\$ in thousands)	
<b>Statement of Operations Data:</b>					
<b>Revenues</b>					
Fee income	\$ 232,945	\$ 410,329	\$ 862,265	\$ 68,840	\$ 68,590
<b>Expenses</b>					
Employee compensation and benefits	79,643	131,667	212,766	27,345	48,064
Occupancy and related charges	13,534	19,295	20,068	4,624	6,538
General, administrative and other	54,336	78,154	128,036	31,555	30,703
Fund expenses	20,778	38,350	80,040	15,154	18,232
Total expenses	168,291	267,466	440,910	78,678	103,537
<b>Investment Income</b>					
Net gains (losses) from investment activities	2,984,504	3,105,523	1,111,572	1,482,054	(732,974)
Dividend income	729,926	714,069	747,544	19,471	4,592
Interest income	27,166	210,872	218,920	68,269	25,343
Interest expense	(697)	(29,542)	(86,253)	(15,593)	(35,359)
Total investment income (loss)	3,740,899	4,000,922	1,991,783	1,554,201	(738,398)
Income (loss) before non-controlling interests in income (loss) of consolidated entities and income taxes	3,805,553	4,143,785	2,413,138	1,544,363	(773,345)
Non-controlling interests in income (loss) of consolidated entities	2,870,035	3,039,677	1,598,310	1,198,716	(656,335)
Income (loss) before taxes	935,518	1,104,108	814,828	345,647	(117,010)
Income taxes	2,900	4,163	12,064	627	888
Net income (loss)	\$ 932,618	\$ 1,099,945	\$ 802,764	\$ 345,020	\$ (117,898)

Year Ended December 31,

Three Months Ended  
March 31,

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	Year Ended December 31,			Three Months Ended March 31,	
	2005	2006	2007	2007	2008

(\$ in thousands)

(\$ in thousands)

**Statement of Financial Condition  
Data (period end):**

Total assets	\$	23,292,783	\$	32,842,796	\$	34,342,014
Total liabilities		1,281,923		2,575,636		3,318,091
Non-controlling interests in consolidated entities		20,318,440		28,749,814		29,694,735
Total partners' capital		1,692,420		1,517,346		1,329,188

**Statement of Cash Flow Data:**

Net cash used in operating activities	\$	(106,448)	\$	(5,531,144)	\$	(8,522,501)	\$	(641,283)	\$	(1,254,074)
Net cash used in investing activities	\$	(5,052)	\$	(130,110)	\$	(112,469)	\$	(71,432)	\$	(33,221)
Net cash provided by financing activities	\$	134,271	\$	5,657,952	\$	8,814,024	\$	716,893	\$	1,190,303

**Segment Data:**

<b>Fee Related Earnings(1)</b>										
Private Equity		56,995		140,044		371,413		22,448		24,600
Fixed Income		26,603		49,871		62,094		17,940		10,655
<b>Economic Net Income(2)</b>										
Private Equity		918,971		1,069,562		775,014		333,073		(123,775)
Fixed Income		16,547		34,546		39,814		12,574		6,765

**Other Data:**

Assets under management (period end)		23,350,700		43,873,400		53,215,700		53,418,200		57,714,800
Private equity dollars invested(3)		2,913,427		6,661,698		14,854,200		1,480,200		1,792,300
Uncalled private equity commitments (period end)(4)		7,341,600		17,597,400		11,530,400		21,334,600		14,869,600

- (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, which we refer to as ENI, is a key performance measure used by management for evaluating our two reportable business segments. Economic net income represents income before taxes for the periods presented.
- (3)

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"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 March 31, 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 limited 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 income and as of March 31, 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 income 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	Three Months Ended March 31, 2008
<i>(\$ in thousands)</i>		
<b>Pro Forma Statements of Operations Data:</b>		
<b>Revenues</b>		
Fee income	\$	\$
<b>Expenses</b>		
Employee compensation and benefits		
Occupancy and related charges		
General, administrative and other		
Fund expenses		
Total expenses		
<b>Investment Income</b>		
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		

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Year Ended  
December 31, 2007

Three Months Ended  
March 31, 2008

**Net Income Per Common Unit**

Basic

Diluted

**Weighted Average Common Units**

Basic

Diluted

As of  
March 31, 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, concerns over weakness in the U.S. housing market and sub-prime mortgage market, coupled with a large backlog of unsyndicated debt financing related to leveraged acquisitions have led to a diminished availability of credit. The lack of credit has materially hindered the initiation of new, large-sized transactions for our private equity segment. In the event of a prolonged market downturn, 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 March 31, 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 \$804.2 million, assuming that all applicable private equity funds were liquidated at no value. Had the investments in such funds been liquidated at their March 31, 2008 fair values, there would be no contingent repayment obligation.

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.

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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;

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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

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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, and the presentation of non-cash distributions in the condensed combined statement of cash flows for the quarter ended March 31, 2007. 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. While we do not have any current plans to borrow 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 currently has a significant amount of long-term debt outstanding. 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 March 31, 2008, the unrealized value of the investments held by these funds totaled \$1.2 billion, or approximately 2% 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 of 1933, or 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 as an investment adviser under the Investment Advisers Act. As a registered investment advisor, we will be subject to the 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. 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 March 31, 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 \$804.2 million, assuming that all applicable private equity funds were liquidated at no value. Had the investments in such funds been liquidated at their March 31, 2008 fair values, there would be no contingent repayment obligation. 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 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 net asset value 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;



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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.

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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 March 31, 2008, approximately 47% 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;

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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.



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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.

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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 could be challenged by taxing authorities.***

For U.S. federal income tax purposes, we believe 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 or the capital contribution adjustment mechanism, or CCAM, in the Group Partnership agreements. If the IRS were not to respect either the form of our settlement of the CVIs 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. The IRS may 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. 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 three months ended March 31, 2008, we made cash and in-kind distributions of \$1.1 billion, \$1.3 billion and \$106.3 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 March 31, 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 March 31, 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," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our predecessor combined financial statements and related notes thereto.

	<b>March 31, 2008</b>	
	<b>Actual</b>	<b>Pro Forma</b>
	<i>(\$ in thousands)</i>	
Cash and cash equivalents	\$ 175,053	\$
Cash and cash equivalents held at consolidated entities	560,935	
Restricted cash and cash equivalents	72,799	
	<b>808,787</b>	<b>\$</b>
Total cash, cash equivalents and restricted cash	\$ 808,787	\$
Debt obligations	\$ 2,323,464	\$
Accounts payable, accrued expenses and other liabilities	994,627	
	<b>3,318,091</b>	
Total liabilities	3,318,091	
Non-controlling interests in consolidated entities	29,694,735	
Partners' capital	1,317,069	
Accumulated other comprehensive income	12,119	
	<b>1,329,188</b>	
Total partners' capital	1,329,188	
	<b>34,342,014</b>	<b>\$</b>
Total capitalization	\$ 34,342,014	\$

## 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.

If KPE unitholders holding 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.

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 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 confirmations, 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.

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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 net asset value 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 relating to the initial draft purchase and sale agreement.

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.

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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 net asset value 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. 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.



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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 upon 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

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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 upon 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 net asset value 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

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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



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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 and (ii) the strike price of the CVIs is subject to adjustment in the case of customary distributions and ordinary course dividends;

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;





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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**

#### **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. We urge you to read the full text of the purchase and sale agreement.

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



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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

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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



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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

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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





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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.

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### *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.

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 August 12, 2008, the most recent trading day for which that information was available.

Date	KPE Closing Price
July 25, 2008	\$ 10.50
August 12, 2008	\$ 13.33

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

Calendar Quarter	KPE Units	
	High	Low
<b>2006</b>		
Second Quarter	\$ 25.00	\$ 21.39
Third Quarter	23.50	21.25
Fourth Quarter	23.00	21.00
<b>2007</b>		
First Quarter		