KKR & CO. INC.

FORM S-1/A
(Securities Registration Statement)

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Address	9 WEST 57TH STREET, SUITE 4200
	NEW YORK, NY, 10019
Telephone	212-750-8300
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As filed with the Securities and Exchange Commission on August 13, 2008

Registration No. 333-144335

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 3
to
FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

FORM S-4

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

KKR & CO. L.P.

(Exact name of Registrant as specified in its charter)

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

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

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

Copy to :
Joseph H. Kaufman, Esq.
Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017-3954
Telephone: (212) 455-2000
Facsimile: (212) 455-2502

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

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

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

Title Of Each Class Of Securities To Be Registered	Amount to be Registered	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
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

KKR

Common Units Representing Limited Partner Interests
Contingent Value Interests

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

Upon completion of the KPE Transaction, KPE unitholders would receive our common units representing 21% of our fully diluted equity 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:

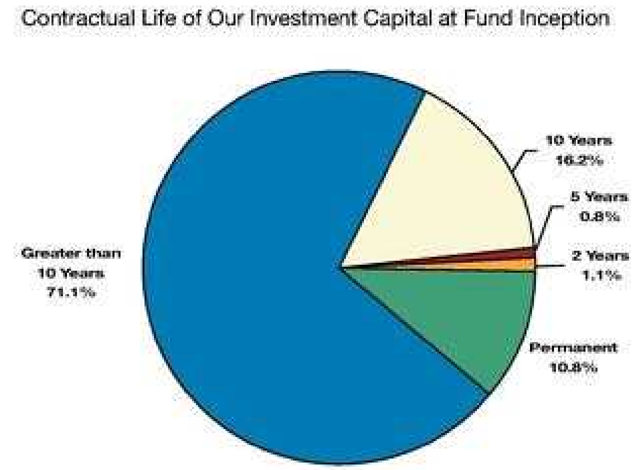
- We are managed by a general partner, which we refer to as our Managing Partner, and do not have our own directors or officers. Unlike the holders of common stock in a corporation, our unitholders will have only limited voting rights and will have no right to elect or remove our Managing Partner or 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.

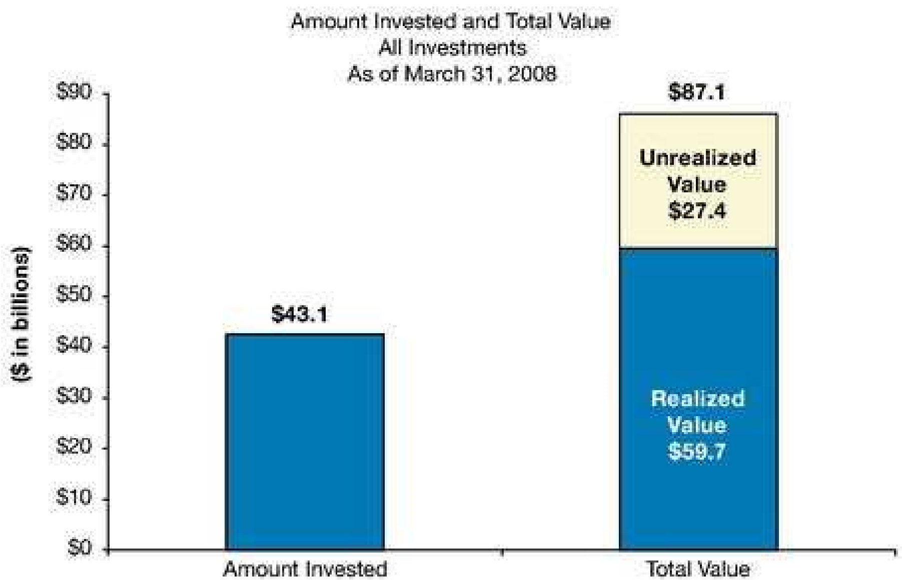
- We believe that we will be treated as a partnership for U.S. federal income tax purposes and you therefore will be required to take into account your allocable share of items of our income, gain, loss and deduction in computing your U.S. federal income tax liability. You may not receive cash distributions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

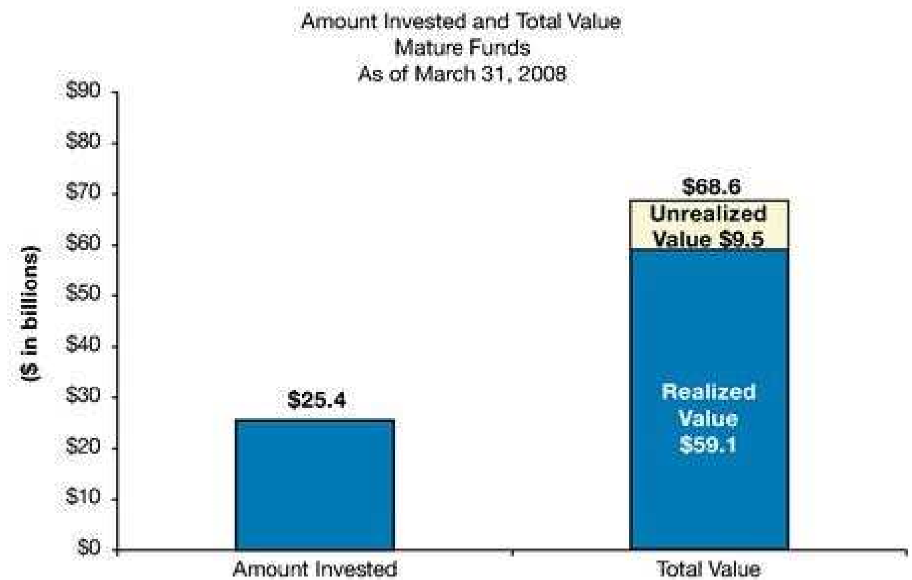
- Legislation has been introduced that would, if enacted, preclude us from qualifying as a partnership for U.S. federal income tax purposes under the rules governing publicly traded partnerships and would require that we be treated as a corporation for U.S. federal income tax purposes. Separately, legislation 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.

Current assets under management amounts are as of March 31, 2008. All other amounts are as of December 31.







Mature funds consist of funds that were formed more than 36 months prior to the valuation date.

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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;

- 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.

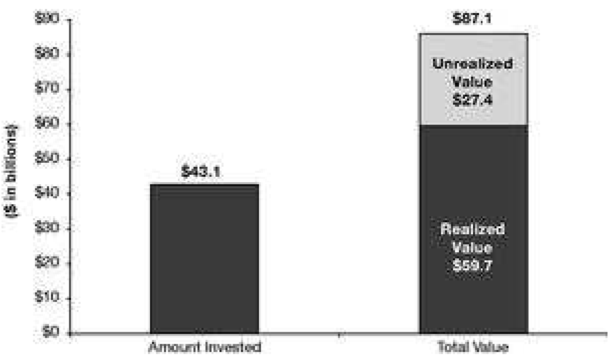
World-Class Talent

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.

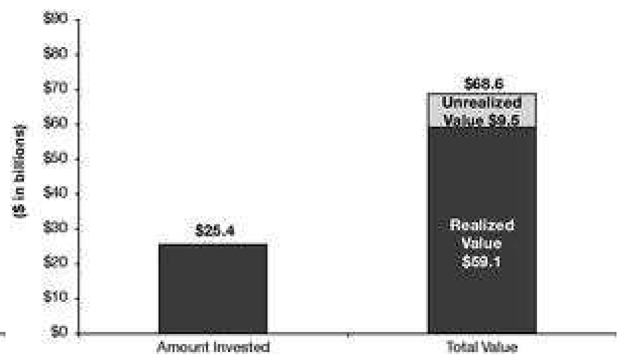
__Track Record of Superior Returns for Investors__

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.

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.

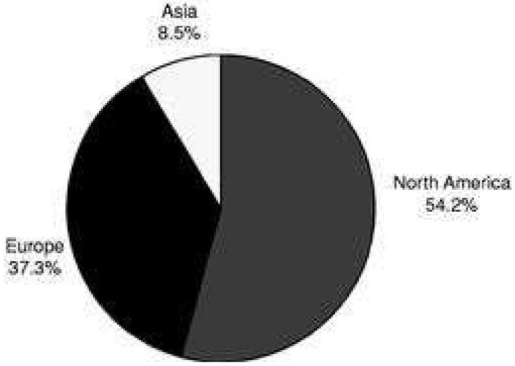
We manage three traditional private equity funds that are currently in their investment period as well as a number of other funds that are fully invested. Our three active funds are geographically differentiated and consisted of the 2006 Fund (a $17.6 billion fund with $6.2 billion of uninvested capital 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.

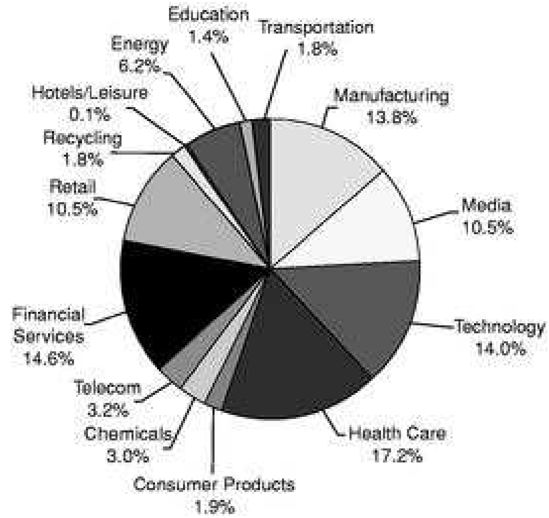
We believe many of our portfolio companies have a defensive outlook and are well positioned for the current economic cycle. Examples of these companies include Energy Future Holdings (the largest producer of energy in Texas and an operator in both competitive and regulated utility markets); First Data 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).

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)

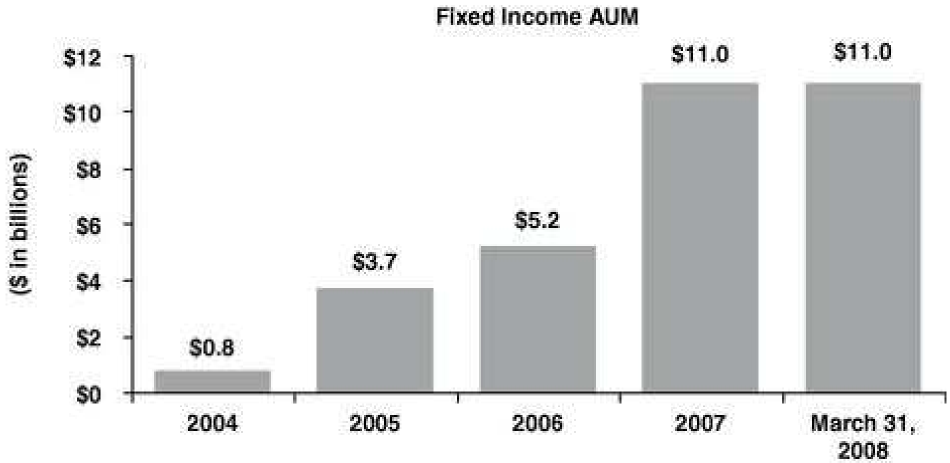


We will not acquire interests in the general partners of the 1996 Fund or prior funds in connection with the Transactions. If the 1996 Fund is not included in the "Fair Value by Geography" chart above, the fair value of investments is 54.0% in North America, 37.2% in Europe and 8.8% in Asia. If the 1996 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.

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.

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.

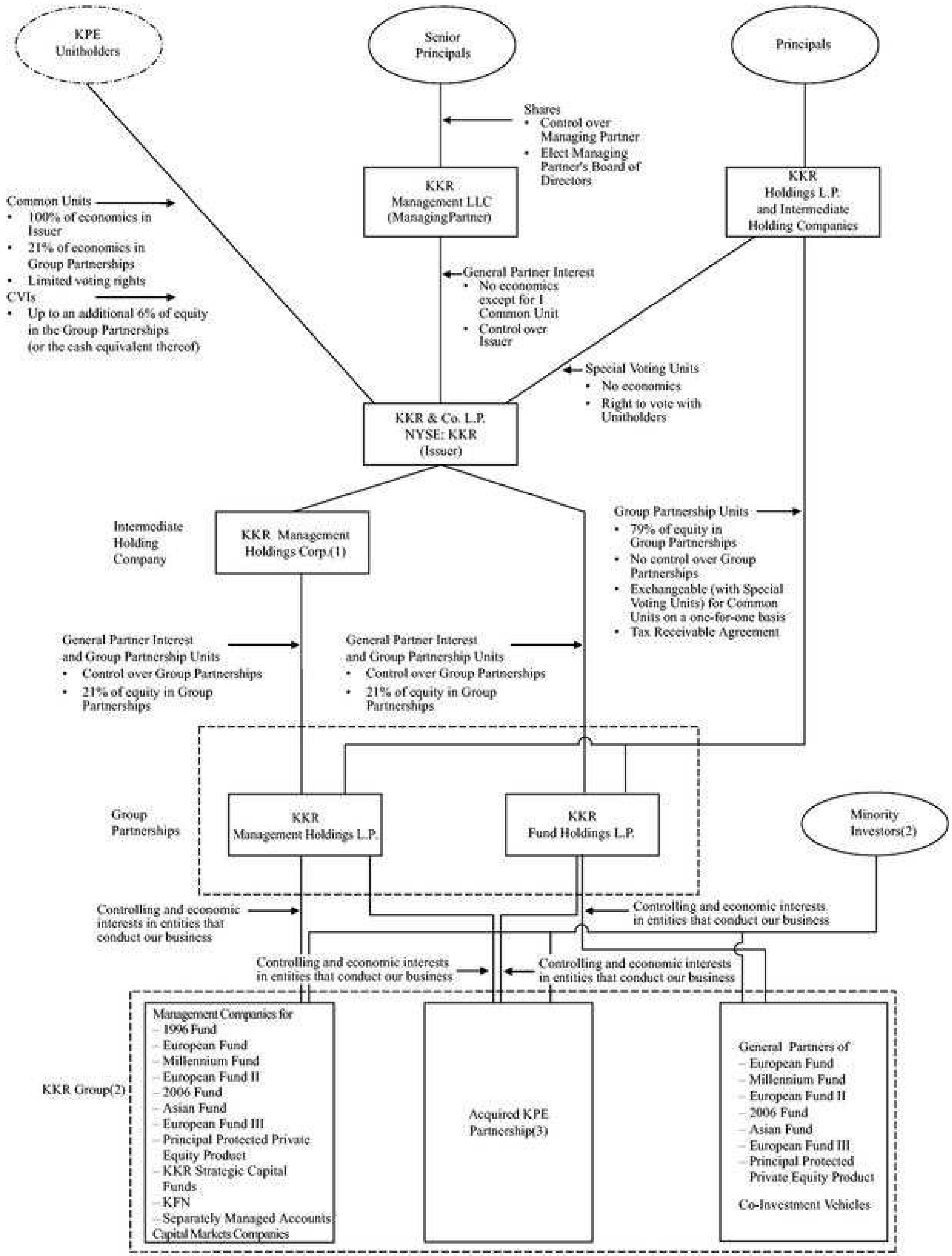
Our CVIs involve certain additional risks and uncertainties separate from those affecting our common units, including the following:

- 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 general partner, including all of the interests in the Acquired KPE Partnership held by KPE, to the Group Partnerships in exchange for newly issued partner interests in the Group Partnerships. Interests in one of the Group Partnerships will be held through an intermediate holding company that is taxable as a corporation for U.S. federal income tax purposes.

Group Partnership Units

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

Components of Our Business Owned by the Group Partnerships

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

- all of the controlling and economic interests in our fee-generating management companies and capital markets companies, which will allow us to control those entities and share ratably in the management, advisory and incentive fees earned from all of our funds, managed accounts, portfolio companies, capital markets transactions and other investment products;
- all of the controlling and economic interests in the general partners of our funds and all of the entities that are entitled to receive carry from our co-investment vehicles, which will allow us to control those entities and share ratably in the carried interest received by them as well as any returns on investments made by or on behalf of the general partners after the completion of the Transactions; and
- all of the controlling and economic interests in the Acquired KPE Partnership and the other assets of KPE, which will allow us to control the Acquired KPE Partnership and such other assets and share ratably in the returns that they generate.

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

- controlling and economic interests in the general partners of the 1996 Fund, which interests will not be contributed to the Group Partnerships due to the fact that the general partners are not expected to receive meaningful proceeds from further realizations;
- non-controlling economic interests that will allocate to a former principal and such person's designees an aggregate of 1% of the carried interest received by general partners of our funds and 1% of our other profits until a future date;
- non-controlling economic interests that will allocate to certain of our former principals and their designees a portion of the carried interest received by the general partners of our private equity funds with respect to private equity investments made during such former principals' tenure with our firm;

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

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

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

You should note that the 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.

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

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

- awards that we intend to grant under our 2008 Equity Incentive Plan in connection with the Transactions to employees who do not hold interests in KKR Holdings; or
- additional common units that have been reserved for issuance under our 2008 Equity Incentive Plan.

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

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

Summary Historical Financial Data

The following summary historical combined financial information and other data of the KKR Group should be read together with "Organizational Structure," "Unaudited Pro Forma Financial Information," "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)*	
Statement of Operations Data:					
Revenues					
Fee income	$ 232,945	$ 410,329	$ 862,265	$ 68,840	$ 68,590
Expenses					
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
Investment Income					
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,

	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:					
Fee Related Earnings(1)					
Private Equity	56,995	140,044	371,413	22,448	24,600
Fixed Income	26,603	49,871	62,094	17,940	10,655
Economic Net Income(2)					
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) "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
	($ in thousands)	
Pro Forma Statements of Operations Data:		
Revenues		
Fee income	$	$
Expenses		
Employee compensation and benefits		
Occupancy and related charges		
General, administrative and other		
Fund expenses		
Total expenses		
Investment Income		
Net gains from investment activities		
Dividend income		
Interest income		
Interest expense		
Total investment income		
Income before non-controlling interests in income of consolidated entities and income taxes		
Non-controlling interests in income of consolidated entities		
Income before taxes		
Income taxes		
Net income		

	Year Ended December 31, 2007	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.

In the event that our private equity funds are unable to obtain committed debt financing for potential acquisitions or can only obtain debt at an increased interest rate or on unfavorable terms, our funds may have difficulty completing otherwise profitable acquisitions or may generate profits that are lower than would otherwise be the case, either of which could lead to a decrease in the investment income earned by us. Any failure by lenders to provide previously committed financing can also expose us to potential claims by sellers of businesses which we may have contracted to purchase. Similarly, the portfolio companies owned by our private equity funds regularly utilize the corporate debt markets in order to obtain financing for their operations. To the extent that the current credit markets have rendered such financing difficult to obtain or more expensive, this may negatively impact the operating performance of those portfolio companies and, therefore, the investment returns on our funds.

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

We depend on the efforts, skills, reputations and business contacts of our principals, including our founders, Henry Kravis and George Roberts, and other key personnel, the information and deal flow they and others generate during the normal course of their activities and the synergies among the diverse fields of expertise and knowledge held by our professionals. Accordingly, our success will depend on the continued service of these individuals, who are not obligated to remain employed with us. The loss of the services of any of them could have a material adverse effect on our revenues, net income and cash flows and could harm our ability to maintain or grow AUM in existing funds or raise additional funds in the future.

Our principals and other key personnel possess substantial experience and expertise and have strong business relationships with investors in our funds and other members of the business community. As a result, the loss of these personnel could jeopardize our relationships with investors in our funds and members of the business community and result in the reduction of AUM or fewer investment opportunities. For example, if any of our principals were to join or form a competing firm, our business, results and financial condition could suffer.

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

The asset management business is intensely competitive.

We compete as an alternative asset manager for both investors and investment opportunities. Our competitors consist primarily of sponsors of public and private investment funds, business development companies, investment banks, commercial finance companies and operating companies acting as strategic buyers of businesses. We believe that competition for investors is based primarily on investment performance; business reputation; the duration of relationships with investors; the quality of services provided to investors; pricing; and the relative attractiveness of the types of investments that have been or are to be made. We believe that competition for investment opportunities is based primarily on the pricing, terms and structure of a proposed investment and certainty of execution. A number of factors serve to increase our competitive risks:

- a number of our competitors in some of our businesses have greater financial, technical, marketing and other resources and more personnel than we do;

- several of our competitors have recently raised, or are expected to raise, significant amounts of capital, and many of them have similar investment objectives to ours, which may create additional competition for investment opportunities and may reduce the size and duration of pricing inefficiencies that many alternative investment strategies seek to exploit;

- some of these competitors may also have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us with respect to investment opportunities;

- some of our competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments;

- our competitors that are corporate buyers may be able to achieve synergistic cost savings in respect of an investment, which may provide them with a competitive advantage in bidding for an investment;

- there are relatively few barriers to entry impeding the formation of new funds, including a relatively low cost of entering these businesses, and the successful efforts of new entrants into our various lines of business, including major commercial and investment banks and other financial institutions, have resulted in increased competition;

- some investors may prefer to invest with an investment manager that is not publicly traded; and

- other industry participants will from time to time seek to recruit our investment professionals and other employees away from us.

We may lose investment opportunities in the future if we do not match investment prices, structures and terms offered by competitors. Alternatively, we may experience decreased investment returns and increased risks of loss if we match investment prices, structures and terms offered by competitors. In addition, if interest rates were to rise or if market conditions for competing investment products improve and such products begin to offer rates of return superior to those achieved by our funds, the attractiveness of our funds relative to investments in other investment products could decrease. This competitive pressure could adversely affect our ability to make successful investments and limit our ability to raise future funds, either of which would adversely impact our business, results of operations and cash flow.

Our structure involves complex provisions of U.S. federal income tax laws for which no clear precedent or authority may be available. Our structure also is subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis.

The U.S. federal income tax treatment of unitholders depends in some instances on determinations of fact and interpretations of complex provisions of U.S. federal income tax laws for which no clear precedent or authority may be available. You should be aware that the U.S. federal income tax rules are constantly under review by persons involved in the legislative process, the Internal Revenue Service, or IRS, and the U.S. Treasury Department, frequently resulting in revised interpretations of established concepts, statutory changes, revisions to regulations and other modifications and interpretations. The present U.S. federal income tax treatment of an investment in our common units may be modified by administrative, legislative or judicial interpretation at any time, and any such action may affect investments and commitments previously made. Changes to the U.S. federal tax laws and interpretations thereof could make it more difficult or impossible to be treated as a partnership that is not taxable as a corporation for U.S. federal income tax purposes, affect or cause us to change our investments and commitments, affect the tax considerations of an investment in us, change the character or treatment of portions of our income (including, for instance, the treatment of carried interest as ordinary income rather than capital gain) and adversely affect an investment in our common units. On June 22, 2007, legislation was introduced to treat all or part of the capital gain and dividend income that is recognized by an investment partnership and allocable to a partner affiliated with the sponsor of the partnership (a portion of the carried interest) as ordinary income to such partner for U.S. federal income tax purposes, which would have the effect of precluding us from qualifying as a partnership for U.S. federal income tax purposes. Similar legislation was introduced on June 17, 2008. In addition, on June 14, 2007, legislation was introduced that would tax as a corporation any publicly traded partnership that directly or indirectly derives income from investment adviser or asset management services. Similar legislation was introduced on June 20, 2007. If any of these pieces of legislation or any similar legislation or regulation were to be enacted and apply to us, we would incur a material increase in our tax liability that could result in a reduction in the value of our common units. See the discussions below under "—Legislation has been introduced that would, if enacted, preclude us from qualifying as a partnership for U.S. federal income tax purposes. If this or any similar legislation or regulation were to be enacted and apply to us, we would incur a material increase in our tax liability that could result in a reduction in the value of our common units."

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

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

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

> Under the bill, the exception from corporate treatment for a publicly traded partnership does not apply to any partnership that, directly or indirectly, has any item of income or gain (including capital gains or dividends), the rights to which are derived from services provided by any person as an investment adviser, as defined in the Investment Advisers Act of 1940, or as a person associated with an investment adviser, as defined in that Act. Further, the exception from corporate treatment does not apply to a partnership that, directly or indirectly, has any item of income or gain (including capital gains or dividends), the rights to which are derived from asset management services provided by an investment adviser, a person associated with an investment adviser, or any person

related to either, in connection with the management of assets with respect to which investment adviser services were provided. For purposes of the bill, these determinations are made without regard to whether the person is required to register as an investment adviser under the Investment Advisers Act of 1940.

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

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

If we cannot retain and motivate our principals and other key personnel and recruit, retain and motivate new principals and other key personnel, our business, results and financial condition could be adversely affected.

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

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

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

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

We strive to maintain a work environment that reinforces our culture of collaboration, motivation and alignment of interests with investors. If we do not continue to develop and implement the right processes and tools to manage our changing enterprise and maintain our culture, our ability to compete successfully and achieve our business objectives could be impaired, which could negatively impact our business, financial condition and results of operations.

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

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

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

We rely heavily on our financial, accounting and other data processing systems. If any of these systems does not operate properly or is disabled, we could suffer financial loss, a disruption of our businesses, liability to our funds, regulatory intervention or reputational damage. In addition, we operate in businesses that are highly dependent on information systems and technology. Our information systems and technology may not continue to be able to accommodate our growth, and the cost of maintaining such systems may increase from its current level. Such a failure to accommodate growth, or an increase in costs related to such information systems, could have a material adverse effect on us. Furthermore, we depend on our principal offices in New York City, where most of our administrative personnel are located, for the continued operation of our business. A disaster or a disruption in the infrastructure that supports our businesses, including a disruption involving electronic communications or other services used by us or third parties with whom we conduct business, or directly affecting our principal offices, could have a material adverse impact on our ability to continue to operate our business without interruption. Our disaster recovery programs may not be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse us for our losses, if at all.

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

We have not previously been required to comply with requirements of the Sarbanes-Oxley Act, including the internal control evaluation and certification requirements of Section 404 of that statute, and we will not be required to comply with all of those requirements until after we have been subject to the reporting requirements of the Exchange Act for a specified period of time. Accordingly, we have not determined whether or not our existing internal controls over financial reporting systems comply with Section 404. However, during 2007, we restated certain historical combined financial statements of the KKR Group. The restatement related primarily to the accounting for management fees for years prior to 2002, for which certain aspects of our management agreements were not taken into consideration, 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 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;

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

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

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

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

Because many of our funds' investments rely heavily on the use of leverage, our ability to achieve attractive rates of return on investments will depend on our continued ability to access sufficient sources of indebtedness at attractive rates. For example, our fixed income funds use varying degrees of leverage when making investments. Similarly, in many private equity investments, indebtedness may constitute up to 70% or more of a portfolio company's total debt and equity capitalization, including debt that may be incurred in connection with the investment. An increase in either the general levels of interest rates or in the risk spread demanded by sources of indebtedness would make it more expensive to finance those investments. In addition, increases in interest rates could also decrease the value of fixed-rate debt investments that our funds make. Increases in interest rates could also make it more difficult to locate and consummate private equity investments because other potential buyers, including operating companies acting as strategic buyers, may be able to bid for an asset at a higher price due to a lower overall cost of capital. In addition, a portion of the indebtedness used to finance private equity investments often includes high-yield debt securities issued in the capital markets. Availability of capital from the high-yield debt markets is subject to significant volatility, and there may be times when we might not be able to access those markets at attractive rates, or at all, when completing an investment. In particular, there has been little available financing at attractive rates during the latter half of 2007 and 2008 to date, which has significantly reduced our private equity investment activity.

Investments in highly leveraged entities are also inherently more sensitive to declines in revenues, increases in expenses and interest rates and adverse economic, market and industry developments. The incurrence of a significant amount of indebtedness by an entity could, among other things:

- subject the entity to a number of restrictive covenants, terms and conditions, any violation of which would be viewed by creditors as an event of default and could materially impact our ability to realize value from our investment;

- give rise to an obligation to make mandatory prepayments of debt using excess cash flow, which might limit the entity's ability to respond to changing industry conditions to the extent additional cash is needed for the response, to make unplanned but necessary capital expenditures or to take advantage of growth opportunities;

- limit the entity's ability to adjust to changing market conditions, thereby placing it at a competitive disadvantage compared to its competitors who have relatively less debt;

- limit the entity's ability to engage in strategic acquisitions that might be necessary to generate attractive returns or further growth; and

- limit the entity's ability to obtain additional financing or increase the cost of obtaining such financing, including for capital expenditures, working capital or other general corporate purposes.

A leveraged company's income and equity also tend to increase or decrease at a greater rate than would otherwise be the case if money had not been borrowed. As a result, the risk of loss associated with a leveraged company is generally greater than for companies with comparatively less debt.

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

Any of the foregoing circumstances could have a material adverse effect on our financial condition, results of operations and cash flow.

The due diligence process that we undertake in connection with our investments may not reveal all facts that may be relevant in connection with an investment.

Before making our investments, we conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. The objective of the due diligence process is to identify attractive investment opportunities based on the facts and circumstances surrounding an investment, to identify possible risks associated with that investment and, in the case of private equity investments, to prepare a framework that may be used from the date of an acquisition to drive operational achievement and value creation. When conducting due diligence, we typically evaluate a number of important business, financial, tax, accounting, environmental and legal issues in determining whether or not to proceed with an investment. Outside consultants, legal advisers, accountants and investment banks are involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, we rely on resources available to us, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence process may at times be subjective with respect to newly organized companies for which only limited information is available. Accordingly, we cannot be certain that the due diligence investigation that we will carry out with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity, including the existence of contingent liabilities. We also cannot be certain that our due diligence investigations will result in investments being successful or that the actual financial performance of an investment will not fall short of the financial projections we used when evaluating that investment.

Our asset management activities involve investments in relatively high-risk, illiquid assets, and we may fail to realize any profits from these activities for a considerable period of time or lose some or all of the capital invested.

Our funds hold investments in securities that are not publicly traded. In many cases, our funds may be prohibited by contract or by applicable securities laws from selling such securities for a period of time. Our funds will generally not be able to sell these securities publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration is available. The ability of many of our funds to dispose of investments is heavily dependent on the public equity markets. For example, the ability to realize any value from an investment may depend upon the ability to complete an initial public offering of the portfolio company in which such investment is made. Even if the securities are publicly traded, large holdings of securities can often be disposed of only over a substantial length of time, exposing our investment returns to risks of downward movement in market prices during the intended disposition period. Accordingly, under certain conditions, our funds may be forced to either sell securities at lower prices than they had expected to realize or defer sales that they had planned to make, potentially for a considerable period of time. We have made and expect to continue to make significant capital investments in our current and future funds. Contributing capital to these funds is risky, and we may lose some or all of the principal amount of our investments.

The investments of our funds are subject to a number of inherent risks.

Our results are highly dependent on our continued ability to generate attractive returns from our investments. Investments made by our private equity funds involve a number of significant risks inherent to private equity investing, including the following:

- companies in which private equity investments are made may have limited financial resources and may be unable to meet their obligations under their securities, which may be accompanied by a deterioration in the value of their equity securities or any collateral or guarantees provided with respect to their debt;

- companies in which private equity investments are made are more likely to depend on the management talents and efforts of a small group of persons and, as a result, the death, disability, resignation or termination of one or more of those persons could have a material adverse impact on their business and prospects and the investment made;

- companies in which private equity investments are made generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position; and

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

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

Our private equity funds make investments primarily in companies with large capitalizations, which involves certain complexities and risks that are not encountered in small- and medium-sized investments. For example, larger transactions may be more difficult to finance and exiting larger deals may present incremental challenges. In addition, larger transactions may pose greater challenges in implementing changes in the company's management, culture, finances or operations, and may entail greater scrutiny by regulators, labor unions and other third parties. Recently, labor unions have been more active in opposing certain larger investments by our private equity funds and private equity firms generally.

In recent years, the amount of equity capital that is required to complete a large capitalization private equity transaction has increased significantly, which has resulted in some of the largest private equity transactions being structured as "consortium transactions." A consortium transaction involves an equity investment in which two or more other private equity firms serve together or collectively as equity sponsors. While we have sought to limit where possible the amount of consortium transactions in which we have been involved, we have participated in a significant number of those transactions. Consortium transactions generally entail a reduced level of control by our firm over the investment because governance rights must be shared with the other private equity sponsors. Accordingly, we may not be able to control decisions relating to a consortium investment, including decisions relating to the management and operation of the company and the timing and nature of any exit, which could result in the risks described in "—Our funds have made investments in companies that we do not control, exposing us to the risk of decisions made by others with which we may not agree." Any of these factors could increase the risk that our larger investments could be less successful. The consequences to our investment funds of an unsuccessful larger investment could be more severe given the size of the investment.

Our funds have made investments in companies that we do not control, exposing us to the risk of decisions made by others with which we may not agree.

Our funds hold investments that include debt instruments and equity securities of companies that we do not control. Such instruments and securities may be acquired by our funds through trading activities or through purchases of securities from the issuer. In addition, our funds may acquire minority equity interests, particularly when sponsoring investments as part of a large investor consortium, and may also dispose of a portion of their majority equity investments in portfolio companies over time in a manner that results in the funds retaining a minority investment. Those investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which we do not agree or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve our interests. If any of the foregoing were to occur, the value of investments by our funds could decrease and our financial condition, results of operations and cash flow could suffer as a result.

We expect to make investments in companies that are based outside of the United States, which may expose us to additional risks not typically associated with investing in companies that are based in the United States.

Many of our funds invest a significant portion of their assets in the equity, debt, loans or other securities of issuers that are based outside of the United States. A substantial amount of these investments consist of private equity investments made by our private equity funds. For example, as of 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;
- less stringent requirements relating to fiduciary duties;
- fewer investor protections; and
- greater price volatility.

Although we expect that most of our funds' capital commitments will be denominated in U.S. dollars, investments that are denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, levels of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. We may employ hedging techniques to minimize these risks, but we can offer no assurance that such strategies will be effective. If we engage in hedging transactions, we may be exposed to additional risks associated with such transactions. See "—Risk management activities may adversely affect the return on our investments."

Our equity investments and many of our debt investments often rank junior to investments made by others, exposing us to greater risk of losing our investment.

In most cases, the companies in which our funds invest have, or are permitted to have, outstanding indebtedness or equity securities that rank senior to our fund's investment. By their terms, such instruments may provide that their holders are entitled to receive payments of dividends, interest or principal on or before the dates on which payments are to be made in respect of our investment. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a company in which an investment is made, holders of securities ranking senior to our investment would typically be entitled to receive payment in full before distributions could be made in respect of our investment. After repaying senior security holders, the company may not have any remaining assets to use for repaying amounts owed in respect of our investment. To the extent that any assets remain, holders of claims that rank equally with our investment would be entitled to share on an equal and ratable basis in distributions that are made out of those assets. Also, during periods of financial distress or following an insolvency, the ability of our funds to influence a company's affairs and to take actions to protect their investments may be substantially less than that of the senior creditors.

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

When managing our exposure to market risks, we frequently use hedging strategies or certain forms of derivative instruments to limit our exposure to changes in the relative values of investments that may result from market developments, including changes in prevailing interest rates and currency exchange rates. The scope of risk management activities undertaken by us varies based on the level and volatility of interest rates, prevailing foreign currency exchange rates, the types of investments that are made and other changing market conditions. The use of hedging transactions and other derivative instruments to reduce the effects of a decline in the value of a position does not eliminate the possibility of fluctuations in the value of the position or prevent losses if the value of the position declines. However, such activities can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of the position. Such transactions may also limit the opportunity for gain if the value of a position increases. Moreover, it may not be possible to limit the exposure to a market development that is so generally anticipated that a hedging or other derivative transaction cannot be entered into at an acceptable price.

The success of any hedging or other derivative transactions that we enter into generally will depend on our ability to correctly predict market changes. As a result, while we may enter into such transactions in order to reduce our exposure to market risks, unanticipated market changes may result in poorer overall investment performance than if the hedging or other derivative transaction had not been executed. In addition, the degree of correlation between price movements of the instruments used in connection with hedging activities and price movements in a position being hedged may vary. Moreover, for a variety of reasons, we may not seek or be successful in establishing a perfect correlation between the instruments used in a hedging or other derivative transactions and the position being hedged. An imperfect correlation could prevent us from achieving the intended result and could give rise to a loss. In addition, it may not be possible to fully or perfectly limit our exposure against all changes in the value of our investments, because the value of investments is likely to fluctuate as a result of a number of factors, some of which will be beyond our control or ability to hedge.

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

The governing agreements of our funds contain only limited investment restrictions and only limited requirements as to diversification of fund investments, either by geographic region or asset type. During periods of difficult market conditions or slowdowns in these sectors or geographic regions, decreased revenues, difficulty in obtaining access to financing and increased funding costs may be exacerbated by this concentration of investments, which would result in lower investment returns.

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

Our funds invest in a broad range of asset classes throughout the corporate capital structure. These investments include investments in corporate loans and debt securities, preferred equity securities and common equity securities. In certain cases, we may manage separate funds that invest in different parts of the same company's capital structure. For example, our fixed income funds may invest in different classes of the same company's debt and may make debt investments in a company that is owned by one of our private equity funds. In those cases, the interests of our funds may not always be aligned, which could create actual or potential conflicts of interest or the appearance of such conflicts. For example, one of our private equity funds could have an interest in pursuing an acquisition, divestiture or other transaction that, in our judgment, could enhance the value of the private equity investment, even though the proposed transaction would subject one of our fixed income fund's debt investments to additional or increased risks. Similarly, our ability to effectively implement our public equity strategies may be limited to the extent that contractual obligations entered into in the ordinary course of our traditional private equity business impose restrictions on our engaging in transactions that we may be interested in otherwise pursuing. Appropriately dealing with conflicts of interest is complex and difficult and we could suffer reputational damage or potential liability if we fail, or appear to fail, to deal appropriately with conflicts as they arise.

Risks Related to Our Organizational Structure and the Transactions

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

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

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

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

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

Our unitholders' voting rights are further restricted by provisions in our partnership agreement stating that any common units held by a person that beneficially owns 20% or more of any class of our common units then outstanding (other than our Managing Partner or its affiliates, or a direct or subsequently approved transferee of our Managing Partner or its affiliates) cannot be voted on any matter. Our partnership agreement also contains provisions limiting the ability of our unitholders to call meetings, to acquire information about our operations, and to influence the manner or direction of our management. Our partnership agreement also does not restrict our Managing Partner's ability to take actions that may result in our being treated as an entity taxable as a corporation for U.S. federal (and applicable state) income tax purposes. Furthermore, unitholders are not entitled to dissenters' rights of appraisal under our partnership agreement or applicable Delaware law in the event of a merger or consolidation, a sale of substantially all of our assets or any other transaction or event.

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

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

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

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

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

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

Conflicts of interest may arise among our Managing Partner and its affiliates, on the one hand, and us and our unitholders, on the other hand. As a result of these conflicts, our Managing Partner may favor its own interests and the interests of its affiliates over the interests of our unitholders. These conflicts include, among others, the following:

- our Managing Partner determines the amount and timing of our investments and dispositions, indebtedness, issuances of additional partner interests and amounts of reserves, each of which can affect the amount of cash that is available for distribution to you;
- our Managing Partner is allowed to take into account the interests of parties other than our partnership in resolving conflicts of interest, which has the effect of limiting its duties, including fiduciary duties, to our unitholders. For example, our affiliates that serve as the general partners of our funds have fiduciary and contractual obligations to our fund investors, and such obligations may cause such affiliates to regularly take actions that might adversely affect our near-term results of operations or cash flow. Our Managing Partner would have no obligation to intervene in, or to notify our unitholders of, such actions by such affiliates;
- because our principals will indirectly hold their Group Partnership units through entities that are not subject to corporate income taxation and we will hold some of our Group Partnership units through a wholly-owned subsidiary that is taxable as a corporation, conflicts may arise between our principals and our partnership relating to the selection and structuring of investments;
- as discussed below, our Managing Partner has limited its liability and reduced or eliminated its duties, including fiduciary duties, under our partnership agreement, while also restricting the remedies available to our unitholders for actions that, without these limitations, might constitute breaches of duty, including fiduciary duties. In addition, we have agreed to indemnify our Managing Partner and its affiliates to the fullest extent permitted by law, except with respect to conduct involving bad faith, fraud or willful misconduct. By receiving our common units, you will have agreed and consented to the provisions set forth in our partnership agreement, including the provisions regarding conflicts of interest situations that, in the absence of such provisions, might constitute a breach of fiduciary or other duties under applicable state law;
- our partnership agreement does not restrict our Managing Partner from causing us to pay it or its affiliates for any services rendered, or from entering into additional contractual arrangements with any of these entities on our behalf, so long as the terms of any such additional contractual arrangements are fair and reasonable to us as determined under the partnership agreement;
- our Managing Partner determines how much debt we incur and that decision may adversely affect our credit ratings;
- our Managing Partner determines which costs incurred by it and its affiliates are reimbursable by us;
- other than as set forth in the non-competition and non-solicitation agreements to which our principals will be subject, which may not be enforceable and which may be waived, modified or amended by KKR Holdings at any time without our consent, affiliates of our Managing Partner and existing and former personnel employed by our Managing Partner are not prohibited from engaging in other businesses or activities, including those that might be in direct competition with us;
- our Managing Partner controls the enforcement of obligations owed to us by it and its affiliates; and
- our Managing Partner decides whether to retain separate counsel, accountants or others to perform services for us.

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

Certain actions by our Managing Partner's board of directors require the approval of the Class A shares of our Managing Partner, all of which are held by our senior principals.

All of our Managing Partner's outstanding Class A shares are held by our senior principals. Although the affirmative vote of a majority of the directors of our Managing Partner is required for any action to be taken by our Managing Partner's board of directors, certain specified actions approved by our Managing Partner's board of directors will also require the approval of a majority of the Class A shares of our Managing Partner. These actions consist of the following:

- the entry into a debt financing arrangement by us in an amount in excess of 10% of our existing long-term indebtedness (other than the entry into certain intercompany debt financing arrangements);
- the issuance by our partnership or our subsidiaries of any securities that would (i) represent, after such issuance, or upon conversion, exchange or exercise, as the case may be, at least 5% on a fully diluted, as converted, exchanged or exercised basis, of any class of our or their equity securities or (ii) have designations, preferences, rights, priorities or powers that are more favorable than those of our common units;
- the adoption by us of a shareholder rights plan;
- the amendment of our limited partnership agreement or the limited partnership agreements of the Group Partnerships;
- the exchange or disposition of all or substantially all of our assets or the assets of any Group Partnership;
- the merger, sale or other combination of our partnership or any Group Partnership with or into any other person;
- the transfer, mortgage, pledge, hypothecation or grant of a security interest in all or substantially all of the assets of the Group Partnerships;
- the appointment or removal of a Chief Executive Officer or a Co-Chief Executive Officer of our Managing Partner or our partnership;
- the termination of the employment of any officer of our partnership or any of our subsidiaries or the termination of the association of a partner with any of our subsidiaries, in each case, without cause;
- the liquidation or dissolution of our partnership, our Managing Partner or any Group Partnership; and
- the withdrawal, removal or substitution of our Managing Partner as our general partner or any person as the general partner of a Group Partnership, or the transfer of beneficial ownership of all or any part of a general partner interest in our partnership or a Group Partnership to any person other than one of our wholly-owned subsidiaries.

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

Our partnership agreement will contain provisions that reduce or eliminate duties (including fiduciary duties) of our Managing Partner and limit remedies available to unitholders for actions that might otherwise constitute a

breach of duty. It will be difficult for a unitholder to successfully challenge a resolution of a conflict of interest by our Managing Partner or by its conflicts committee.

Our partnership agreement will contain provisions that require our unitholders to waive or consent to conduct by our Managing Partner and its affiliates that might otherwise raise issues about compliance with fiduciary duties or applicable law. For example, our partnership agreement will provide that when our Managing Partner is acting in its individual capacity, as opposed to in its capacity as our Managing Partner, it may act without any fiduciary obligations to us or our unitholders whatsoever. When our Managing Partner, in its capacity as our general partner, is permitted to or required to make a decision in its "sole discretion" or "discretion" or that it deems "necessary or appropriate" or "necessary or advisable," then our Managing Partner will be entitled to consider only such interests and factors as it desires, including its own interests, and will have no duty or obligation (fiduciary or otherwise) to give any consideration to any interest of or factors affecting us or any unitholders and will not be subject to any different standards imposed by the partnership agreement, the Delaware Revised Uniform Limited Partnership Act, which we refer to as the Delaware Limited Partnership Act, or under any other law, rule or regulation or in equity.

The above modifications of fiduciary duties are expressly permitted by Delaware law. Hence, we and our unitholders will only have recourse and be able to seek remedies against our Managing Partner if our Managing Partner breaches its obligations pursuant to our partnership agreement. Unless our Managing Partner breaches its obligations pursuant to our partnership agreement, we and our unitholders will not have any recourse against our Managing Partner even if our Managing Partner were to act in a manner that was inconsistent with traditional fiduciary duties. Furthermore, even if there has been a breach of the obligations set forth in our partnership agreement, our partnership agreement provides that our Managing Partner and its officers and directors will not be liable to us or our unitholders for errors of judgment or for any acts or omissions unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that our Managing Partner or its officers and directors acted in bad faith or engaged in fraud or willful misconduct. These provisions are detrimental to the unitholders because they restrict the remedies available to unitholders for actions that without those limitations might constitute breaches of duty including fiduciary duties.

Whenever a potential conflict of interest exists between us and our Managing Partner, our Managing Partner may resolve such conflict of interest. If our Managing Partner determines that its resolution of the conflict of interest is on terms no less favorable to us than those generally being provided to or available from unrelated third parties or is fair and reasonable to us, taking into account the totality of the relationships between us and our Managing Partner, then it will be presumed that in making this determination, our Managing Partner acted in good faith. A unitholder seeking to challenge this resolution of the conflict of interest would bear the burden of overcoming such presumption. This is different from the situation with Delaware corporations, where a conflict resolution by an interested party would be presumed to be unfair and the interested party would have the burden of demonstrating that the resolution was fair.

Also, if our Managing Partner obtains the approval of the conflicts committee of our Managing Partner, the resolution will be conclusively deemed to be fair and reasonable to us and not a breach by our Managing Partner of any duties it may owe to us or our unitholders. This is different from the situation with Delaware corporations, where a conflict resolution by a committee consisting solely of independent directors may, in certain circumstances, merely shift the burden of demonstrating unfairness to the plaintiff. If you receive a common unit, you will be treated as having consented to the provisions set forth in the partnership agreement, including provisions regarding conflicts of interest situations that, in the absence of such provisions, might be considered a breach of fiduciary or other duties under applicable state law. As a result, unitholders will, as a practical matter, not be able to successfully challenge an informed decision by the conflicts committee. See "Conflicts of Interest and Fiduciary Responsibilities."

The control of our Managing Partner may be transferred to a third party without unitholder consent.

Our Managing Partner may transfer its general partner interest to a third party in a merger or consolidation or in a transfer of all or substantially all of its assets without the consent of our unitholders at any time after December 31, 2018. Furthermore, the members of our Managing Partner may sell or transfer all or part of their limited liability company interests in our Managing Partner without the approval of the unitholders, subject to certain restrictions as described elsewhere in this prospectus. A new general partner may not be willing or able to form new funds and could form funds that have investment objectives and governing terms that differ materially from those of our current funds. A new owner could also have a different investment philosophy, employ investment professionals who are less experienced, be unsuccessful in identifying investment opportunities or have a track record that is not as successful as our track record. If any of the foregoing were to occur, we could experience difficulty in making new investments, and the value of our existing investments, our business, our results of operations and our financial condition could materially suffer.

We intend to pay periodic distributions to our unitholders, but our ability to do so may be limited by our holding company structure, applicable provisions of Delaware law and contractual restrictions.

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

The declaration and payment of any future distributions will be at the sole discretion of our Managing Partner, which may change our distribution policy at any time. Our Managing Partner will take into account general economic and business conditions, our strategic plans and prospects, our business and investment opportunities, our financial condition and operating results, working capital requirements and anticipated cash needs, contractual restrictions and obligations, including payment obligations pursuant to the tax receivable agreement, legal, tax and regulatory restrictions, restrictions or other implications on the payment of distributions by us to our unitholders or by our subsidiaries to us and such other factors as our Managing Partner may deem relevant. Under the Delaware Limited Partnership Act, we may not make a distribution to a partner if after the distribution all our liabilities, other than liabilities to partners on account of their partner interests and liabilities for which the recourse of creditors is limited to specific property of the partnership, would exceed the fair value of our assets. If we were to make such an impermissible distribution, any limited partner who received a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Limited Partnership Act would be liable to us for the amount of the distribution for three years. In addition, the Group Partnerships' cash flow from operations may be insufficient to enable it to make required minimum tax distributions to its partners, in which case the Group Partnerships may have to borrow funds or sell assets, and thus our liquidity and financial condition could be materially adversely affected.

Furthermore, by paying cash distributions rather than investing that cash in our businesses, we risk slowing the pace of our growth, or not having a sufficient amount of cash to fund our operations, new investments or unanticipated capital expenditures, should the need arise.

Our ability to characterize such distributions as capital gains or qualified dividend income may be limited, and you should expect that some or all of such distributions may be regarded as ordinary income.

We will be required to pay our principals for most of the benefits relating to any additional tax depreciation or amortization deductions we may claim as a result of the tax basis step-up we receive in connection with subsequent exchanges of our common units and related transactions.

We and our intermediate holding company may be required to acquire Group Partnership units from time to time pursuant to our exchange agreement with KKR Holdings. To the extent this occurs, the exchanges are expected to result in an increase in our intermediate holding company's share of the tax basis of the tangible and intangible assets of KKR Management Holdings L.P., primarily attributable to a portion of the goodwill inherent in our business, that would not otherwise have been available. This increase in tax basis may increase (for tax purposes) depreciation and amortization and therefore reduce the amount of income tax our intermediate holding company would otherwise be required to pay in the future. This increase in tax basis may also decrease gain (or increase loss) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

We will enter into a tax receivable agreement with KKR Holdings requiring our intermediate holding company to pay to KKR Holdings or transferees of its Group Partnership units 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that the intermediate holding company actually realizes (or is deemed to realize, in the case of an early termination payment by our intermediate holding company or a change of control) as a result of this increase in tax basis, as well as 85% of the amount of any such savings the intermediate holding company actually realizes (or is deemed to realize) as a result of increases in tax basis that arise due to future payments under the agreement. This payment obligation will be an obligation of our intermediate holding company and not of either Group Partnership. In the event that other of our current or future subsidiaries become taxable as corporations and acquire Group Partnership units in the future, or if we become taxable as a corporation for U.S. federal income tax purposes, we expect that each such entity will become subject to a tax receivable agreement with substantially similar terms. While the actual increase in tax basis, as well as the amount and timing of any payments under this agreement, will vary depending upon a number of factors, including the timing of exchanges, the price of our common units at the time of the exchange, the extent to which such exchanges are taxable and the amount and timing of our taxable income, we expect that as a result of the size of the increases in the tax basis of the tangible and intangible assets of our Group Partnerships, the payments that we may be required to make to our existing owners will be substantial. The payments under the tax receivable agreement are not conditioned upon our existing owners' continued ownership of us. We may need to incur debt to finance payments under the tax receivable agreement to the extent our cash resources are insufficient to meet our obligations under the tax receivable agreement as a result of timing discrepancies or otherwise. In particular, our intermediate holding company's obligations under the tax receivable agreement would be effectively accelerated in the event of an early termination of the tax receivable agreement by our intermediate holding company or in the event of certain mergers, asset sales and other forms of business combinations or other changes of control. In these situations, our obligations under the tax receivable agreement could have a substantial negative impact on our liquidity.

Payments under the tax receivable agreement will be based upon the tax reporting positions that our Managing Partner will determine. We are not aware of any issue that would cause the IRS to challenge a tax basis increase. However, neither KKR Holdings nor its transferees will reimburse us for any payments previously made under the tax receivable agreement if such tax basis increase, or the tax benefits we claim arising from such increase, is successfully challenged by the IRS. As a result, in certain circumstances payments to KKR Holdings or its transferees under the tax receivable agreement could be in excess of the intermediate holding company's cash tax savings. The intermediate holding company's ability to achieve benefits from any tax basis increase, and the payments to be made under this agreement, will depend upon a number of factors, as discussed above, including the timing and amount of our future income.

If we were deemed to be an "investment company" under the Investment Company Act, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.

A person will generally be deemed to be an "investment company" for purposes of the Investment Company Act if:

- it is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities; or

- absent an applicable exemption, it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis.

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

The Investment Company Act and the rules thereunder contain detailed parameters for the organization and operation of investment companies. Among other things, the Investment Company Act and the rules thereunder limit or prohibit transactions with affiliates, impose limitations on the issuance of debt and equity securities, generally prohibit the issuance of options and impose certain governance requirements. We intend to conduct our operations so that we will not be deemed to be an investment company under the Investment Company Act. If anything were to happen which would cause our partnership to be deemed to be an investment company under the Investment Company Act, requirements imposed by the Investment Company Act, including limitations on our capital structure, ability to transact business with affiliates (including us) and ability to compensate key employees, could make it impractical for us to continue our business as currently conducted, impair the agreements and arrangements between and among our partnership, the Group Partnerships and KKR Holdings, or any combination thereof, and materially adversely affect our business, financial condition and results of operations. In addition, we may be required to limit the amount of investments that we make as a principal, potentially divest assets acquired in the KPE Transaction or otherwise conduct our business in a manner that does not subject us to the registration and other requirements of the Investment Company Act.

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

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

Risks Related to U.S. Taxation

If we were treated as a corporation for U.S. federal income tax or state tax purposes, then our distributions to you would be substantially reduced and the value of our common units could be adversely affected.

The value of your investment in us depends in part on our being treated as a partnership for U.S. federal income tax purposes, which requires that 90% or more of our gross income for every taxable year consist of qualifying income, as defined in Section 7704 of the Internal Revenue Code, and that our partnership not be registered under the Investment Company Act. Qualifying income generally includes dividends, interest, capital gains from the sale or other disposition of stocks and securities and certain other forms of investment income. We may not meet these requirements or current law may change so as to cause, in either event, us to be treated as a corporation for U.S. federal income tax purposes or otherwise subject us to U.S. federal income tax. We have not requested, and do not plan to request, a ruling from the IRS, on this or any other matter affecting us.

If we were treated as a corporation for U.S. federal income tax purposes, we would pay U.S. federal, state and local income tax on our taxable income at the applicable tax rates. Distributions to you would generally be taxed again as corporate distributions, and no income, gains, losses, deductions or credits would otherwise flow through to you. Because a tax would be imposed upon us as a corporation, our distributions to you would be substantially reduced which could cause a reduction in the value of our common units.

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

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

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

You may not receive cash dividends equal to your allocable share of our net taxable income or even the tax liability that results from that income, although we intend to make tax distributions, a portion of which will be distributed to our unitholders. See "Distribution Policy." In addition, certain of our holdings, including holdings, if any, in a controlled foreign corporation, or a CFC, and a passive foreign investment company, or a PFIC, may produce taxable income prior to the receipt of cash relating to such income, and unitholders that are U.S. taxpayers will be required to take such income into account in determining their taxable income. In the event of an inadvertent termination of our partnership status for which the IRS has granted us limited relief, each holder of our common units may be obligated to make such adjustments as the IRS may require to maintain our status as a partnership. Such adjustments may require persons holding our common units to recognize additional amounts in income during the years in which they hold such units.

In addition, because of our methods of allocating income and gain among our unitholders, you may be taxed on amounts that accrued economically before you became a unitholder. See "Material U.S. Federal Tax Considerations."

Our interest in certain of our businesses will be held through the intermediate holding company, which will be treated as a corporation for U.S. federal income tax purposes; such corporation will be liable for significant taxes and may create other adverse tax consequences, which could potentially adversely affect the value of your common units.

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

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

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

Tax gain or loss on disposition of our common units could be more or less than expected.

If you sell your common units, you will recognize a gain or loss equal to the difference between the amount realized and your adjusted tax basis allocated to those common units. Prior distributions to you in excess of the total net taxable income allocated to you will have decreased the tax basis in your common units. Therefore, such excess distributions will increase your taxable gain, or decrease your taxable loss, when the common units are sold and may result in a taxable gain even if the sale price is less than the original cost. A portion of the amount realized, whether or not representing gain, may be ordinary income to you.

We may hold or acquire certain investments through an entity classified as a PFIC or CFC for U.S. federal income tax purposes.

Certain of our funds' investments may be in foreign corporations or may be acquired through a foreign subsidiary that would be classified as a corporation for U.S. federal income tax purposes. Such an entity may be a PFIC or a CFC for U.S. federal income tax purposes. Unitholders indirectly owning an interest in a PFIC or a CFC may experience adverse U.S. tax consequences. See "Material U.S. Federal Tax Considerations—U.S. Taxes—Consequences to U.S. Holders of Common Units—Passive Foreign Investment Companies" and "—Controlled Foreign Corporations."

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

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

Tax-exempt entities face unique tax issues from owning common units that may result in adverse tax consequences to them.

Generally, a tax-exempt partner of a partnership would be treated as earning unrelated business taxable income, or UBTI, if the partnership regularly engages in a trade or business that is unrelated to the exempt function of the tax-exempt partner, if the partnership derives income from debt-financed property or if the partner interest itself is debt-financed. In light of our intended investment activities, we are likely to derive income that constitutes UBTI because we will likely incur acquisition indebtedness. Consequently, a holder of common units that is a tax-exempt organization will likely be subject to unrelated business income tax to the extent that its allocable share of our income consists of UBTI.

We cannot match transferors and transferees of common units, and we will therefore adopt certain income tax accounting conventions that may not conform with all aspects of applicable tax requirements. The IRS may challenge this treatment, which could adversely affect the value of our common units.

Because we cannot match transferors and transferees of common units, we will adopt depreciation, amortization and other tax accounting positions that may not conform with all aspects of existing Treasury regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to our unitholders. It also could affect the timing of these tax benefits or the amount of gain on the sale of common units and could have a negative impact on the value of our common units or result in audits of and adjustments to our unitholders' tax returns.

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

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

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

In addition to U.S. federal income taxes, our unitholders may be subject to other taxes, including state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we do business or own property now or in the future, even if our unitholders do not reside in any of those jurisdictions. Our unitholders may be required to file state and local income tax returns and pay state and local income taxes in some or all of these jurisdictions. Further, unitholders may be subject to penalties for failure to comply with those requirements. It is the responsibility of each unitholder to file all U.S. federal, state and local tax returns that may be required of such unitholder. Our counsel has not rendered an opinion on the state or local tax consequences of owning our common units or CVIs.

We do not expect to be able to furnish to each unitholder specific tax information within 90 days after the close of each calendar year, which means that holders of common units who are U.S. taxpayers should anticipate the need to file annually a request for an extension of the due date of their income tax return.

As a publicly traded partnership, our operating results, including distributions of income, dividends, gains, losses or deductions, and adjustments to carrying basis, will be reported on Schedule K-1 and distributed to each unitholder annually. It will require longer than 90 days after the end of our fiscal year to obtain the requisite information from all lower-tier entities so that K-1s may be prepared for the Partnership. For this reason, holders of common units who are U.S. taxpayers should anticipate the need to file annually with the IRS (and certain states) a request for an extension past April 15 or the otherwise applicable due date of their income tax return for the taxable year. See "Material U.S. Federal Tax Considerations—U.S. Taxes—Administrative Matters—Information Returns."

Our view on the U.S. federal income tax consequences of the issuance and settlement of the CVIs 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.

	March 31, 2008	
	Actual	Pro Forma
	($ in thousands)	
Cash and cash equivalents	$ 175,053	$
Cash and cash equivalents held at consolidated entities	560,935	
Restricted cash and cash equivalents	72,799	
Total cash, cash equivalents and restricted cash	$ 808,787	$
Debt obligations	$ 2,323,464	$
Accounts payable, accrued expenses and other liabilities	994,627	
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	
Total partners' capital	1,329,188	
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.

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.

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.

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 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

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

- the existence of a number of procedural safeguards relating to the evaluation and consummation of the KPE Transaction, including:
  - the fact that the KPE Board authorized the KPE Independent Directors to set up their own process for evaluating the KPE Transaction and granted to the KPE Independent Directors the sole authority to negotiate for and on behalf of KPE the terms and conditions of the purchase and sale agreement;
  - the fact that the KPE Independent Directors retained and received advice and assistance from their own separate financial and legal advisors;
  - the fact that the KPE Independent Directors had ultimate authority to recommend to the KPE Board whether or not to proceed with the KPE Transaction;
  - the fact that the financial and other terms and conditions of the purchase and sale agreement were discussed and negotiated between the KPE Independent Directors and their advisors, on the one hand, and us and our advisors, on the other hand;
  - the fact that other than customary fees payable to the KPE Independent Directors (that were not contingent on the KPE Independent Directors recommendation of the KPE Transaction), the KPE Independent Directors will not receive any consideration in connection with the KPE Transaction that is different from that received by the other KPE unitholders;
  - the fact that the completion of the KPE Transaction is conditioned upon the KPE unitholders holding a majority of the KPE units (excluding from both the numerator and the denominator the common units whose consent rights are controlled by us or our affiliates) having approved the KPE Transaction, notwithstanding the fact that there is no legal or contractual requirement to obtain such approval;
- our proposed governance structure and the resulting protections afforded to our unitholders, including:
  - the proposed structure of the board of directors of our Managing Partner, which is expected to be comprised of a majority of directors who meet the independence standards for service on a board of directors pursuant to the Exchange Act and NYSE Rules relating to corporate governance matters as well as Messrs. Kravis and Roberts;
  - the audit committee of the board of directors of our Managing Partner is expected to be comprised entirely of directors who meet the independence standards for service on an audit committee of a board of directors pursuant to the Exchange Act and NYSE Rules relating to corporate governance matters;
  - the conflicts committee of the board of directors of our Managing Partner is expected to be comprised entirely of directors who meet the independence standards for service on an audit committee of a board of directors pursuant to the Exchange Act and NYSE Rules relating to corporate governance matters;
  - the nominating and corporate governance committee of the board of directors of our Managing Partner is expected to be comprised of Messrs. Kravis, Roberts and one director who

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

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

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

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

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

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

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

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

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

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

- the risk that, under certain circumstances, the CVIs will not result in KPE unitholders being entitled to any additional consideration, even if the trading value of our common units at maturity is below $22.25 (including, for example, if the extinguishment feature is triggered prior to maturity); and the fact that (i) the CVIs are non-transferable except in limited circumstances 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;

- 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 become subject to regulation under the Investment Company Act, and shall not be subject to any stop order or proceedings seeking a stop order;

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

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

Additional Conditions to Our Obligations

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

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

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

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

Conditions to KPE's Obligations

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

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

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

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

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

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

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

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

- changes in general economic or political conditions;

- changes in the financial or securities markets generally, except to the extent the referenced person, taken as a whole, together with any person (other than the Acquired KPE Partnership and its subsidiaries in the case of us) whose financial results are consolidated with such person is materially disproportionately affected thereby as compared with other participants in the applicable industry or industries in which any such persons operate;

- entry into or announcement of the execution of the purchase and sale agreement;

- the commencement, occurrence or continuation of any war, armed hostilities or acts of terrorism;

- general changes or developments in the industries in which the referenced person operates, except to the extent the referenced person, taken as a whole, together with any person (other than the Acquired KPE Partnership and its subsidiaries in the case of us) whose financial results are consolidated with such person is materially disproportionately affected thereby as compared with other participants in the applicable industry or industries in which any such persons operate;

- changes in law, rules, regulations, GAAP or interpretations thereof, except to the extent the referenced person, taken as a whole, together with any person (other than the Acquired KPE Partnership and its subsidiaries in the case of us) whose financial results are consolidated with such person is materially disproportionately affected thereby as compared with other participants in the applicable industry or industries in which any such persons operate; and

- with respect to the Acquired KPE Partnership, any actions or omissions on the part of KPE that are directed by us or any of our affiliates including KPE's general partner or KPE, acting through KPE's general partner, except for such actions or omissions of KPE or its general partner that are due to the taking of any action, or failure to take any action, by the KPE Independent Directors (in their capacity as such).

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

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

No Solicitations of Alternative Transactions

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

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

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

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

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

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

Termination

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

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

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

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

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

Conduct of Business Pending the KPE Transaction

Under the purchase and sale agreement, we have agreed that, during the period from the date of the purchase and sale agreement until completion of the KPE Transaction, except as expressly contemplated or permitted by the purchase and sale agreement, or to the extent that KPE consents in writing, we will, and will cause each of the entities whose financial results will be consolidated with ours upon the consummation of the Reorganization Transactions (other than our consolidated funds and the Acquired KPE Partnership), which we refer to as the consolidated persons, to conduct our respective businesses in all material respects in the usual, regular and ordinary course.

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

- we shall not, and shall not permit any consolidated person to, amend our or its organizational documents in any manner that would adversely affect the holders of KPE units in any material respect;

- we shall not, and shall not permit any consolidated person to, change accounting methods other than those required by GAAP or the SEC;

- we shall not adopt, enter into, amend or modify employee benefit plans, programs, policies or other arrangements other than the 2008 Equity Incentive Plan and grants pursuant thereto;

- we shall not, and shall not permit any consolidated person to, subdivide, reclassify, issue, sell, redeem, purchase or otherwise acquire equity interests;

- we shall not, and shall not permit any consolidated person to, declare, pay set aside or make any dividend or other distribution other than distributions to a consolidated person;

- we shall not, and shall not permit any consolidated person to, enter into a related party transaction as such term is defined in Item 404(a) of Regulation S-K under the Securities Act;

- we shall not incur or assume any indebtedness for borrowed money or guarantee any such indebtedness; and

- we shall not take, and shall not permit any consolidated person to commit or agree to take, any of the foregoing actions that we or such consolidated persons are prohibited from taking pursuant to the restrictions relating to the conduct of our business in the purchase and sale agreement.

Additional Agreements

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

Change of Recommendation by the KPE Independent Directors

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

Amendment; Waiver

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

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

Expenses

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

Actions of KPE

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

Representations and Warranties

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

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

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

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

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

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

Treatment of KPE Unit Appreciation Rights

The purchase and sale agreement provides that each outstanding unit appreciation right with respect to KPE units issued according to KPE's 2007 Equity Incentive Plan will become fully vested and immediately exercisable immediately prior to the consummation of the KPE Transaction. Upon the consummation of the KPE Transaction, except as otherwise agreed between us and a holder of a unit appreciation right, (i) each outstanding unit appreciation right for which the exercise price per KPE unit of such unit appreciation right equals or exceeds the closing price per KPE unit on Euronext Amsterdam on the final trading day of KPE units will be cancelled without the payment of any consideration in respect thereof and (ii) each other outstanding unit appreciation right will be converted into a fully vested unit appreciation right, on the same terms and conditions that were applicable under such unit appreciation right, with respect to a number of our common units equal to the number of KPE units subject to such unit appreciation right immediately prior to the consummation of the KPE Transaction with an exercise price per our common unit equal to the per unit exercise price for such unit appreciation right and any such converted unit appreciation right and all obligations with respect thereto will be assumed by us.

Indemnification and Insurance

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

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

KPE Units

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

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.

	KPE Units	
Calendar Quarter	**High**	**Low**
2006		
Second Quarter	$ 25.00	$ 21.39
Third Quarter	23.50	21.25
Fourth Quarter	23.00	21.00
2007		
First Quarter	24.55	21.90
Second Quarter	24.55	22.40
Third Quarter	22.45	18.64
Fourth Quarter	20.00	17.25
2008		
First Quarter	18.40	11.45
Second Quarter	15.03	12.75
Third Quarter (through August 12, 2008)	13.90	10.40

Accounting Treatment

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

Interests of Directors and Executive Officers in the KPE Transaction

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

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

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

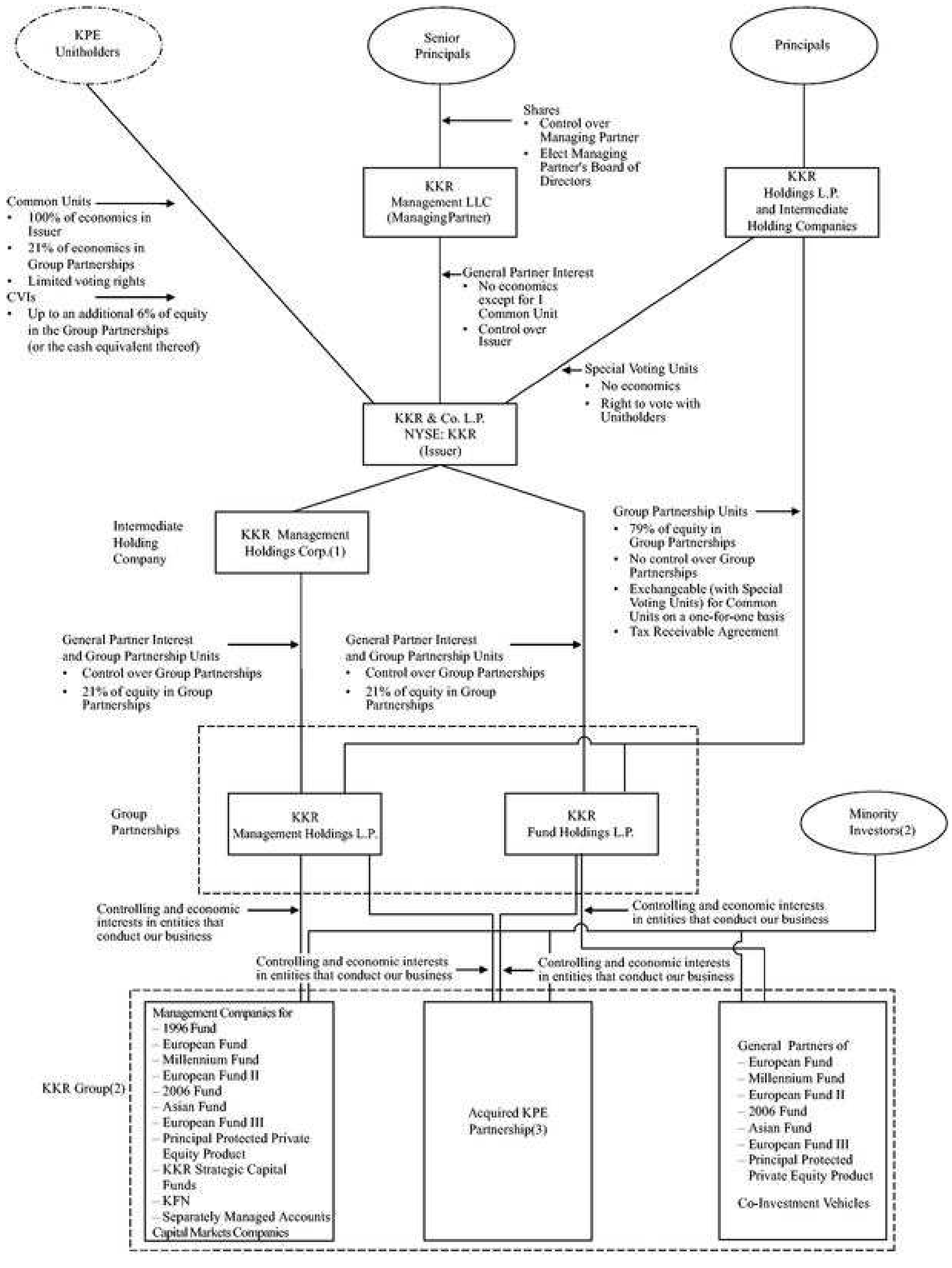
- The purchase and sale agreement provides that each present and former director of the KPE Board will be indemnified as described above under "—The Purchase and Sale

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

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

ORGANIZATIONAL STRUCTURE

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



Notes:

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

(2) The KKR Group 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 "Summary—KPE Transaction" and "—Group Partnerships."

The KKR Group

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

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

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

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

- the consolidated subsidiaries of the foregoing.

The KKR Group is considered our predecessor for accounting purposes and its financial statements will be our historical financial statements upon the completion of the Reorganization Transactions. Because the legal entities that comprise the KKR Group are under the common control of our senior principals and will be under their common control following the completion of the Reorganization

Transactions, we will account for the Reorganization Transactions as a transfer of interests under common control. Certain portions of the Transactions, however, will be accounted for as acquisitions of non-controlling interests in consolidated entities using the purchase method of accounting with the KKR Group being treated as the accounting acquirer as described under "Unaudited Pro Forma Financial Information."

Our Partnership

We were formed as a Delaware limited partnership on June 25, 2007 and will act as a holding company for the Group Partnerships following the completion of the Transactions. Upon completion of the Transactions, we will directly or indirectly serve as the ultimate general partner of each of the Group Partnerships, which will provide us with control over their business and affairs, and will directly and indirectly own an aggregate of 21% of the Group Partnership units then outstanding. The remaining 79% of the Group Partnership units that are outstanding upon completion of the Transactions will be owned by our principals through KKR Holdings. Our percentage interest in the Group Partnerships may increase, and the percentage interest in the Group Partnerships that is held by KKR Holdings may decrease, to the extent that additional consideration becomes due and payable in respect of our CVIs. See "The KPE Transaction" and "Description of Our Contingent Value Interests."

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

Our Managing Partner

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

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

Group Partnerships

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

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

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

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

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

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

Components of Our Business Owned by the Group Partnerships

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

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

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

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

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

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

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

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

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

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

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

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

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

KKR Holdings

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

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

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

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

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

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

Equity Awards

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

Exchange Agreement

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

Interests in KKR Holdings that are held by our principals will be subject to significant transfer restrictions and vesting requirements that, unless waived, modified or amended, will limit the ability of our principals to cause Group Partnership units to be exchanged under the exchange agreement so long as the applicable vesting and transfer restrictions apply. The general partner of KKR Holdings, which will initially be controlled by our founders, will have sole authority for waiving, modifying or amending any applicable vesting or transfer restrictions. Pursuant to a lock-up agreement that we will enter into with KKR Holdings, exchanges cannot be effected for 180 days after the completion of the KPE Transaction, subject to certain exceptions.

Tax Receivable Agreement

The acquisition by our intermediate holding company of Group Partnership units from KKR Holdings or transferees of its Group Partnership units from time to time pursuant to the exchange agreement is expected to result in an increase in our intermediate holding company's share of the tax basis of the tangible and intangible assets of KKR Management Holdings L.P., primarily attributable to a portion of the goodwill inherent in our business, that would not otherwise have been available. This increase in tax basis may increase (for tax purposes) depreciation and amortization and therefore reduce the amount of tax our intermediate holding company would otherwise be required to pay in the future. This increase in tax basis may also decrease gain (or increase loss) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

We will enter into a tax receivable agreement with KKR Holdings requiring our intermediate holding company to pay to KKR Holdings or transferees of its Group Partnership units 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that the intermediate holding company actually realizes (or is deemed to realize, in the case of an early termination payment by our intermediate holding company or a change of control) as a result of this increase in tax basis, as well as 85% of the amount of any such savings the intermediate holding company actually realizes (or is deemed to realize) as a result of increases in tax basis that arise due to future payments under the agreement. Although we are not aware of any issue that would cause the IRS to challenge a tax basis increase, neither KKR Holdings nor its transferees will reimburse us for any payments previously made under the tax receivable agreement if such tax basis increase, or the benefits of such increases, were successfully challenged by the IRS. See "Certain Relationships and Related Party Transactions—Tax Receivable Agreement." In the event that other of our current or future subsidiaries become taxable as corporations and acquire Group Partnership units in the future, or if we become taxable as a corporation for U.S. federal income tax purposes, each will become subject to a tax receivable agreement with substantially similar terms.

Other Tax Matters

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

We believe that the Group Partnerships will also be treated as partnerships and not as corporations for U.S. federal income tax purposes. Accordingly, the holders of Group Partnership units, including our intermediate holding company, will incur U.S. federal, state and local income taxes on their proportionate share of any net taxable income of the Group Partnerships. Net profits and net losses of a Group Partnership will generally be allocated to its partners (including our partnership and our intermediate holding company) pro rata in accordance with the percentages of their respective partner interests. Because we will directly and indirectly own an aggregate of 21% of the outstanding Group Partnership units upon completion of the Transactions, our partnership will initially be indirectly allocated 21% of the net profits and net losses of the Group Partnerships as described under "Distribution Policy." The remaining net profits and net losses will be allocated to the other holders of Group Partnership units, which will initially consist of KKR Holdings. These percentages are subject to change, including upon an exchange of Group Partnership units for our common units, as a result of the CCAM relating to our CVIs.

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

UNAUDITED PRO FORMA FINANCIAL INFORMATION

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

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

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

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

Basis of Presentation

The KKR Group is considered our predecessor for accounting purposes and its historical combined financial statements will be our historical financial statements following the completion of the Transactions. The entities comprising the KKR Group are under the common control of its senior principals. Because the legal entities that comprise the KKR Group are under the common control of the senior principals and will continue to be under their common control following the completion of the Transactions, we will account for the Transactions as a transfer of interests under common control. Certain portions of the Transactions, however, will be accounted for as acquisitions of non-controlling interests in consolidated entities using the purchase method of accounting with the KKR Group being treated as the accounting acquirer.

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

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

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

KFI Transaction

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

1996 Fund and Retained Interests

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

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

- all of the controlling and economic interests in our fee-generating management companies and capital markets companies, which will allow us to control those entities and share

  ratably in the management, advisory and incentive fees earned from all of our funds, managed accounts, portfolio companies, capital markets transactions and other investment products; and

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

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

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

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

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

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

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

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

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

Acquisition of Interests and Other Reorganization Transactions

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

- the contribution by principals who are not senior principals (and therefore not part of our control group) of equity interests in our business in exchange for newly issued Group Partnership units that will be indirectly held through KKR Holdings;

- the compensation and equity ownership of our principals and other personnel in our business, including matters involving the vesting of Group Partnership units held indirectly through

KKR Holdings, the allocation of distributions and other payments from KKR Holdings and the payment or funding of executive bonuses by KKR Holdings;

- the allocation of tax benefits that may result from exchanges of Group Partnership units held by our principals through KKR Holdings; and
- certain distributions that will be made to our existing owners prior to the completion of the Transactions.

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

KPE Transaction

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

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

Public Company Expenses

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

Unaudited Pro Forma Condensed Combined Statement of Financial Condition

As of March 31, 2008

	KKR Group Combined Historical	Pre-KPE Transaction Adjustments: Adjustments for KFI Transaction(1), 1996 Fund and Retained Interests(2)	Pre-KPE Transaction Adjustments: Acquisition of Interests and Other Reorganization Adjustments(3)	Adjustments for KPE Transaction(4)	KKR Group As Adjusted	Allocation to KKR Holdings(5)	KKR & Co. L.P. Combined Pro Forma
	($ in thousands)						
Assets							
Cash and Cash Equivalents	$ 175,053	$ (73,337)(b)(c)			$ —		$ —
Cash and Cash Equivalents held at Consolidated Entities	560,935	(10,088)(c)			—		—
Restricted Cash and Cash Equivalents	72,799	—			—		—
Investments, at Fair Value	33,294,101	(1,292,760)(c)			—		—
Due from Affiliates	61,597	2,453 (c)			—		—
Other Assets	177,529	37,387 (b)			—		—
Total Assets	$ 34,342,014	$ (1,336,345)	$ —		$ —		$ —
Liabilities and Partners' Capital							
Debt Obligations	$ 2,323,464	—			$ —		$ —
Accounts Payable, Accrued Liabilities and Other Liabilities	994,627	(52,334)(c)			—		—
Total Liabilities	3,318,091	(52,334)	—		—		—
Commitments and Contingencies							
Non-Controlling Interests in Consolidated Entities	29,694,735	(464,816)(a)(c)(d)			—		—
Partners' Capital							
Partners' Capital	1,317,069	(819,074)(c)(d)			—		—
Accumulated Other Comprehensive Income	12,119	(121)(d)			—		—
Total Partners' Capital	1,329,188	(819,195)	—		—		—
Total Liabilities and Partners' Capital	$ 34,342,014	$ (1,336,345)	$ —		$ —		$ —

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

		Pre-KPE Transaction Adjustments					
	KKR Group Combined Historical	Adjustments for KFI Transaction(1), 1996 Fund and Retained Interests(2)	Acqusition of Interests and Other Reorganization Adjustments(3)	Adjustments for KPE Transaction(4)	KKR Group As Adjusted	Allocation to KKR Holdings(5)	KKR & Co. L.P. Combined Pro Forma
			($ in thousands, except per unit data)				
Revenues							
Fee Income	$ 862,265	$ 6,087 (c)			$ —		$ —
Expenses							
Employee Compensation and Benefits	212,766	—			—		—
Occupancy and Related Charges	20,068	—			—		—
General, Administrative and Other	128,036	1,537 (b)(c)			—		—
Fund Expenses	80,040	628 (c)			—		—
Total Expenses	440,910	2,165	—		—		—
Investment Income							
Net Gains (Losses) from Investment Activities	1,111,572	(395,763)(c)			—		—
Dividend Income	747,544	(47,862)(c)			—		—
Interest Income	218,920	(11,841)(c)			—		—
Interest Expense	(86,253)	111 (c)			—		—
Total Investment Income (Loss)	1,991,783	(455,355)	—		—		—
Income (Loss) before Non-Controlling Interests in Income (Loss) of Consolidated Entites and Income Taxes	2,413,138	(451,433)	—		—		—
							—
							—
Non-Controlling Interests in Income (Loss) of Consolidated Entities	1,598,310	(290,951)(a)(c)(d)			—		—
Income (Loss) Before Taxes	814,828	(160,482)	—		—		—
Income Taxes	12,064	—			—		—
Net Income (Loss)	$ 802,764	$ (160,482)	$ —		$ —		$ —
Net Income (Loss) Per Common Unit (6)							
Basic							
Diluted							
Weighted Average Common Units							
Basic							
Diluted							

Unaudited Pro Froma Condensed Combined Statement of Operations
Three Months Ended March 31, 2008

	KKR Group Combined Historical	Pre-KPE Transaction Adjustments: Adjustments for KFI Transaction(1), 1996 Fund and Retained Interests(2)	Pre-KPE Transaction Adjustments: Acqusition of Interests and Other Reorganization Adjustments(3)	Adjustments for KPE Transaction (4)	KKR Group As Adjusted	Allocation to KKR Holdings (5)	KKR & Co. L.P. Combined Pro Forma
	($ in thousands, except per unit data)						
Revenues							
Fee Income	$ 68,590	$ 1,223 (c)			$ —		$ —
Expenses							
Employee Compensation and Benefits	48,064	—			—		—
Occupancy and Related Charges	6,538	—			—		—
General, Administrative and Other	30,703	932 (b)(c)			—		—
Fund Expenses	18,232	—			—		—
Total Expenses	103,537	932	—		—		—
Investment Income							
Net Gains (Losses) from Investment Activities	(732,974)	73,874 (c)			—		—
Dividend Income	4,592	(764)(c)			—		—
Interest Income	25,343	(1,615)(c)			—		—
Interest Expense	(35,359)	47 (c)			—		—
Total Investment Income (Loss)	(738,398)	71,542	—		—		—
Income (Loss) before Non-Controlling Interests in Income (Loss) of Consolidated Entites and Income Taxes	(773,345)	71,833	—		—		—
							—
							—
Non-Controlling Interests in Income (Loss) of Consolidated Entities	(656,335)	16,476 (a)(c)(d)			—		—
Income (Loss) Before Taxes	(117,010)	55,357	—		—		—
Income Taxes	888				—		—
Net Income (Loss)	$ (117,898)	$ 55,357	$ —		$ —		$ —
Net Income (Loss) Per Common Unit (6)							
Basic							
Diluted							
Weighted Average Common Units							
Basic							
Diluted							

Notes to Unaudited Pro Forma Financial Information

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

1. Adjustments for KFI Transaction

The KFI Transaction is accounted for as an acquisition of non-controlling interests in a consolidated entity using the purchase method of accounting with the KKR Group being treated as the accounting acquirer. Any consideration paid in excess of the carrying value (which approximates fair value) of the non-controlling interests acquired at the date of the KFI Transaction has been allocated to finite-lived identifiable intangibles consisting of KFI's management, advisory and incentive fee contracts. The estimated useful lives of the finite-lived intangibles are expected to be ten years based on contractual provisions that enable renewal without substantial cost and our prior history of such renewals. These finite-lived intangibles are amortized over their estimated useful lives in a manner which reflects the pattern in which the asset's economic benefits are expected to be consumed.

(a) Reflects the elimination of the historical amount of non-controlling interests as a result of the KFI Transaction. As of March 31, 2008, these non-controlling interests were carried at $6,942. For the year ended December 31, 2007 and the three months ended March 31, 2008, the pro forma impact of the inclusion of these non-controlling interests resulted in a reduction of income attributable to the non-controlling interests of $23,265 and $3,805, respectively.

(b) Reflects the recognition of identifiable intangible assets as of March 31, 2008 and the recognition of the periodic amortization expense based on the value of the intangible assets on the date of the KFI Transaction. As of March 31, 2008, on a pro forma basis, these identifiable intangible assets were carried at $37,387. For the year ended December 31, 2007 and the three months ended March 31, 2008, on a pro-forma basis, periodic amortization expense associated with these intangible assets resulted in net charges accounted for in general, administrative and other expense of $3,808 and $952, respectively.

2. Adjustments for 1996 Fund and Retained Interests

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

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

The elimination of the controlling and economic interests in the general partner of the 1996 Fund resulted in a $206,720 decrease in total partners' capital as of March 31, 2008, representing the excess of eliminated assets of $1,329,403 over eliminated liabilities of $52,334 and eliminated non-controlling interests in consolidated entities of $1,070,349. For the year ended December 31, 2007 and the three months ended March 31, 2008, the elimination of the 1996 Fund general partners' consolidated results resulted in (i) the recognition of $6,087 and $1,223, respectively, of fee income from management fees paid by the 1996 Fund that had been eliminated in consolidation as inter-company transactions, (ii) eliminations of $1,643 and $20 of expenses, respectively, (iii) eliminations of $455,355 and $(71,542) of investment income (loss), respectively, and (iv) eliminations of $338,667 and $(58,326) of non-controlling interests in income (loss) from consolidated entities, respectively, because those items will no longer be reflected in our consolidated financial statements following the completion of the Reorganization Transactions.

(d) Reflects the adjustment for the inclusion of additional non-controlling interests in consolidated entities representing Retained Interests, other than the Retained Interests in our capital markets business, which have been reflected as non-controlling interests in consolidated entities in the historical periods. On a pro forma basis as of March 31, 2008, such additional non-controlling interests in consolidated entities were carried at $612,475 and have been reclassified from partners' capital.

Because capital investments made by or on behalf of the general partners of the KKR Group's private equity funds following the completion of the Reorganization Transactions will be held by the Group Partnerships, no pro forma adjustments have been made to the pro forma statements of operations to eliminate the financial results of any capital investments made on or after January 1, 2007. For the year ended December 31, 2007 and the three months ended March 31, 2008, on a pro forma basis, the inclusion of certain Retained Interests as non-controlling interests resulted in an increase (decrease) to non-controlling interests in income (loss) of consolidated subsidiaries of $70,981 and $(38,045), respectively.

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

3. Acquisition of Interests and Other Reorganization Adjustments

(e) The contribution by principals who are not senior principals of their equity interests in the KKR Group to the Group Partnerships in the Reorganization Transactions will be accounted for as an acquisition of a non-controlling interest in a consolidated entity using the purchase method of accounting with the KKR Group being treated as the accounting acquirer. The total consideration paid approximates $ and reflects the fair value of vested Group Partnership units held indirectly through KKR Holdings interests issued in the exchange. We have reflected the acquired tangible net assets at their fair value, which approximates $. The remainder of the purchase price over the fair value of the tangible assets acquired approximates $ and has been included in Other Assets in the unaudited condensed consolidated pro forma statement of financial condition as of March 31, 2008. As the equity interests acquired represent the right to receive a portion of the future carry to be received by the general partners of the funds from our current private equity portfolio, the remainder of the purchase price equals the fair value of these finite-lived intangible assets acquired.

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

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

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

(f) The adjustments reflect the effect of one or more cash and in-kind distributions to certain of our existing principals representing substantially all of the cash-on-hand, certain receivables of our management companies and capital markets companies and certain personal property (consisting of non-operating assets) of the management company for our private equity funds. If the Transactions had occurred on March 31, 2008, we estimate that the aggregate amount of such distributions would have been $ as of such date. However, the actual amount of such distributions will depend on the amounts of available cash-on-hand and receivables of our management companies and capital markets companies and the book value of the distributed personal property at the time of distribution.

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

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

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

	Year Ended December 31, 2007	Three Months Ended March 31, 2008
	($ in thousands)	
Historical employee compensation and benefits expense(1)	$ 212,766	$ 48,064
Addition of non-cash charges relating to vesting of interests in KKR Holdings(2)		
Addition of cash and non-cash charges relating to executive bonuses borne by KKR Holdings previously included in distributions		
Addition of cash and non-cash charges relating to vesting of equity grants to other employees(3)		
Total change in employee compensation and benefits expense		
Employee compensation and benefits expense attributable to non-controlling interests in income of consolidated entities(4)		
Change in income before taxes		

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

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

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

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

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

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

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

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

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

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

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

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

4. Adjustments for the KPE Transaction

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

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

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

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

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

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

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

5. Allocation to KKR Holdings

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

6. Determination of Earnings Per Common Unit

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

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

(1) We will enter into an exchange agreement with KKR Holdings in connection with the Reorganization Transactions pursuant to which KKR Holdings or certain transferees of its Group Partnership units may, up to four times each year, exchange Group Partnership units held by them (together with corresponding special voting units) for our common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications and compliance with applicable lock-up, vesting and transfer restrictions. Group Partnership units are not included in the calculation of weighted average common units outstanding because to do so would have been anti-dilutive for the periods presented. If these Group Partnership units were to be exchanged for common units, net income available to holders of common units would increase due to the elimination of the non-controlling interests in consolidated entities associated with the Group Partnership units (offset by the associated tax

effect) by a greater proportion than the corresponding increase in weighted average common units outstanding. As a result, diluted net income per common unit calculated assuming the exchange of all exchangeable Group Partnership units for common units would be greater than basic net income per common unit.

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

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

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

Economic Net Income

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

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

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

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

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

SELECTED HISTORICAL FINANCIAL AND OTHER DATA

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

	Year Ended December 31,					Three Months Ended March 31,	
	2003	2004	2005	2006	2007	2007	2008
			($ in thousands)			($ in thousands)	
Statements of Operations Data:							
Revenues							
Fee income	$ 50,516	$ 183,462	$ 232,945	$ 410,329	$ 862,265	$ 68,840	$ 68,590
Expenses							
Employee compensation and benefits	46,724	69,956	79,643	131,667	212,766	27,345	48,064
Occupancy and related charges	8,858	10,688	13,534	19,295	20,068	4,624	6,538
General, administrative and other	35,315	36,931	54,336	78,154	128,036	31,555	30,703
Fund expenses	26,024	16,470	20,778	38,350	80,040	15,154	18,232
Total expenses	116,921	134,045	168,291	267,466	440,910	78,678	103,537
Investment Income							
Net gains (losses) from investment activities	2,325,294	3,026,396	2,984,504	3,105,523	1,111,572	1,482,054	(732,974)
Dividend income	32,285	14,611	729,926	714,069	747,544	19,471	4,592
Interest income	36,807	54,060	27,166	210,872	218,920	68,269	25,343
Interest expense	(234)	(524)	(697)	(29,542)	(86,253)	(15,593)	(35,359)
Total investment income (loss)	2,394,152	3,094,543	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	2,327,747	3,143,960	3,805,553	4,143,785	2,413,138	1,544,363	(773,345)
Non-controlling interests in income (loss) of consolidated entities	1,863,355	2,358,458	2,870,035	3,039,677	1,598,310	1,198,716	(656,335)
Income (loss) before taxes	464,392	785,502	935,518	1,104,108	814,828	345,647	(117,010)
Income taxes	2,425	6,265	2,900	4,163	12,064	627	888

Net income (loss)	$ 461,967	$ 779,237	$ 932,618	$ 1,099,945	$ 802,764	$ 345,020	$ (117,898)
Statement of Financial Condition (period end):							
Total assets	$ 8,142,353	$ 9,701,478	$ 13,369,412	$ 23,292,783	$ 32,842,796		$ 34,342,014
Total liabilities	124,339	313,672	418,778	1,281,923	2,575,636		3,318,091
Non-controlling interests in consolidated entities	7,289,218	8,352,342	11,518,013	20,318,440	28,749,814		29,694,735
Total partners' capital	728,796	1,035,464	1,432,621	1,692,420	1,517,346		1,329,188

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

The following discussion and analysis should be read in conjunction with the predecessor combined financial statements and the related notes included elsewhere in this prospectus. The historical combined financial data discussed below reflects the historical results and financial position of the KKR Group, which is considered our predecessor for accounting purposes. While the historical combined financial statements of the KKR Group will be our historical financial statements following the completion of the Transactions, the data does not give effect to the Transactions and is not necessarily representative of our future results and financial condition. See "Organizational Structure" and "Unaudited Pro Forma Financial Information." In addition, this discussion and analysis contains forward-looking statements and involves numerous risks and uncertainties, including those described under "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors." Actual results may differ materially from those contained in any forward-looking statements.

Overview

Led by Henry Kravis and George Roberts, KKR is a global alternative asset manager with $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.

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

KPE Transaction

On July 27, 2008, we entered into a purchase and sale agreement with KPE pursuant to which we have agreed to acquire all of the assets of KPE, including interests in the Acquired KPE Partnership, and assume all of the liabilities of KPE and its general partner, in exchange for our common units and CVIs issued by us. As promptly as practicable after the KPE Purchase, KPE will distribute our common units and CVIs to its unitholders on a pro rata basis. Upon completion of the Transactions, the common units will represent 21% of our outstanding limited partner interests, on a fully diluted basis. The CVIs will entitle their holders to receive additional consideration from us, in the form of additional equity in our business or cash, under certain circumstances as described under "Description of Our Contingent Value Interests." The Group Partnership units include a capital contribution adjustment mechanism reflecting the terms of our CVIs. Under the adjustment mechanism, we will receive additional Group Partnership units, or cash contributed by KKR Holdings, to the extent any consideration is due in respect of the CVIs.

KPE is a permanent capital vehicle that historically has focused primarily on making private equity investments in our portfolio companies but has the flexibility to make other types of investments, including fixed income and public equity. The assets that we will acquire from KPE will provide us with a significant source of capital to further grow and expand our business, increase our participation in our existing portfolio of businesses and further align our interests with our investors and other stakeholders. We believe that this alignment of interest and the permanent capital that we will have following the completion of the Transactions will bolster our position as one of the world's leading asset managers and further enhance our diversity, scale, capital resources and growth prospects.

Business Segments

Historically, we have operated through two reportable business segments for management reporting purposes: private equity and fixed income. Within each of these segments, we have also conducted capital markets activities and managed public equity. In connection with the Transactions, we will acquire all of the assets of KPE, including KPE's interests in the Acquired KPE Partnership. We intend to manage these assets separately from our private equity and fixed income segments and account for them in a newly created reportable business segment referred to as our principal segment.

Private Equity

Through our private equity segment, we sponsor and manage a number of funds and co-investment vehicles that make primarily control-oriented investments in connection with leveraged buyouts and other similarly-yielding investment opportunities. Our private equity funds focus on the largest end of the leveraged buyout market, which we believe allows us to invest in industry-leading franchises with global operations, attract world-class management teams, deploy large amounts of capital in individual transactions and optimize the income that we earn on a per transaction basis.

Our three active traditional private equity funds are geographically differentiated and, as of March 31, 2008, consisted of the 2006 Fund (a $17.6 billion fund with $6.2 billion of unused capital commitments), the European Fund III (a $5.5 billion fund with $5.3 billion of unused capital commitments) and the Asian Fund (a $4.0 billion fund with $3.4 billion of unused capital commitments). Our other private equity products, such as co-investment structures and our principal protected private equity products, allow us to commit incremental capital that is subject to fees and carry allocations. As of March 31, 2008, our private equity segment had $46.7 billion of AUM and generated approximately $775.0 million and $(123.8) million of economic net income (loss) during the year ended December 31, 2007 and the three months ended March 31, 2008, respectively.

Fixed Income

We believe the experience of our people, our global platform and our ability to effectively adapt our investment strategies to different market conditions allow us to capitalize on investment opportunities at every level of the capital structure. Commencing in 2004, we began to actively pursue debt investments as a separate asset class and, through our fixed income segment, we now sponsor and manage a group of fixed income funds, structured finance vehicles and a managed account platform which focus on corporate debt investments. As of March 31, 2008, our fixed income segment had $11.0 billion of AUM, including $1.7 billion of AUM at KFN, $1.1 billion of AUM at the KKR Strategic Capital Funds, which consist of three side-by-side entities, and $8.2 billion of AUM managed through our structured finance vehicles. During the year ended December 31, 2007 and the three months ended March 31, 2008, our fixed income segment generated $39.8 million and $6.8 million of economic net income, respectively.

We conduct our fixed income business through KFI, which is the parent of our fixed income management companies. Prior to May 30, 2008, we owned all of the equity in KFI other than certain non-controlling interests that allocated 35% of the net income generated by KFI to certain of its executives on an annual basis. On May 30, 2008, we acquired all of these outstanding interests for cash consideration in order to further integrate our operations, enhance the existing collaboration among all of our investment professionals and accelerate the growth of our business. As a result of the KFI Transaction, we now own 100% of the equity interests in KFI and are entitled to all of the net income and related cash flows generated by our fixed income segment.

Principal

Upon completion of the Transactions, the assets, liabilities, income, expense and cash flows of KPE and its general partner will become ours. We intend to manage these assets separately from our private equity and fixed income segments and account for them in a newly created reportable business segment referred to as our principal segment. As of March 31, 2008, KPE had a NAV of $4.7 billion, representing its partner interests in the Acquired KPE Partnership. We intend to use the assets that we acquire from KPE as a source of capital to further grow and expand our business, increase our participation in our existing portfolio of businesses and further align our interests with these investors and other stakeholders.

Business Environment

As a global alternative asset manager, we are affected by financial and economic conditions in the United States, Europe, Asia and elsewhere in the world. Although the diversity of our operations and product lines has allowed us to generate attractive returns in different business climates, business conditions characterized by low inflation, low or declining interest rates and strong equity markets generally provide a more positive environment for us to generate attractive returns on existing investments. We may benefit, however, from periods of market volatility and disruption which allow us to use our large capital base and our experience with troubled companies and distressed securities to make investments at attractive prices and on favorable terms.

Beginning in late June 2007, the United States experienced considerable turbulence in the housing and sub-prime mortgage markets, which had a significant negative impact on other fixed income markets. Equity markets came under pressure in the latter part of 2007 as concerns of an economic slowdown were factored into valuations. As a result of reduced liquidity and greater volatility, several commercial and investment banks and hedge funds significantly reduced the carrying value of some of their fixed income holdings, threatening general market liquidity. Although the United States and other governments injected meaningful liquidity into the financial system and lowered benchmark lending rates in an attempt to avoid a liquidity crisis and stabilize economies, the effects of these measures remain uncertain.

Deteriorating conditions in fixed income markets deterred lenders from committing to new senior loans and high yield debt. Debt underwriting declined meaningfully in the second half of 2007 and the backlog resulting from pending private equity-led transactions reached record levels. This backlog, coupled with other poor-performing fixed income securities, has materially hindered lenders' willingness to fund new, large-sized acquisitions. As a consequence of reduced borrowing ability, the volume of new private equity acquisitions declined significantly in the second half of 2007 and the first quarter of 2008. Recently announced private equity-led acquisitions have mostly been smaller in sizes, with less leverage and less favorable terms for the debt provided, all of which has had a significant impact on our business. The duration of current conditions in the credit and high-yield debt markets is unknown.

While it is unclear whether the U.S. economy is in a recession, economic indicators point to a slowdown. The slowdown of the U.S. economy could have negative implications for other global economies and markets. The duration of current economic conditions is unknown.

Market Conditions

Our ability to grow our revenue and net income depends on our ability to continue to attract capital and investors, secure investment opportunities, obtain financing for transactions, consummate investments and deliver attractive investment returns. These factors are impacted by a number of market conditions, including:

- ***The strength and competitive dynamics of the alternative asset management industry, including the amount of capital invested in, and withdrawn from, alternative investments.*** Our share of the capital that is allocated to alternative assets depends on the strength of our investment performance relative to the investment performance of our competitors. The amount of capital that we attract and our investment returns directly affect the level of our AUM, which in turn affects the fees, carried interest and other amounts that we are able to earn in connection with our asset management activities.

- ***The strength and liquidity of debt markets.*** Our private equity funds use debt financing to fund portfolio company acquisitions. Our fixed income funds make significant investments in debt instruments and use varying degrees of leverage in order to enhance investment returns and to fund working capital requirements. As a result, our business generally benefits from strong and liquid debt markets that support our funds' investment activities, although periods of market volatility and disruption may create attractive investment opportunities.

  As discussed under the caption "—Business Environment" above, debt markets deteriorated significantly beginning in the third quarter of 2007. This has had a negative impact on both our private equity business and our fixed income business. Among other effects, these developments have increased the cost and difficulty of financing leveraged buyout transactions—thereby significantly reducing private equity activity—and impacted valuations. Increases in rates and spreads could negatively impact our returns further as the incremental cash flow required to service debt reduces cash flow available to investors in our funds and could lead to higher equity contribution requirements by our fund investors to effect future transactions. A reduction in leverage ratios or more restrictive covenants and other credit terms could also negatively impact our business.

- ***The strength and liquidity of equity markets.*** Strong equity market conditions enable our private equity funds to increase the value of and to effect realizations of their portfolio company investments. Equity market conditions also affect the carried interest that we receive. After a prolonged period of positive performance and liquidity, equity market conditions have recently been unfavorable in the United States and in other markets. As a result, it has become more difficult for us to exit

  private equity investments profitably through offerings in the public markets, and our realized gains on such investments have declined significantly over earlier periods.

- ***Market volatility.*** Volatility within the debt and equity markets increases both the opportunities and risks within our segments and directly affects the performance of our funds. Similarly, fluctuations in interest rates and foreign currency exchange rates, if not suitably hedged, may affect the performance of our funds. Historical trends in these markets are not necessarily indicative of our future performance. Recently, volatility in the equity markets and disruptions in the debt markets have made it more challenging to profit from our investments. If these conditions continue, their negative impact on our business may become more pronounced.

We believe that certain trends in the asset management industry during recent years have created a favorable environment for our AUM to grow. In particular:

- Institutions and other investors have increased their capital allocations to the alternative asset management industry. As a leader in this industry, we have been and expect to continue to be able to attract a significant amount of new capital for our funds. In addition, we believe that strong capital flows to the alternative asset sector have played, and will continue to play, an important role in our growth initiatives, including new business lines contemplated by our growth strategy.

- The allocation of capital to the alternative asset management industry depends in part on the performance of alternative assets relative to other asset classes. The primary markets in which we conduct our business have experienced relatively steady growth over time, and the performance of our funds has exceeded various traditional benchmarks of market performance enabling us to raise large pools of capital. Despite this, current liquidity constraints and increased market volatility and disruption have made raising capital more challenging in recent periods.

For a more detailed description of the manner in which economic and financial market conditions may materially affect our results of operations and financial condition, see "Risk Factors—Risks Related to Our Business."

Legal and Regulatory Environment

Members of the U.S. Congress have introduced legislation that would, if enacted, preclude us from qualifying for treatment as a partnership for U.S. federal income tax purposes under the rules governing publicly traded partnerships and would require that we be treated as a corporation for U.S. federal income tax purposes. Separately, members of the U.S. Congress have introduced legislation that would, if enacted, treat income received for performing investment management services as ordinary income received for the performance of services, which would have a similar effect. If any of these pieces of legislation or any similar legislation or regulation were to be enacted and apply to us, we would incur a material increase in our tax liability, which could result in a reduction in the value of our common units. See "Risk Factors—Risks Related to Our Business—Legislation has been introduced that would, if enacted, prelude us from qualifying as a partnership for U.S. federal income tax purposes. If this or any similar legislation or regulation were to be enacted and apply to us, we would incur a material increase in our tax liability that could result in a reduction in the value of our common units."

Becoming a Public Company

As a privately owned firm, we have consistently approached our business and investments with a long-term view. Both in building and expanding our business and in determining the types of investments to make, we have focused on the best outcomes for our business, investors and stakeholders measured over a period of years rather than on short-term financial performance. Our long-term approach encourages us to continue to build value in all of our portfolio companies, including those with a long period remaining before producing distributable cash flow. However, our results of operations are affected by the timing of our investments and changes in the value of our investments, each of which may vary significantly over the short-term.

We intend to maintain our long-term focus after we become a public company and as we pursue our strategic growth initiatives, even though this may lead to increased volatility in our results from period to period. While a significant portion of the management and monitoring fees paid by our funds and portfolio companies are earned pursuant to multi-year contracts, other amounts that we earn, such as transaction-specific advisory fees, incentive fees and carried interest, are subject to significant variability based on transaction volume and size, as well as investment performance. We do not intend to permit the short-term perspectives to influence our business approach, our operational, strategic or investment decisions, our duties or commitments to investors or our focus on creating value over the long-term.

Impact of the Transactions and the KFI Transaction

The KKR Group is considered our predecessor for accounting purposes and its historical combined financial statements will be our historical financial statements following the completion of the Transactions. The entities comprising the KKR Group are under the common control of our senior principals. Because the legal entities that comprise the KKR Group are under the common control of our senior principals and will continue to be under their common control following the completion of the Transactions, we will account for the Transactions as a transfer of interests under common control. Certain portions of the Transactions, however, will be accounted for as acquisitions of non-controlling interests in consolidated entities using the purchase method of accounting with the KKR Group being treated as the accounting acquirer as described under "Unaudited Pro Forma Financial Information."

While the combined financial statements of the KKR Group will be our historical financial statements following the completion of the Transactions, our financial statements for future periods will differ from the financial statements of the KKR Group in many significant respects. In particular, following the completion of the Transactions:

- we will deconsolidate both the 1996 Fund and the fund's general partners, because the Group Partnerships will not acquire an interest in those general partners in connection with the Transactions;
- we will include non-controlling interests that will allocate to a former principal and such person's designees an aggregate of 1% of the carried interest received by general partners of our funds and 1% of our profits until a future date;
- we will include non-controlling interests that will allocate to certain of our former principals and their designees a portion of the carried interest received by the general partners of our private equity funds with respect to private equity investments made during such former principals' tenure with our firm;
- we will include non-controlling interests that will allocate to certain of our current and former principals all of the capital invested by or on behalf of the general partners of our private equity funds before the completion of the Transactions and any returns thereon;
- we will include non-controlling interests representing the Group Partnership units that KKR Holdings will hold in the Group Partnerships, which interests will allocate to KKR Holdings 79% of the equity in the Group Partnerships upon completion of the Transactions;
- we will make one or more cash and in-kind distributions to certain of our existing owners prior to the completion of the Transactions representing substantially all available cash-on-hand, certain receivables of our management companies and capital markets companies and certain personal property (consisting of non-operating assets) of the management company for our private equity funds;
- we will recognize employee compensation charges relating to discretionary distributions and payments made by KKR Holdings to our principals, executive bonuses that are paid or borne by KKR Holdings, the vesting of interests in KKR Holdings held by our principals and the granting and vesting of awards under our 2008 Equity Incentive Plan;
- we will record a provision for corporate income taxes on the income of our intermediate holding company, which will indirectly hold our interest in one of the Group Partnerships and will be taxable as a corporation for U.S. federal income tax purposes; and
- we will record amortization expense related to intangible assets recorded in connection with the acquisition of non-controlling interests in the Reorganization Transactions.

In addition, as a result of the KPE Transaction, the Acquired KPE Partnership will become a wholly-owned subsidiary of the Group Partnerships and all of its assets, revenues, expenses and cash flows, and liabilities of KPE and its general partner, will become ours. Because the Acquired KPE Partnership is consolidated in our predecessor combined financial statements, we will account for the KPE Transaction as an acquisition of non-controlling interests in a consolidated entity with the KKR Group being treated as the accounting acquirer. Such acquisition will result in the elimination of consolidated amounts attributable to KPE unitholders that were previously recorded in our predecessor combined financial statements as non-controlling interests in income of consolidated entities (statement of operations) and non-controlling interests in income of consolidated entities (statement of financial condition), which in turn will impact the consolidated amounts of income before taxes, net income or partners' capital that we report. While the acquisition may result in a reduction in the management fees that we report in our private equity segment, the corresponding expense previously incurred by the Acquired KPE Partnership may be reduced by the same amount. Accordingly, the prospective impact on our financial results relating to the KPE Transaction will include increased investment income (loss) and expenses, excluding management fee expenses.

While not part of the Transactions, on May 30, 2008, we acquired non-controlling interests in KFI that previously allocated 35% of the net income generated by KFI to certain of its executives on an annual basis. The KFI Transaction is accounted for as an acquisition of non-controlling interests in a consolidated entity using the purchase method of accounting with the KKR Group being treated as the accounting acquirer. As a result of the KFI Transaction, we now own 100% of the equity interests in KFI and are entitled to all of the net income and related cash flows generated by our fixed income segment. We also expect to amortize certain finite-lived intangibles recognized in connection with the acquisition over their estimated useful lives, which will give rise to periodic non-cash amortization charges in our statement of operations.

Due to the differences described above, the predecessor combined financial statements and related historical data included in this prospectus are not necessarily representative of our future results of operations and financial condition. To provide additional information illustrating the impact that the changes described above will have on our results of operations and financial condition, we have presented elsewhere in this prospectus unaudited pro forma financial information for the year ended December 31, 2007 and as of and for the three months ended March 31, 2008. This data gives pro forma effect to the Transactions, the KFI Transaction and certain other arrangements entered into in connection therewith as if such transactions and arrangements had been completed as of January 1, 2007 with respect to the unaudited condensed pro forma statements of income and as of March 31, 2008 with respect to the unaudited pro forma statement of financial condition. Such information has been included for informational purposes only and does not purport to reflect the results of operations or financial position that would have occurred had the transactions referred to above occurred on the dates indicated or had we operated as a public company during the periods presented or for any future period or date. See "Unaudited Pro Forma Financial Information."

Basis of Financial Presentation

Combined Results

Impact of the Consolidation of Our Funds on Our Financial Presentation

In accordance with GAAP, a substantial number of our funds are consolidated in our predecessor combined financial statements notwithstanding the fact we hold only a minority economic interest in those funds. We refer to these consolidated entities as consolidated funds. Our consolidated funds consist of those funds in which our predecessor, through the ownership interests of our senior principals, holds a general partner or managing member interest that gives our predecessor substantive controlling rights over such funds and the Acquired KPE Partnership in which our predecessor holds a variable interest and has been determined to be the primary beneficiary. With respect to our consolidated funds, we generally have operational discretion and control over the funds and investors do not hold any substantive rights that would enable them to impact the funds' ongoing governance and operating activities.

As noted above, in connection with the Transactions, we will deconsolidate the 1996 Fund, but will continue to consolidate the other consolidated funds that are currently consolidated in our combined financial statements. Those other consolidated funds consist of the European Fund, the Millennium Fund, the European Fund II, the 2006 Fund, the Asian Fund, the European Fund III, the Acquired KPE Partnership and two of the three side-by-side funds that constitute the KKR Strategic Capital Funds. Except for interests in the Acquired KPE Partnership, we will not acquire any of the economic interests in such entities that are held by third party investors. In the case of the Acquired KPE Partnership, we will acquire all of the interests in the entity that are held by KPE and such entity will become our wholly-owned subsidiary as described below. See "Unaudited Pro Forma Financial Information." In addition, because we expect to continue to maintain a controlling interest in funds that we sponsor and manage, we expect to consolidate additional funds in future periods.

When we consolidate a consolidated fund, we reflect the assets, liabilities, revenues, expenses and cash flows of the consolidated fund on a gross basis. The majority of the economic interests in the consolidated fund, which are held by third party investors, are reflected as non-controlling interests. Substantially all of the management fees and certain other amounts that we earn from the consolidated fund are eliminated in combination. However, because those amounts are earned from non-controlling interest holders, our allocable share of the net income from the consolidated fund is increased by the amounts eliminated. Accordingly, the consolidation of the consolidated fund does not have a net effect on the amounts of income before taxes, net income or partners' capital that we report.

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

Segment Results

We present the results of our reportable business segments in accordance with Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information." See "—Business Segments." This standard is based on a management approach, which requires segment presentation based on internal organization and the internal financial reporting used by management to make operating decisions, assess performance and allocate resources. All inter-segment transactions are eliminated in the segment presentation.

Our management makes operating decisions, assesses performance and allocates resources based on financial and operating data and measures that are presented without giving effect to the consolidation of any of the funds that we manage. As a result, unlike the reporting in our predecessor combined financial statements, our segment reporting does not give effect to the consolidation of our funds. The exclusion of our consolidated funds in our segment reporting results in the inclusion of management fees and incentive fees in fee income that would otherwise be eliminated in combination, the exclusion of investment income and expenses that are attributable to non-controlling interests held by third-party investors and the exclusion of corresponding charges and credits that are accounted for as non-controlling interests in the income of consolidated entities. See "—Combined Results—Impact of the Consolidation of Our Funds on Our Financial Presentation" and "—Key Financial Measures—Segment Operating and Performance Measures."

Key Financial Measures

Revenues

Fee Income

Our combined fee income consists primarily of ongoing management, advisory and incentive fees we earn from providing investment management, advisory and other services to our funds, managed accounts and portfolio companies as well as transaction-specific advisory income from our capital markets transactions. These fees are based upon the contractual terms of the management and other agreements that we enter into with our funds, managed accounts and portfolio companies.

Our combined fee income does not include the management fees that we earn from our consolidated funds, because those fees are eliminated in consolidation as transactions between consolidated entities. However, because those management fees are earned from, and funded by, third-party investors who hold non-controlling interests in the consolidated funds, our allocable share of the net income from the consolidated funds is increased by the amount of the management fees that are eliminated in consolidation. Accordingly, while the consolidation of our funds impacts the amount of fee income that we recognize on a combined basis, it does not affect the ultimate amount of income before taxes, net income, or partners' capital that we recognize in our combined financial statements.

Expenses

Employee Compensation and Benefits Expense

Our employee compensation and benefits expense historically has consisted primarily of the cash salaries and bonuses that we have paid personnel who are not senior principals. Because our compensation arrangements with those individuals have involved a significant performance-based bonus component, our employee compensation and benefits expense has increased as our net income has grown. Following completion of the Transactions, KKR Holdings will bear the economic cost of executive bonuses paid to our principals as described below. Although our unitholders will not bear the cost of these bonuses, these arrangements will give rise to periodic non-cash charges in our statement of operations. Such charges will not, however, impact our cash available for distribution.

Our employee compensation and benefits expense has also grown in recent periods as a result of the expansion of our business, which has increased the number of our salaried employees. Our employee compensation and benefits expense is significantly not borne by fund investors and is not offset by credits attributable to our fund investors' non-controlling interests in our consolidated funds.

Unlike our other personnel, compensation expense related to our senior principals has not been historically reflected for their services provided to us. Instead, these individuals have relied on cash distributions that they have received on their equity interests in our business. Because those cash distributions have been paid to senior principals in their capacities as owners of our business, the distributions have been accounted for as distributions of partners' capital rather than employee compensation and benefits expense and, accordingly, we have not reflected those amounts as employee compensation and benefits expense in our statements of operations.

Upon completion of the Transactions, our principals will hold interests in our business through KKR Holdings, which will own all of the outstanding Group Partnership units that are not held by us. These individuals will receive financial benefits from our business in the form of distributions and payments received from KKR Holdings and through their direct and indirect participation in the value of Group Partnership units held by KKR Holdings, and KKR Holdings will bear the economic costs of any executive bonuses paid to them. Our principals' interests in Group Partnership units that are held by KKR Holdings will be subject to transfer restrictions that lapse over 8 to 10 year periods and, except for certain interests that will vest upon completion of the Transactions, will vest over 6 to 8 year periods. A portion of the distributions and payments made by KKR Holdings to our principals will also be subject to discretionary allocation. In addition, in connection with the Transactions, we expect to grant awards under our 2008 Equity Incentive Plan to personnel who do not hold interests in KKR Holdings.

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

General, Administrative and Other Expense

Our general, administrative and other expense consists primarily of professional fees paid to legal advisors, accountants, senior advisors and consultants; insurance costs; travel and related expenses; communications and information services; depreciation and amortization charges and other general and operating expenses. These expenses have increased in recent years due to fees paid to our senior advisors that are based in part on returns generated by our investments, which have increased significantly during recent periods, as well as increases in overhead resulting from the expansion and growth of our business. A substantial portion of our general, administrative and other expense is not borne by fund investors and is not offset by credits attributable to our fund investors' non-controlling interests in our consolidated funds.

Following the Transactions, we will incur additional general, administrative and other expenses associated with being a publicly traded company. Such costs will include new or increased expenses for such items as insurance, directors' fees, accounting work, legal advice, investor relations and compliance with applicable regulatory or stock exchange requirements, including costs associated with compliance with the Sarbanes-Oxley Act and periodic or current reporting obligations. Additionally, we will incur non-cash expenses related to the amortization of intangible assets recorded in connection with the acquisition of non-controlling interests in the KFI Transaction and the Reorganization Transactions. See "Unaudited Pro Forma Financial Information."

Fund Expenses

Our fund expenses consist primarily of costs that we incur in connection with potential investments that do not result in completed transactions (such as travel expenses, professional fees and research costs) and costs incurred in connection with the placement of limited partner interests in our private equity funds.

Investment Income

We recognize investment income with respect to our carried interests in investments of our private equity funds, the capital invested by or on behalf of the general partners of our private equity funds and the non-controlling interests that third party fund investors hold in our consolidated funds. Grants of restricted equity interests that we receive from KFN in respect of the management services we provide to the fund are not included as investment income until vested. When the equity interests vest, however, we include the interests as investments on our statement of financial condition and thereafter recognize investment income or loss with respect to changes in their fair value and any dividends or distributions paid thereon. See "Business—Fixed Income—KFN."

Net Gains from Investment Activities

Our net gains from investment activities consist primarily of the unrealized and realized gains and losses on investments that are made by our funds. Unrealized gains or losses result from changes in the fair value of these investments during a period. Upon disposition of an investment, previously recognized unrealized gains or losses are reversed and an offsetting realized gain or loss is recognized in the current period. While this reversal does not affect the amount of net gains that we recognize from investment activities, it does impact the cash flows that we record.

See "Risk Factors—Risks Related to the Assets We Manage—Valuation methodologies for certain assets in our funds can be subject to significant subjectivity and the fair value of assets established pursuant to such methodologies may never be realized, which could result in significant losses for our funds" and "—Critical Accounting Policies—Fair Value of Investments."

Dividend Income

Our dividend income consists primarily of the dividends and distributions that our private equity funds receive from the portfolio companies in which they invest. Typically, our private equity funds recognize dividend income primarily in connection with dispositions of operations by portfolio companies and other significant portfolio company transactions. Our dividend income has increased substantially in recent periods as a result of distributions by our portfolio companies following such dispositions or other transactions.

Interest Income

Our interest income consists primarily of interest that is paid on the fixed income instruments in which our consolidated funds invest and, to a lesser extent, interest payments that our private equity funds are paid when they provide bridge financing to a portfolio company in connection with a portfolio company acquisition. See "Private Equity Valuations and Related Data—Bridge Financing Provided by Private Equity Funds." Our interest income has increased substantially in recent periods as a result of interest earned from cash management activities carried out by KPE, which began operations in May 2006 and made significant fixed income investments in connection with its cash management activities.

Interest Expense

Our interest expense consists primarily of interest that is payable by our funds or their general partners in connection with indebtedness that they incur to finance investments. A significant portion of our historical interest expense relates to long-term indebtedness that is used by our fixed income funds to leverage their investments and indebtedness incurred by KPE under its credit agreement. Our traditional private equity funds do not incur debt at the fund level.

The balance of our interest expense historically has consisted of short-term borrowings that are used by the general partners of our private equity funds, our management companies and our capital markets companies for working capital purposes. We have recently entered into two credit agreements with separate financial institutions, which provide us with additional sources of long-term liquidity for our management companies and our capital markets companies. Following the completion of the Transactions, all of KPE's indebtedness will become our indebtedness, and any interest expense arising therefrom will be attributable to us.

Impact of the Consolidation of Our Funds on the Presentation of Investment Income

Due to the consolidation of a majority of our funds, the amount of our funds' investment income that is allocable to our carried interests and capital investments is not readily shown in our combined financial statements. Instead, the portion of investment income that is allocable to us, after allocating amounts to non-controlling interests, is reflected in our net income. Because the substantial majority of our funds are consolidated and because we hold only a minority economic interest in our funds' investments, our allocable share of our funds' investment income is significantly less than the total amount of investment income presented in our predecessor combined financial statements.

Income Taxes

We have historically operated as a group of partnerships for U.S. federal income tax purposes and, in the case of certain entities located outside the United States, corporate entities for foreign income tax purposes. Because most of the entities in our consolidated group are taxed as partnerships, our income is generally allocated to, and the resulting tax liability is generally borne by, our principals and we generally are not taxed at the entity level. The income taxes included in our predecessor combined financial statements are attributable to the New York City unincorporated business tax and foreign income taxes imposed on certain entities located outside the United States.

Following the Transactions, the Group Partnerships and their subsidiaries will continue to operate as partnerships for U.S. federal income tax purposes and, in the case of certain entities located outside the United States, corporate entities for foreign income tax purposes. Accordingly, those entities will continue to be subject to New York City unincorporated business taxes or foreign income taxes, as the case may be. In addition, our intermediate holding company will be subject to additional entity-level taxes that will be reflected in our combined financial statements.

Non-Controlling Interests in Income of Consolidated Entities

Non-controlling interests in income of consolidated entities represent the ownership interests that unaffiliated third parties hold in entities that are consolidated in our financial statements. The allocable share of income and expense attributable to those interests is accounted for as non-controlling interests in the income of consolidated entities.

Historically, the amount of non-controlling interests in consolidated entities that we have recognized has been substantial and has resulted in significant charges and credits in our statements of operations. As of March 31, 2008, non-controlling interests in consolidated entities represented approximately 86% of our combined total assets and consisted primarily of:

- non-controlling interests that investors held in our consolidated funds, which economic interests allocated to the fund investors approximately 86% of our combined total assets as of March 31, 2008 and resulted in approximately $(656) million and $1.2 billion of net charges in our statements of operations during the three months ended March 31, 2008 and 2007, respectively;
- non-controlling interests that allocated 35% of the net income generated by KFI to certain of its executives on an annual basis; and
- a non-controlling interest that allocated to a third party an aggregate of 2% of the equity in the KKR Group's capital markets business.

Subsequent to March 31, 2008, we acquired all outstanding non-controlling interests in KFI and now own 100% of the entity. In connection with the KPE Transaction, we will similarly acquire all outstanding non-controlling interests in the Acquired KPE Partnership, which will become a wholly-owned subsidiary of ours. While these acquisitions will reduce the non-controlling interests in consolidated entities that are included in our consolidated statement of financial condition and the related charges for such items that our predecessor has historically recorded in its combined statement of operations, we expect to continue to recognize substantial non-controlling interests in the income of consolidated entities following the completion of the Transactions, and such items will continue to give rise to significant charges and credits in our statements of operations.

In particular, upon completion of the Transactions, we expect that non-controlling interests in consolidated entities will consist of:

- non-controlling interests that will allocate to a former principal and such person's designees an aggregate of 1% of the carried interest received by general partners of our funds and 1% of our profits until a future date;
- non-controlling interests that will allocate to certain of our former principals and their designees a portion of the carried interest received by the general partners of our private equity funds with respect to private equity investments made during such former principals' tenure with our firm;
- non-controlling interests that will allocate to certain of our current and former principals all of the capital invested by or on behalf of the general partners of our private equity funds before the completion of the Transactions and any returns thereon;
- a non-controlling economic interest that will allocate to a third party an aggregate of 2% of the equity in the KKR Group's capital markets business; and
- non-controlling interests that investors held in our consolidated funds.

In addition to the non-controlling interests in consolidated entities described above, our principals will retain substantial economic interests in our business following the completion of the Transactions through KKR Holdings' ownership of Group Partnership units. These interests will represent 79% of our total assets that are not allocable to holders of non-controlling interests upon completion of the Transactions. However, the Group Partnership units include a capital contribution adjustment mechanism that reflects the terms of our CVIs and which may result in an adjustment in the percentage interest that KKR Holdings has in the Group Partnerships. We will account for these interests in the same manner that we account for non-controlling interests in consolidated entities that are held by unaffiliated third parties. See "Unaudited Pro Forma Financial Information."

Assets Under Management

Our AUM represents the assets with respect to which we are entitled to receive a fee or carried interest. We calculate the amount of our AUM as of any date as the sum of: (i) the fair value of the investments of our traditional private equity funds and our carry-yielding co-investment vehicles plus the capital that we are entitled to call from investors in our traditional private equity funds with respect to their unfunded capital commitments; (ii) the NAVs of the KKR Strategic Capital Funds, the separately managed accounts managed by KFI and our principal protected private equity product; (iii) prior to the Transactions, the NAV of KPE and, after the Transactions, the NAV of the assets of the Acquired KPE Partnership; (iv) the equity of KFN; and (v) the capital raised by structured finance vehicles that we manage. As a result of raising new funds with sizeable capital commitments and increases in the NAV of our permanent capital funds and their retained profits, our AUM has increased significantly over the periods discussed below.

Increases in the AUM of our unconsolidated funds will generally result in increases in our fee income, as the amount of the management fees that we receive from these funds is calculated based on the amount of these assets. Similarly, increases in the AUM of our consolidated funds will generally result in increases in our allocable share of the net income from these consolidated funds. To the extent that increases in AUM consist of permanent capital, the related increases in fee income would be expected to continue during future periods. With respect to our traditional private equity funds, management fees are calculated based on the amount of capital committed to a fund during the investment period (typically the first six years of a fund's life) and thereafter on the cost basis of the fund's investments, which causes the fees to be reduced over time as investments are liquidated. As of March 31, 2008, approximately 77.5% of the AUM of our traditional private equity funds were associated with funds whose management fees were calculated based on capital commitments.

Segment Operating and Performance Measures

Fee Related Earnings

Fee related earnings is a profit measure that is reported by our two reportable business segments. The difference between fee related earnings and income before taxes presented in accordance with GAAP is that fee related earnings represent income before taxes adjusted to: (i) include management fees earned from consolidated funds that were eliminated in consolidation; (ii) exclude expenses of consolidated funds, non-cash employee compensation charges associated with equity interests in our business, employee compensation charges relating to compensation borne by unconsolidated persons and charges relating to the amortization of intangible assets; (iii) exclude investment income; and (iv) exclude non-controlling interests in income of consolidated entities. See "—KPE Transaction; Principal Segment." We believe such adjustments are meaningful because management makes operating decisions and assesses the performance of our business based on financial and operating metrics and data that are presented without the consolidation of any of our investment funds.

Our current operations are managed based in part on our reported levels of fee related earnings, which consist primarily of management, advisory and incentive fees earned from all of our funds, managed accounts, portfolio companies, capital markets transactions and other investment products. It has been and remains a key objective of our firm to maximize our fee related earnings, because those amounts directly affect our net income and amounts that we have available to distribute to our unitholders. As a public entity, we will continue to focus on growing our fee earnings and use segment fee related earnings levels to make operating decisions and assess the performance of our business, because those amounts will directly affect the returns to our investors.

In connection with the Transactions, our principals will receive financial benefits from our business in the form of distributions or payments received from KKR Holdings and through their direct or indirect participation in the value of Group Partnership units held by KKR Holdings, and KKR Holdings will bear the economic costs of any executive bonuses paid to them. These financial benefits will be included in employee compensation and benefits in our combined financial statements after the Transactions. However, we will not bear the economic costs of these benefits, and KKR Holdings will not be consolidated in our financial statements. Accordingly, such financial benefits will not be included in our segment reporting and will not impact reported levels of ENI.

Segment Economic Net Income

Economic net income, which we refer to as ENI, is a key performance measure used by management when making operating decisions, assessing operating performance and allocating resources. ENI represents net income excluding the impact of income taxes, non-cash employee compensation charges associated with equity interests in our business, employee compensation charges relating to compensation borne by unconsolidated persons and charges relating to the amortization of intangible assets and deferred financing costs. Because our predecessor combined financial statements do not include any significant non-cash employee compensation charges associated with equity interests in our business, employee compensation charges relating to compensation borne by unconsolidated persons or any significant charges relating to the amortization of intangible assets or deferred financing costs, ENI is the equivalent of income before taxes for the historical periods presented. See "Unaudited Pro Forma Financial Information."

KPE Transaction; Principal Segment

In connection with the KPE Transaction, the Acquired KPE Partnership will become a wholly-owned subsidiary of the Group Partnerships and all of its assets, liabilities, revenues, expenses and cash flows will become ours. Because the Acquired KPE Partnership will no longer be considered a consolidated fund, the acquisition will result in the elimination from our fee related earnings of management fees previously recorded by our private equity segment. While the acquisition will therefore impact the results of our private equity segment, including reported levels of ENI, we will report new financial results relating to the net assets acquired, including investment income and expense, in our principal segment.

Private Equity Dollars Invested

Private equity dollars invested is the aggregate amount of capital invested by our private equity funds and carry-yielding co-investment vehicles in private equity transactions during a reporting period. Such amounts include both capital contributed by fund investors and co-investors with respect to which we are entitled to a carried interest and capital contributed by us as the general partner of a private equity fund with respect to which we are entitled to profits generated on the invested capital. We use private equity dollars invested as a measure of the productivity of our investment activities and as an indicator of potential returns that we may realize in future periods from our current private equity investments. From our inception through March 31, 2008, our first ten traditional private equity funds (representing all of our private equity funds that have invested at least 36 months) achieved a multiple of invested capital of 2.7x the amount of capital they invested in private equity investments.

Combined Results of Operations

The following is a discussion of our predecessor combined results of operations for the years ended December 31, 2005, 2006 and 2007 and the three months ended March 31, 2007 and 2008. You should read this discussion in conjunction with the information included under "—Basis of Financial Presentation—Combined Results" and the predecessor combined financial statements and related notes included elsewhere in this prospectus. For a more detailed discussion of the factors that affected the results of operations of our two business segments in these periods, see "—Segment Analysis."

The following tables set forth information regarding our combined results of operations for the years ended December 31, 2005, 2006 and 2007 and for the three months ended March 31, 2007 and 2008.

	Year Ended December 31,			Three Months Ended March 31,	
	2005	2006	2007	2007	2008
	($ in thousands)			($ in thousands)	
Revenues					
Fee income	$ 232,945	$ 410,329	$ 862,265	$ 68,840	$ 68,590
Expenses					
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
Investment Income					
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 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
Assets under management (period end)	$ 23,350,700	$ 43,873,400	$ 53,215,700	$ 53,418,200	$ 57,714,800

Three months ended March 31, 2008 Compared to Three months ended March 31, 2007

Fee Income

Fee income was $68.6 million for the three months ended March 31, 2008, a decrease of $0.3 million, or 0.4%, from the three months ended March 31, 2007. The decrease was primarily due to a $10.1 million decrease in transaction fees earned in our private equity segment resulting from a lower combined completed transaction value during the period. During the first quarter of 2008, we completed two transaction fee-generating private equity investments with a total combined value of $3.5 billion, compared to two transaction fee-generating private equity investments during the first quarter of 2007 with a total transaction value of $4.9 billion. In addition, management and incentive fees relating to KFN decreased $12.1 million primarily as a result of unfavorable financial performance when compared to the prior period. These decreases were offset by (i) an increase in monitoring fees of $11.7 million reflecting an increase in the number of portfolio companies paying monitoring fees as well as an increase in the average monitoring fee received, (ii) an increase in management fees at our fixed income funds of $2.1 million resulting from higher AUM and (iii) an increase in fees earned in capital markets activities of $8.1 million, which began operation in late 2007.

Expenses

Expenses were $103.5 million for the three months ended March 31, 2008, an increase of $24.9 million, or 31.6%, from the three months ended March 31, 2007. The increase was primarily due to a $20.7 million increase in employee compensation and benefits expense resulting from additional personnel hired after March 31, 2007 in connection with the continued expansion of our business. In addition, fund expenses increased $3.1 million as a result of an increase in transaction related expenses of $6.9 million that were attributable to unconsummated transactions during the period. These increases were offset by a decrease of $3.8 million in expenses incurred in our private equity segment in connection with the organization of newly formed funds and the placement of limited partner interests in such funds. Total transaction related expenses attributable to unconsummated transactions amounted to $8.9 million and $2.0 million for the three months ended March 31, 2008 and 2007, respectively.

Net Gains (losses) from Investment Activities

Net losses from investment activities were $(0.7) billion for the three months ended March 31, 2008 compared to net gains from investment activities of $1.5 billion for the three months ended March 31, 2007. These net losses in the March 31, 2008 period were comprised of $0.2 billion of realized gains, $0.8 billion of unrealized gains and $1.7 billion of unrealized losses on investments. Approximately $0.2 billion of unrealized losses were the result of the reversal of unrealized gains in connection with sales of investments and the recognition of a corresponding realized gain, while $1.5 billion of unrealized losses resulted from decreases in the fair value of certain investments in our portfolio. Substantially all of the unrealized gains resulted from increases in the fair value of certain investments in our portfolio. The overall decrease in net gains (losses) from investment activities from the prior period was primarily attributable to a net decrease in changes in unrealized gains (losses) of $1.9 billion resulting primarily from decreases in the fair value of our portfolio and to a lesser extent a decline in realized gains of $0.3 billion resulting primarily from a lower level of sales activity during the period. Substantially all of our net gains (losses) from investment activities are related to our private equity investments.

Dividend Income

Dividend income was $4.6 million for the three months ended March 31, 2008, a decrease of $14.9 million, or 76.4%, from the three months ended March 31, 2007. Our dividends are generally earned in connection with sales of significant operations or other restructuring transactions undertaken by our portfolio companies resulting in available cash that is distributed to our private equity funds. During the first quarter of 2008, we received $3.4 million of dividends from one portfolio company and an aggregate of $1.2 million of comparatively smaller dividends from three portfolio companies. During the first quarter of 2007, we received $13.4 million of dividends from two portfolio companies and an aggregate of $6.1 million of comparatively smaller dividends from four portfolio companies.

Interest Income

Interest income was $25.3 million for the three months ended March 31, 2008, a decrease of $42.9 million, or 62.9%, from the three months ended March 31, 2007. The decrease primarily reflects a $28.8 million decrease in interest income earned in our fixed income segment that was attributable to the deconsolidation during the second quarter of 2007 of one of the structured finance vehicles we managed as well as a $23.7 million decrease in interest income earned from cash management activities at KPE following the deployment of a greater percentage of its cash to investments. Offsetting these decreases were increases in income earned from cash management activities at our traditional private equity funds and our management company of $8.5 million and $1.1 million, respectively.

Interest Expense

Interest expense was $35.4 million for the three months ended March 31, 2008, an increase of $19.8 million, or 126.9%, from the three months ended March 31, 2007. Average outstanding borrowings were $2.2 billion and $1.3 billion for the three months ended March 31, 2008 and 2007, respectively. The increased interest expense was primarily attributable to borrowings at KPE and leveraged structures used by KPE and our traditional private equity funds to enhance returns on certain assets, which collectively resulted in the recognition of $33.5 million of additional interest expense. This additional interest expense was partially offset by the deconsolidation of one of our structured finance vehicles during the second quarter of 2007, which reduced interest expense associated with our fixed income activities by $14.7 million.

Non-Controlling Interests in Income (Loss) of Consolidated Entities

Non-controlling interests in loss of consolidated entities were $(0.7) billion for the three months ended March 31, 2008, compared to non-controlling interests in income of consolidated entities of $1.2 billion for the three months ended March 31, 2007. The decrease primarily reflects a net loss allocable to non-controlling interests, which was driven by the overall changes in the components of net gains (losses) from investment activities described above.

Income (Loss) before Taxes

Due to the factors described above, loss before taxes was $(117.0) million for the three months ended March 31, 2008, a decrease of $462.6 million, or 133.9%, compared to income before taxes of $345.6 million for the three months ended March 31, 2007.

Assets Under Management

Our AUM were $57.7 billion as of March 31, 2008, an increase of $4.3 billion, or 8.1%, from March 31, 2007. The increase was due primarily to the formation of the European Fund III, which received $5.5 billion of capital commitments from fund investors during the first quarter of 2008, an increase in the capital commitments to the 2006 Fund of $1.5 billion during 2007 (bringing total capital commitments in the 2006 Fund to $17.6 billion), a $1.4 billion increase associated with the formation of carry-yielding private equity co-investment vehicles and our principal protected private equity product and a $1.7 billion increase in the capital relating to the KKR Strategic Capital Funds and the structured finance vehicles that we manage. These increases offset $2.2 billion of net unrealized losses resulting from changes in the market values of our portfolio companies in our private equity segment and $3.6 billion of distributions from our traditional private equity funds comprised of $2.0 billion of realized gains and $1.6 billion of original cost.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Fee Income

Fee income was $862.3 million for the year ended December 31, 2007, an increase of $452.0 million, or 110.2%, from the year ended December 31, 2006. The increase was primarily due to a $425.1 million increase in transaction fees earned in our private equity segment, which was attributable to a significant increase in the total value of private equity transactions completed during 2007 relative to 2006. During 2007, we completed 13 transaction fee-generating private equity investments with a total combined value of $141.6 billion, compared to 11 transaction fee-generating private equity investments during 2006 with a total transaction value of $104.8 billion. A number of the transactions completed during 2007 entitled us to share a greater proportion of the overall transaction fees compared to the prior year. In addition, management and incentive fees relating to the KKR Strategic Capital Funds increased $14.1 million due to their formation in the fourth quarter of 2006, and incentive fees relating to KFN and our fixed income funds increased $9.7 million resulting primarily from the receipt of such fees beginning late in the second quarter of 2006. The remainder of the overall increase in fee income resulted primarily from an increase in monitoring fees of $11.5 million in our private equity segment reflecting an increase in the number of portfolio companies paying monitoring fees as well as an increase in the average monitoring fee received. Offsetting these increases were decreases in management fees received from KFN of $8.4 million resulting from a reduction in the amount of share-based management fees earned which was driven by declines in KFN's share price.

Expenses

Expenses were $440.9 million for the year ended December 31, 2007, an increase of $173.4 million, or 64.8%, from the year ended December 31, 2006. The increase was primarily due to an $81.1 million increase in employee compensation and benefits expense resulting from higher incentive compensation reflecting our improved financial performance during 2007 as well as additional personnel hired in 2007 in connection with the continued expansion of our business. In addition, general, administrative and other expenses increased $49.9 million resulting from the growth of our business, and included increases in professional fees, travel and entertainment expenses and to a lesser extent the opening of our Tokyo office and the formation of KPE in the second quarter of 2006. Fund expenses increased $41.7 million as a result of a $20.8 million increase in expenses incurred in our private equity segment in connection with the organization of newly formed funds and the placement of limited partner interests in such funds as well as an increase in transaction related expenses of $12.6 million that were attributable to unconsummated transactions during the period. Total transaction related expenses attributable to unconsummated transactions amounted to $40.7 million and $28.1 million for the years ended December 31, 2007 and 2006, respectively.

Net Gains from Investment Activities

Net gains from investment activities were $1.1 billion for the year ended December 31, 2007, a decrease of $2.0 billion, or 64.5%, from the year ended December 31, 2006. These gains in the December 31, 2007 period were comprised of $1.8 billion of realized gains, $0.3 billion of realized losses, $5.0 billion of unrealized gains and $5.4 billion of unrealized losses on investments. Approximately $1.7 billion of unrealized losses was the result of the reversal of unrealized gains in connection with sales of investments and the recognition of a corresponding realized gain, while $3.7 billion of unrealized losses resulted from decreases in the fair value of certain investments in our portfolio. Approximately $0.3 billion of unrealized gains was the result of the reversal of unrealized losses in connection with sales of investments and the realization of the loss while $5.0 billion of unrealized gains resulted from increases in the fair value of certain investments in our portfolio. The overall decrease in net gains from investment activities from the prior period was primarily attributable to a decline in realized gains of $1.7 billion resulting primarily from lower average realizations during the year as well as a net decrease in changes in unrealized gains (losses) of $0.3 billion resulting from smaller increases in the fair value of our portfolio. Substantially all of our net gains from investment activities is related to our private equity investments.

Dividend Income

Dividend income was $747.5 million for the year ended December 31, 2007, an increase of $33.4 million, or 4.7%, from the year ended December 31, 2006. Our dividends are generally earned in connection with sales of significant operations or other restructuring transactions undertaken by our portfolio companies resulting in available cash that is distributed to our private equity funds. During 2007, we received $717.7 million of dividends from eight portfolio companies and an aggregate of $29.8 million of comparatively smaller dividends from four portfolio companies. During 2006, we received $546.0 million of dividends from three portfolio companies and an aggregate of $168.1 million of comparatively smaller dividends from five portfolio companies.

Interest Income

Interest income was $218.9 million for the year ended December 31, 2007, an increase of $8.0 million, or 3.8%, from the year ended December 31, 2006. The increase primarily reflects a $38.6 million increase in interest income earned in our fixed income segment that was attributable to the formation of the KKR Strategic Capital Funds in the fourth quarter of 2006 and a $12.1 million increase in interest earned from cash management activities at our management companies. This increase was offset by $42.7 million of decreases in interest income earned from cash management activities at KPE following the deployment of a greater percentage of its cash to investments.

Interest Expense

Interest expense was $86.3 million for the year ended December 31, 2007, an increase of $56.8 million, or 192.5%, from the year ended December 31, 2006. Average outstanding borrowings were $1.5 billion and $0.6 billion for the years ended December 31, 2007 and 2006, respectively. The increased interest expense was primarily attributable to borrowings at KPE and leveraged structures used by KPE and our traditional private equity funds to enhance returns on certain assets, which collectively resulted in the recognition of $50.1 million of additional interest expense, as well as $19.3 million of additional interest expense incurred by the KKR Strategic Capital Funds, which were formed in the fourth quarter of 2006. These increases were offset by a $12.7 million decrease in interest expense at the general partners of our traditional private equity funds resulting from a decrease in short-term borrowings during the period.

Non-Controlling Interests in Income of Consolidated Entities

Non-controlling interests in income of consolidated entities were $1.6 billion for the year ended December 31, 2007, a decrease of $1.4 billion, or 46.7%, from the year ended December 31, 2006. The decrease primarily reflects a reduction in the total investment income allocable to non-controlling interests, which was driven by the overall changes in the components of investment income described above.

Income before Taxes

Income before taxes was $814.8 million for the year ended December 31, 2007, a decrease of $289.3 million, or 26.2%, from the year ended December 31, 2006.

Assets under Management

Our AUM were $53.2 billion as of December 31, 2007, an increase of $9.3 billion, or 21.2%, from December 31, 2006. The increase was due primarily to the formation of the Asian Fund, which received $4.0 billion of capital commitments from fund investors during 2007, an increase in the capital commitments to the 2006 Fund of $1.5 billion during 2007 (bringing total capital commitments in the 2006 Fund to $17.6 billion as of December 31, 2007), a $1.4 billion increase associated with the formation of carry-yielding co-investment vehicles and our principal protected private equity product, $0.9 billion of net unrealized gains resulting from changes in the market values of our portfolio companies in our private equity segment and a $5.8 billion increase in the capital relating to the KKR Strategic Capital Funds and the structured finance vehicles that we manage. These increases offset $4.3 billion of distributions from our traditional private equity funds comprised of $2.6 billion of realized gains and $1.7 billion of original cost.

Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

Fee Income

Fee income was $410.3 million for the year ended December 31, 2006, an increase of $177.4 million, or 76.1%, from the year ended December 31, 2005. The increase was primarily due to a $122.8 million increase in the transaction fees earned in our private equity segment, which resulted from an increase in total completed transaction value from $31.6 billion for the year ended December 31, 2005 to $104.3 billion for the year ended December 31, 2006. Additionally, monitoring fees increased $23.7 million in our private equity segment reflecting both an increase in the number of portfolio companies paying monitoring fees and an increase in the average monitoring fee paid. Our fee income was also positively affected by an $8.9 million increase in management and incentive fees following the formation of the KKR Strategic Capital Funds in the third quarter of 2006, as well as a $21.9 million increase in management fees and incentive fees from KFN, which resulted from its favorable operating performance.

Expenses

Expenses were $267.5 million for the year ended December 31, 2006, an increase of $99.2 million, or 58.9%, from the year ended December 31, 2005. The increase was primarily due to a $52.0 million increase in employee compensation and benefits, which was attributable to an increase in the amount of incentive compensation paid to existing personnel reflecting our favorable financial performance and the hiring of additional personnel in 2006 in connection with the continued expansion of our business. General, administrative and other expenses increased $23.8 million, primarily as a result of our continued geographical expansion, which included the opening of our Tokyo office and a full year of operations for our Hong Kong office during the year ended December 31, 2006. Additionally, fund expenses increased $17.6 million primarily as a result of an increase in transaction related expenses that were attributable to unconsummated transactions during the period. Total transaction related expenses attributable to unconsummated transactions amounted to $28.1 million and $16.0 million for the years ended December 31, 2006 and 2005, respectively.

Net Gains from Investment Activities

Net gains from investment activities were $3.1 billion for the year ended December 31, 2006, an increase of $121.0 million, or 4.1%, from the year ended December 31, 2005. These gains in the December 31, 2007 period were comprised of $3.4 billion of realized gains, $0.2 billion of realized losses, $3.7 billion of unrealized gains and $3.8 billion of unrealized losses on investments. The increase was primarily attributable to unrealized appreciation in the value of 22 private equity investments across a variety of industries within our portfolio. While we recognized $3.2 billion of net realized gains from the sale of private equity investments that positively impacted our cash flow during the year ended December 31, 2006 a corresponding amount of unrealized gains on those investments had been recognized in prior periods resulting in no net impact on income for the current period from these realizations. Substantially all of our realized gains related to our private equity investments.

Dividend Income

Dividend income was $714.1 million for the year ended December 31, 2006, a decrease of $15.9 million, or 2.2%, from the year ended December 31, 2005. During the year ended December 31, 2006, we received an aggregate of $546 million of dividends from three portfolio companies and an aggregate of $168.1 million of comparatively smaller dividends from five portfolio companies. During the year ended December 31, 2005, we received an aggregate of $479 million of dividends from two portfolio companies and $251 million of comparatively smaller dividends from two portfolio companies.

Interest Income

Interest income was $210.9 million for the year ended December 31, 2006, an increase of $183.7 million from the year ended December 31, 2005. The increase primarily reflects $143.3 million of interest earned from cash management activities carried out by KPE, which began operations in May 2006 and held significant interest-generating investments pending the deployment of its capital in investments, and to a lesser extent a $25.2 million increase in interest income earned in our fixed income segment that was attributable to an increase in the amount of AUM.

Interest Expense

Interest expense was $29.5 million for the year ended December 31, 2006, compared to less than $1 million for the year ended December 31, 2005. The increase was primarily due to an increase in the amount of AUM in our fixed income segment, which utilized additional leverage to enhance returns.

Non-Controlling Interests in Income of Consolidated Entities

Non-controlling interests in income of consolidated entities were $3.0 billion for the year ended December 31, 2006, an increase of $169.6 million, or 5.9%, from the year ended December 31, 2005. The increase primarily reflects an increase in the total investment income that was allocable to non-controlling interests, which increase was driven by the overall changes in the components of investment income described above.

Income before Taxes

Due to the factors described above, income before taxes was $1.1 billion for the year ended December 31, 2006, an increase of $168.6 million, or 18.0%, from the year ended December 31, 2005.

Assets Under Management

Our AUM were $43.9 billion as of December 31, 2006, an increase of $20.5 billion, or 87.9%, from December 31, 2005. The increase was due primarily to our formation of the 2006 Fund, which received $16.1 billion of capital commitments from fund investors, KPE, which had $5.0 billion of permanent capital as of December 31, 2006, and the KKR Strategic Capital Funds, which received $0.5 billion of capital commitments from investors. Additionally, the total capital of structured finance vehicles that we manage increased by $1.0 billion. Our AUM were also positively affected during the period by a $3.2 billion net increase in the value of the investments of our traditional private equity funds, which offset $5.3 billion of distributions from those funds comprised of $4.0 billion of realized gain and $1.3 billion of original cost.

Segment Analysis

The following is a discussion of the results of our two reportable business segments for the years ended December 31, 2005, 2006 and 2007 and the three months ended March 31, 2007 and 2008. You should read this discussion in conjunction with the information included under "—Basis of Financial Presentation—Segment Results" and the predecessor combined financial statements and related notes included elsewhere in this prospectus.

Private Equity Segment

The following tables set forth information regarding the results of operations and certain key operating metrics for our private equity segment for the years ended December 31, 2005, 2006 and 2007 and the three months ended March 31, 2007 and 2008.

	Year Ended December 31,			Three Months Ended March 31,	
	2005	2006	2007	2007	2008
		($ in thousands)		*($ in thousands)*	
Fee income					
Management fees	$ 94,197	$ 181,371	$ 231,527	$ 58,203	$ 78,833
Advisory fees	101,896	172,950	537,126	28,794	37,740
Total fee income	$ 196,093	$ 354,321	$ 768,653	$ 86,997	$ 116,573
Expenses					
Employee compensation and benefits	57,905	92,950	187,540	21,228	43,412
Other operating expenses	81,193	121,327	209,700	43,321	48,561
Total expenses	139,098	214,277	397,240	64,549	91,973
Fee related earnings	56,995	140,044	371,413	22,448	24,600
Investment income (loss)	861,976	929,518	403,601	310,625	(148,310)
Income (loss) before non-controlling interests in income of consolidated entities and income taxes	918,971	1,069,562	775,014	333,073	(123,710)
Non-controlling interests in income (loss) of consolidated entities	—	—	—	—	(65)
Economic net income (loss)	$ 918,971	$ 1,069,562	$ 775,014	$ 333,073	$ (123,775)
Assets under management (period end)	$ 19,696,600	$ 38,722,700	$ 42,234,800	$ 44,145,500	$ 46,722,200
Private equity dollars invested	$ 2,913,427	$ 6,661,698	$ 14,854,200	$ 1,480,200	$ 1,792,300

Three months ended March 31, 2008 Compared to Three months ended March 31, 2007

Fee Income

Fee income in our private equity segment was $116.6 million for the three months ended March 31, 2008, an increase of $29.6 million, or 34.0%, from the three months ended March 31, 2007. The increase was primarily due to an increase in management fees relating to our traditional private equity funds of $15.5 million resulting from the formation of the European Fund III during the first quarter of 2008 and the Asian Fund during the third quarter of 2007 as well as an increase in fees relating to KPE of $5.2 million as a result of an increase in its invested capital on which we are entitled to a fee. Our capital markets activities, which began operation in late 2007, contributed $8.1 million of income to our private equity segment in the first quarter of 2008. In addition, monitoring fees increased $7.9 million in our private equity segment reflecting an increase in the number of portfolio companies paying monitoring fees as well as an increase in the average monitoring fee received. Offsetting these increases was a $7.1 million decrease in transaction fees resulting from a lower combined total completed transaction value for the period. During the first quarter of 2008, we completed two transaction fee-generating private equity investments with a total combined value of $3.5 billion, compared to two transaction-fee generating private equity investments during the first quarter of 2007 with a total transaction value of $4.9 billion.

Expenses

Expenses in our private equity segment were $92.0 million for the three months ended March 31, 2008, an increase of $27.4 million, or 42.4%, from the three months ended March 31, 2007. The increase was primarily due to a $22.2 million increase in employee compensation and benefits expense resulting from additional personnel hired after March 31, 2007 in connection with the continued expansion of our business. In addition, fund expenses increased $3.1 million as a result of an increase in transaction related expenses of $6.9 million that were attributable to unconsummated transactions during the period. These increases were offset by a decrease of $3.8 million in expenses incurred in our private equity segment in connection with the organization of newly formed funds and the placement of limited partner interests in such funds. Total transaction related expenses attributable to unconsummated transactions amounted to $8.9 million and $2.0 million for the three months ended March 31, 2008 and 2007, respectively.

Fee Related Earnings

Due to the increase in fee income partially offset by the increase in expenses as described above, fee related earnings in our private equity segment were $24.6 million for the three months ended March 31, 2008, an increase of $2.2 million, or 9.8%, from the three months ended March 31, 2007.

Investment Income (Loss)

Investment losses were $148.3 million for the three months ended March 31, 2008, compared to investment income of $310.6 million for the three months ended March 31, 2007. Investment losses in the March 31, 2008 period was comprised of net losses from investment activities of $151.1 million and dividends and interest of $2.8 million. The net losses were comprised of $38.7 million of realized gains, $123.3 million of unrealized gains and $313.1 million of unrealized losses on investments. Approximately $37.3 million of unrealized losses was the result of the reversal of unrealized gains in connection with sales of investments and the recognition of a corresponding realized gain, while $275.8 million of unrealized losses resulted from decreases in the fair value of certain investments in our portfolio. Substantially all of the unrealized gains resulted from increases in the fair value of certain investments in our portfolio. The overall decrease in net gains from investment activities from the prior period was primarily attributable to a net decrease in changes in unrealized gains (losses) of $387.5 million resulting from decreases in the fair value of our investment portfolio and to a lesser extent a decline in realized gains of $68.8 million resulting primarily from a lower level of sales activity during the period. Our allocated share of dividends and interest decreased $2.6 million as a result of fewer dividends as well as a lower average dividend received during the three months ended March 31, 2008. Carried interest represented $(133) million of total investment losses for the three months ended March 31, 2008 and $255 million of total investment income for the three months ended March 31, 2007.

Non-Controlling Interests in Income (Loss) of Consolidated Entities

The non-controlling interests in our private equity segment pertain to minority equity interests in our capital markets business that were acquired by a third party during the first quarter of 2008.

Economic Net Income (Loss)

Economic net loss in our private equity segment was $123.8 million for the three months ended March 31, 2008, compared to economic net income of $333.1 million for the three months ended March 31, 2007. The investment loss described above was the main contributor to the period over period decrease in economic net income.

Assets Under Management

Assets under management in our private equity segment were $46.7 billion as of March 31, 2008, an increase of $2.6 billion, or 5.9%, from March 31, 2007. The increase was due primarily to the formation of the European Fund III, which received $5.5 billion of capital commitments from fund investors during the first quarter of 2008, an increase in the capital commitments to the 2006 Fund of $1.5 billion during 2007 (bringing total capital commitments in the 2006 Fund to $17.6 billion), and a $1.4 billion increase associated with the formation of carry-yielding co-investment vehicles and our principal protected private equity product. These increases offset $2.2 billion of net unrealized losses resulting from changes in the market values of our portfolio companies and $3.6 billion of distributions from our traditional private equity funds comprised of $2.0 billion of realized gains and $1.6 billion of original cost.

Private Equity Dollars Invested

Private equity dollars invested were $1.8 billion for the three months ended March 31, 2008, an increase of $312.1 million, or 21.1%, from the three months ended March 31, 2007. The increase was due primarily to an increased number of private equity transactions during the first quarter of 2008. As of March 31, 2008, our traditional private equity funds had $15.4 billion of remaining unused capital commitments that could be called for investment in new private equity transactions.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Fee Income

Fee income in our private equity segment was $768.7 million for the year ended December 31, 2007, an increase of $414.4 million, or 116.9%, from the year ended December 31, 2006. The increase was primarily due to a $335.7 million increase in transaction fees earned in our private equity segment, which was attributable to a significant increase in the total value of private equity transactions completed during the 2007 relative to 2006. During 2007, we completed 13 transaction fee-generating private equity investments with a total combined value of $141.6 billion, compared to 11 transaction-fee generating private equity investments during 2006 with a total transaction value of $104.8 billion. A number of the transactions completed during 2007 entitled us to share a greater proportion of the overall transaction fees compared to the prior year. In addition, management fees relating to our traditional private equity funds increased $28.2 million as a result of the formation of the Asian Fund during 2007 as well as a full year of fees for the 2006 Fund, which was formed during the third quarter of 2006. Management fees relating to KPE increased $21.9 million as a result of its formation during the second quarter of 2006. The remainder of the overall increase in fee income resulted from an increase in monitoring fees reflecting an increase in the number of portfolio companies paying monitoring fees as well as an increase in the average monitoring fee received.

Expenses

Expenses in our private equity segment were $397.2 million for the year ended December 31, 2007, an increase of $182.9 million, or 85.3%, from the year ended December 31, 2006. The increase was primarily due to a $94.6 million increase in employee compensation and benefits resulting from additional personnel hired in connection with the continued expansion of our business as well as higher incentive compensation reflecting our improved financial performance during 2007. Following the Transactions, KKR Holdings will bear the economic costs of any executive bonuses paid to our principals. While we will record non-cash charges associated with this arrangement, the arrangement will not impact our available cash for distribution to unitholders. In addition, general, administrative and other expenses increased $41.2 million resulting from the growth of our business, and included increases in professional fees, travel and entertainment expenses and to a lesser extent the opening of our Tokyo office. Fund expenses increased $41.7 million as a result of a $20.8 million increase in expenses incurred in connection with the organization of newly formed funds and the placement of limited partner interests in such funds as well as an increase in transaction related expenses of $12.6 million that were attributable to unconsummated transactions during the period. Total transaction related expenses attributable to unconsummated transactions amounted to $40.7 million and $28.1 million for the years ended December 31, 2007 and 2006, respectively.

Fee Related Earnings

Fee related earnings in our private equity segment were $371.4 million for the year ended December 31, 2007, an increase of $231.4 million, or 165.3%, from the year ended December 31, 2006. The significant increase in fee income, as described above, was the main contributor to the year over year increase in fee related earnings.

Investment Income

Investment income was $403.6 million for the year ended December 31, 2007, a decrease of $525.9 million, or 56.6%, from the year ended December 31, 2006. Investment income in the December 31, 2007 period was comprised of net gains from investment activities of $226.5 million, dividends of $162.6 million and net interest income of approximately $14.5 million. The net gains were comprised of $413.2 million of realized gains, $61.3 million of realized losses, $1,079.8 million of unrealized gains and $1,205.2 million of unrealized losses on investments. $352.4 million of unrealized losses was the result of the reversal of unrealized gains in connection with sales of investments and the recognition of a corresponding realized gain, while $852.8 million of unrealized losses resulted from decreases in the fair value of certain investments in our portfolio. Approximately $54.1 million of unrealized gains was the result of the reversal of unrealized losses in connection with sales of investments and the recognition of a corresponding realized loss while $1,025.7 million of unrealized gains resulted from increases in the fair value of certain investments in our portfolio. The overall decrease in net gains from investment activities from the prior period was primarily attributable to a decline in realized gains of $392.0 million resulting primarily from a lower level of sales activity during the year as well as a net decrease in changes in unrealized gains of $166.8 million resulting from smaller increases in the fair value of our investment portfolio. Our allocated share of dividends increased $13.2 million as a result of higher average dividends received during 2007. Net interest income increased $19.7 million as a result of higher average cash balances at our management company during 2007 as well as a lower level of borrowing by the general partners of our traditional private equity funds. Carried interest represented $306 million and $719 million of total investment income for the year ended December 31, 2007 and 2006, respectively.

Economic Net Income

Economic net income in our private equity segment was $775.0 million for the year ended December 31, 2007, a decrease of $294.6 million, or 27.5%, from the year ended December 31, 2006. The decrease in investment income, as described above, was the main contributor to the year over year decrease in economic net income.

Assets Under Management

Our AUM were $42.2 billion as of December 31, 2007, an increase of $3.5 billion, or 9.0%, from December 31, 2006. The increase was due primarily to the formation of the Asian Fund, which received $4.0 billion of capital commitments from fund investors during 2007, an increase in the capital commitments to the 2006 Fund of $1.5 billion during 2007 (bringing total capital commitments in the 2006 Fund to $17.6 billion as of December 31, 2007), a $1.4 billion increase associated with the formation of carry-yielding co-investment vehicles and our principal protected private equity product and $0.9 billion of net unrealized gains resulting from changes in the market values of our portfolio companies in our private equity segment. These increases offset $4.3 billion of distributions from our traditional private equity funds comprised of $2.6 billion of realized gains and $1.7 billion of original cost.

Private Equity Dollars Invested

Private equity dollars invested were $14.9 billion for the year ended December 31, 2007, an increase of $8.2 billion or 122.4%, from the year ended December 31, 2006. The increase reflected an increase in the number of the companies that we acquired, as well as an increase in the average transaction size. As of

December 31, 2007, our traditional private equity funds had $11.5 billion of remaining unused capital commitments that could be called for investment in new private equity transactions.

Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

Fee Income

Fee income in our private equity segment was $354.3 million for the year ended December 31, 2006, an increase of $158.2 million, or 80.7%, from the year ended December 31, 2005. The increase was partially due to a $60.0 million increase in transaction fees, which resulted from an increase in total completed transaction value from $31.6 billion for the year ended December 31, 2005 to $104.3 billion for the year ended December 31, 2006. Our segment fee income was also positively affected by a $89.7 million increase in the management fees earned from our private equity funds, which was due to an increase in the amount of AUM resulting from the formation of the 2006 Fund during the year and the fact that we received a full year of management fees from the European Fund II, which closed during the fourth quarter of 2005.

Expenses

Expenses in our private equity segment were $214.3 million for the year ended December 31, 2006, an increase of $75.2 million, or 54.0%, from the year ended December 31, 2005. The increase was primarily due to an increase of $47.6 million in employee compensation and benefits, which was attributable to additional personnel hired in connection with the continued expansion of our business and an increase in the amount of incentive compensation paid to existing personnel reflecting our favorable financial performance. Following the Transactions, KKR Holdings will bear the economic costs of any executive bonuses paid to our principals. While we will record non-cash charges associated with this arrangement, the arrangement will not impact our available cash for distribution to unitholders. Other expense categories collectively increased by $27.6 million as a result of the growth of our business, including the opening of our Tokyo office and a full year of operations for our Hong Kong office, as well as an increase in transaction related expenses resulting from unconsummated transactions during the period.

Fee Related Earnings

Due to the factors described above, fee related earnings in our private equity segment were $140.0 million for the year ended December 31, 2006, an increase of $83.0 million, or 145.7%, from the year ended December 31, 2005.

Investment Income

Investment income in our private equity segment was $929.5 million for the year ended December 31, 2006, an increase of $67.5 million, or 7.8%, from the year ended December 31, 2005. Investment income in the December 31, 2006 period was comprised of $749.3 million of realized gains, $20.1 million of realized losses, $863.3 million of unrealized gains and $807.2 million of unrealized losses on investments, and $144.2 million of dividends and interest. The increase was due primarily to the effect of increases in our allocated share of gains from investment activities relating to appreciation in the fair value of 18 portfolio companies offset by our allocated share of mark-to-market adjustments on foreign exchange forward contracts. Carried interest represented $719.3 million and $701.2 million of total investment income for the years ended December 31, 2006 and 2005, respectively.

Economic Net Income

Due to the factors described above, economic net income in our private equity segment was $1.1 billion for the year ended December 31, 2006, an increase of $150.6 million, or 16.4%, from the year ended December 31, 2005.

Assets Under Management

AUM in our private equity segment were $38.7 billion as of December 31, 2006, an increase of $19.0 billion, or 96.6%, from December 31, 2005. The increase was due primarily to our formation of the 2006 Fund, which had received $16.1 billion of capital commitments from fund investors as of December 31, 2006, and KPE, which provided us with an additional $5.0 billion of permanent capital as of December 31, 2006, and a $3.2 billion net increase in the value of the investments of our traditional private equity funds, which offset $5.3 billion of distributions of realized gain from those funds.

Private Equity Dollars Invested

Private equity dollars invested were $6.7 billion for the year ended December 31, 2006, an increase of $3.7 billion, or 128.7%, from the year ended December 31, 2005. The increase reflected an increase in the average enterprise value of the companies that we acquired. As of December 31, 2006, our traditional private equity funds had $17.6 billion of remaining unused capital commitments that could be called for investment in new private equity transactions, compared to $7.3 billion of unused capital commitments as of December 31, 2005.

Fixed Income Segment

The following tables set forth information regarding the results of operations and certain key operating metrics for our fixed income segment for the years ended December 31, 2005, 2006 and 2007 and the three months ended March 31, 2007 and 2008.

	Year Ended December 31,			Three Months Ended March 31,	
	2005	2006	2007	2007	2008
		($ in thousands)		*($ in thousands)*	
Fee income					
Management fees	$ 39,450	$ 55,994	$ 68,194	$ 18,935	$ 16,127
Advisory fees	5,034	9,119	11,421	1,815	3,333
Incentive fees	—	15,613	23,335	6,371	—
Total fee income	$ 44,484	$ 80,726	$ 102,950	$ 27,121	$ 19,460
Expenses					
Employee compensation and benefits	12,252	18,662	24,507	5,897	4,651
Other operating expenses	5,629	12,193	16,349	3,284	4,154
Total expenses	17,881	30,855	40,856	9,181	8,805
Fee related earnings	26,603	49,871	62,094	17,940	10,655
Investment income (loss)	3,268	10,103	984	2,490	(85)
Income before non-controlling interests in income of consolidated entities and income taxes	29,871	59,974	63,078	20,430	10,570
Non-controlling interests in income of consolidated entities	(13,324)	(25,428)	(23,264)	(7,856)	(3,805)
Economic net income	$ 16,547	$ 34,546	$ 39,814	$ 12,574	$ 6,765
Assets under management (period end)	$ 3,654,100	$ 5,150,700	$ 10,980,900	$ 9,272,700	$ 10,992,600

Three months ended March 31, 2008 Compared to Three months ended March 31, 2007

Fee Income

Fee income in our fixed income segment was $19.5 million for the three months ended March 31, 2008, a decrease of $7.7 million, or 28.3%, from the three months ended March 31, 2007. This decrease was primarily due to the fact that we record no incentive fee from KFN in the first quarter of 2008 due to KFN's financial performance. For the three months ended March 31, 2007, incentive fees earned from KFN were $6.4 million. The remainder of the decrease is due primarily to a decrease in the amount of share-based management fees earned which was driven by declines in KFN's share price.

Expenses

Expenses in our fixed income segment were $8.8 million for the three months ended March 31, 2008, a decrease of $0.4 million, or 4.3%, from the three months ended March 31, 2007. This decrease was driven by a decrease in compensation and benefits expense of $1.2 million as a result of lower incentive compensation associated with a change in the performance of our fixed income funds relative to the prior period. Following the Transactions, KKR Holdings will bear the economic costs of any executive bonuses paid to our principals. While we will record non-cash charges associated with this arrangement, the arrangement will not impact our available cash for distribution to unitholders. This decrease was offset by an increase in general and administrative expenses of $0.8 million resulting from overall growth in the fixed income segment.

Fee Related Earnings

Fee related earnings in our fixed income segment were $10.7 million for the three months ended March 31, 2008, a decrease of $7.3 million, or 40.6%, from the three months ended March 31, 2007. The decrease in fee income, as described above, was the main contributor to the period over period decrease in fee related earnings.

Investment Income (Losses)

Investment losses were $(0.1) million for the three months ended March 31, 2008, compared to investment income of $2.5 million for the three months ended March 31, 2007. The decrease was due primarily to depreciation in the fair value of vested options we received for management services to KFN of $1.7 million resulting from a decline in KFN's share price. Additionally, the majority of the KFN options and shares held by our fixed income segment were distributed during the second quarter of 2007 and, as a result, dividends income from KFN shares decreased by $0.9 million.

Non-Controlling Interests in Income of Consolidated Entities

Non-controlling interests in income of consolidated entities were $3.8 million for the three months ended March 31, 2008, a decrease of $4.1 million, or 51.9%, from the year ended March 31, 2007. The decrease in fee income, as described above, was the main contributor to the period over period decrease in non-controlling interests in income of consolidated entities.

Economic Net Income

Due to the factors described above, economic net income in our fixed income segment was $6.8 million for the three months ended March 31, 2008, a decrease of $5.8 million, or 46.0%, from the three months ended March 31, 2007. The decrease in fee income, as described above, was the main contributor to the period over period decrease in economic net income.

Assets Under Management

AUM in our fixed income segment were $11.0 billion as of March 31, 2008, an increase of $1.7 billion, or 18.3%, from March 31, 2007. The increase was due to $1.7 billion of additional capital raised by structured finance vehicles.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Fee Income

Fee income in our fixed income segment was $103.0 million for the year ended December 31, 2007, an increase of $22.2 million, or 27.6%, from the year ended December 31, 2006. This increase was primarily due to the formation of the KKR Strategic Capital Funds during the fourth quarter of 2006, which resulted in incremental management fees of $21.0 million. Additionally, incentive fees from KFN increased by $9.7 million due to KFN's improved performance for the majority of the quarters in 2007 compared to the corresponding quarters in 2006. Offsetting these increases was a decrease in management fees received from KFN of $8.5 million resulting from a reduction the amount of share-based management fees earned, which was driven by declines in KFN's share price.

Expenses

Expenses in our fixed income segment were $40.9 million for the year ended December 31, 2007, an increase of $10.0 million, or 32.4%, from the year ended December 31, 2006. The increase was primarily due to an increase in employee compensation and benefits of $5.8 million, which was attributable to an increase in the amount of incentive compensation paid to existing personnel corresponding to increased incentive fees earned, and to a lessor extent the hiring of additional personnel to support the growth of our fixed income segment since December 31, 2006. Following the Transactions, KKR Holdings will bear the economic costs of any executive bonuses paid to our principals. While we will record non-cash charges associated with this arrangement, the arrangement will not impact our available cash for distribution to unitholders. Additionally, general, administrative, and other expenses increased $4.2 million primarily from the formation of the KKR Strategic Capital Funds during the fourth quarter of 2006.

Fee Related Earnings

Fee related earnings in our fixed income segment were $62.1 million for the year ended December 31, 2007, an increase of $12.2 million, or 24.4%, from the year ended December 31, 2006. The significant increase in fee income, as described above, was the main contributor to the year over year increase in fee related earnings.

Investment Income

Investment income was $1.0 million for the year ended December 31, 2007, a decrease of $9.1 million, or 90.1%, from the year ended December 31, 2006. The decrease was due primarily to depreciation in the fair value of vested KFN options and shares of $6.9 million that we received for management services to that fund. In addition, the majority of the KFN options and shares held by our fixed income segment were distributed during the second quarter of 2007 and, as a result, dividends income from KFN shares decreased by $2.2 million.

Non-Controlling Interests in Income of Consolidated Entities

Non-controlling interests in income of consolidated entities were $23.3 million for the year ended December 31, 2007, a decrease of $2.2 million, or 8.6%, from the year ended December 31, 2006. While income increased overall from the prior period, the holders of the non-controlling interests were entitled to a lower allocable sharing of earnings from the fixed income segment.

Economic Net Income

Due to the factors described above, economic net income in our fixed income segment was $39.8 million for the year ended December 31, 2007, an increase of $5.3 million, or 15.4%, from the year ended December 31, 2006.

Assets Under Management

AUM in our fixed income segment were $11.0 billion as of December 31, 2007, an increase of $5.8 billion, or 111.5%, from December 31, 2006. The increase was primarily due to $5.0 billion of additional capital raised by structured finance vehicles and additional capital contributions of $0.8 billion received in the KKR Strategic Capital Funds.

Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

Fee Income

Fee income in our fixed income segment was $80.7 million for the year ended December 31, 2006, an increase of $36.2 million, or 81.5%, from the year ended December 31, 2005. The increase was primarily due to a $10.6 million increase in incentive and management fees resulting from the formation of the KKR Strategic Capital Funds during the year ended December 31, 2006 and increased incentive and management fees earned from KFN of $25.6 million as a result of its favorable performance during the year.

Expenses

Expenses in our fixed income segment were $30.9 million for the year ended December 31, 2006, an increase of $13.0 million, or 72.6%, from the year ended December 31, 2005. The increase was primarily due to an increase in employee compensation and benefits of $6.4 million, which was attributable to an increase in the amount of incentive compensation paid to existing personnel reflecting our favorable financial performance, and the hiring of eleven additional personnel to support the growth of our fixed income segment.

Fee Related Earnings

Due to the factors described above, fee related earnings in our fixed income segment were $49.9 million for the year ended December 31, 2006, an increase of $23.3 million, or 87.5%, from the year ended December 31, 2005.

Investment Income

Investment income in our fixed income segment was $10.1 million for the year ended December 31, 2006, an increase of $6.8 million from the year ended December 31, 2005. The increase was due primarily to the appreciation in the fair value of vested KFN shares we receive as compensation for management services to that fund.

Economic Net Income

Due to the factors described above, economic net income in our fixed income segment was $34.5 million for the year ended December 31, 2006, an increase of $18.0 million, or 108.8%, from the year ended December 31, 2005.

Assets Under Management

AUM in our fixed income segment were $5.1 billion as of December 31, 2006, an increase of $1.5 billion, or 42.2%, from December 31, 2005. The increase was due primarily to $1.0 billion of additional capital raised by structured finance vehicles and our formation of the KKR Strategic Capital Funds, which raised an additional $0.4 billion of capital.

Liquidity and Capital Resources

Historical Liquidity and Capital Resources

We require capital to fund investments, grow our business and support our working capital requirements. Historically, we have funded investments using the capital resources of our existing owners, capital committed by our fund investors and indebtedness incurred by our funds and our portfolio companies. We generally have used the capital resources of our existing owners, accumulated net income from our business activities or short-term borrowings to fund our working capital requirements and to support our new business and growth initiatives.

We have managed our historical liquidity and capital requirements by focusing on our cash flows before the consolidation of our funds and the effect of normal changes in assets and liabilities, which we anticipate will be settled for cash within one year. Our primary cash flow activities on a deconsolidated basis involve: (i) generating cash flow from operations; (ii) funding capital commitments that we make to our funds as general partners (which amounts are eliminated when we consolidate funds); (iii) generating income from investment activities; (iv) funding our growth initiatives; and (v) distributing cash flow to our owners. Normal movements in our short-term assets and liabilities do not affect our distribution decisions given our current and historically available borrowing capability.

Our combined statements of cash flows, however, include the cash flows of our consolidated funds despite the fact that we have only a minority economic interest in those funds. The assets of our consolidated funds, on a gross basis, are substantially larger than the assets of our business and, accordingly, have a substantial effect on the cash flows reflected in our combined statements of cash flows. The assets of our consolidated funds have grown significantly during the periods reflected in our combined financial statements due to an increase in the number and size of the funds that we have raised, the amount of capital that we have invested and the appreciation in the value of our funds' investments.

The growth in the assets of our consolidated funds has significantly increased their cash flows and, in turn, has been the primary cause of the increase in the gross cash flows that are reflected in our combined statements of cash flows. In particular, the primary cash flow activities of our consolidated funds involve: (i) raising capital from fund investors; (ii) using the capital of fund investors to make investments; (iii) financing certain investments with indebtedness; (iv) generating cash flows through the realization of investments; and (v) distributing cash flows from the realization of investments to fund investors. Because our consolidated funds are treated as investment companies for accounting purposes, these cash flow amounts are included in our cash flows from operations.

Three months ended March 31, 2008 and 2007

Net Cash Flow Provided by (Used in) Operating Activities

Our net cash flow used in operating activities was $(1.3) billion and $(0.6) billion during the three months ended March 31, 2008 and 2007, respectively. These amounts primarily included: (i) purchases of investments by our consolidated funds, net of proceeds from sales of investments, of $(1.2) billion and $(1.3) billion during the three months ended March 31, 2008 and 2007, respectively; (ii) net realized gains on investments of the consolidated funds of $0.2 billion and $0.4 billion during the three months ended March 31, 2008 and 2007, respectively; (iii) change in unrealized gains (losses) on investments allocable to us and non-controlling interests of $(0.9) billion and $1.1 billion during the three months ended March 31, 2008 and 2007, respectively; and (iv) non-controlling interests in income (loss) of consolidated entities of $(0.6) billion and $1.2 billion during the three months ended March 31, 2008 and 2007, respectively. These amounts are reflected as operating activities in accordance with investment company accounting.

Net Cash Flow Used in Investing Activities

Our net cash flow used in investing activities was $33.2 million and $71.4 million during the three months ended March 31, 2008 and 2007, respectively. Our investing activities primarily consisted of changes in restricted cash and cash equivalents of $26.9 million and $65.8 million for the three months ended March 31, 2008 and 2007, respectively.

Net Cash Flow Provided by (Used in) Financing Activities

Our net cash flow provided by financing activities was $1.2 billion and $0.7 billion during the three months ended March 31, 2008 and 2007, respectively. Our financing activities primarily included: (i) contributions made by, net of distributions made to, the investors in our consolidated funds, reflected in our historical combined financial statements as non-controlling interests in consolidated entities, of $1.6 billion and $0.5 billion during the three months ended March 31, 2008 and 2007, respectively; (ii) net proceeds (repayments) from debt obligations of our consolidated funds of $0.4 billion and $(0.3) billion for the three months ended March 31, 2008 and 2007, respectively; and (iii) distributions to, net of contributions by, our equity holders of $(0.1) billion and $(0.2) billion during the three months ended March 31, 2008 and 2007, respectively.

Years Ended December 31, 2007, 2006 and 2005

Net Cash Flow Provided by (Used in) Operating Activities

Our net cash flow used in operating activities was $(8.5) billion, $(5.5) billion and $(0.1) billion during the years ended December 31, 2007, 2006, and 2005, respectively. These amounts primarily included: (i) purchases of investments by our consolidated funds, net of proceeds from sales of investments, of $(11.8) billion, $(4.4) billion and $(0.8) billion during the years ended December 31, 2007, 2006, and 2005, respectively; (ii) net realized gains on investments of the consolidated funds of $1.6 billion, $3.2 billion and $1.6 billion during the years ended December 31, 2007, 2006 and 2005, respectively; (iii) change in unrealized gains (losses) on investments allocable to KKR Group and non-controlling interests of $(0.4) billion, $(0.1) billion and $1.4 billion for the years ended December 31, 2007, 2006 and 2005, respectively; and (iv) non-controlling interests in income of consolidated entities of $1.6 billion, $3.0 billion and $2.9 billion during the years ended December 31, 2007, 2006 and 2005, respectively. These amounts are reflected as operating activities in accordance with investment company accounting.

Net Cash Flow Used in Investing Activities

Our net cash flow used in investing activities was $112.5 million, $130.1 million and $5.0 million during the years ended December 31, 2007, 2006, and 2005, respectively. Our investing activities included the purchases of furniture, fixtures, equipment and leasehold improvements, as well as a reduction in restricted cash and cash equivalents of $95.4 million, $108.3 million and $0 for the years ended December 31, 2007, 2006 and 2005, respectively.

Net Cash Flow Provided by (Used in) Financing Activities

Our net cash flow provided by financing activities was $8.8 billion, $5.7 billion, and $0.1 billion during the years ended December 31, 2007, 2006, and 2005, respectively. Our financing activities primarily included: (i) contributions made by, net of distributions made to, the investors in our consolidated funds, reflected in our historical combined financial statements as non-controlling interests in consolidated entities, of $7.1 billion, $5.8 billion and $0.3 billion during the years ended December 31, 2007, 2006, and 2005, respectively; (ii) meeting net capital requirements of our consolidated funds of $2.6 billion, $0.7 billion, and $0.2 billion for the years ended December 31, 2007, 2006 and 2005, respectively; and (iii) distributions to, net of contributions by, our equity holders of $(0.9) billion, $(0.8) billion and $(0.4) billion during the years ended December 31, 2007, 2006 and 2005, respectively.

Future Sources of Cash and Liquidity Needs

Liquidity Needs

We expect that our primary liquidity needs will consist of cash required to: (i) continue to grow our business, including funding capital commitments made to our existing and future funds and any net capital requirements of our capital markets companies, (ii) fund our cash operating expenses, including any compensation expense that is not borne by KKR Holdings, (iii) pay amounts that may become due under our tax receivable agreement with KKR Holdings; and (vi) fund distributions to our unitholders and holders of Group Partnership units in accordance with our distribution policy. See "Distribution Policy." We believe that the sources of liquidity described below will be sufficient to fund our working capital requirements for the next 12 months.

As described under "Business," the agreements governing our traditional private equity funds generally require the general partners of the funds to make minimum capital commitments to the funds, which usually range from 2% to 4% of a fund's total capital commitments at final closing. The following table presents our unfunded general partner capital commitments to our private equity funds as of March 31, 2008:

Private Equity Funds	Original Commitment	Unfunded Commitment
	($ in thousands)	
Millennium Fund	$ 150,000	$ 3,253
European Fund II	121,271	3,875
2006 Fund	375,000	118,687
Asian Fund	100,000	85,899
European Fund III	293,600	278,689
Total	$ 1,039,871	$ 490,403

In connection with the KPE Transaction, we will acquire the Acquired KPE Partnership, which has directly or indirectly made additional capital commitments to certain of our consolidated funds. As of March 31, 2008, approximately $878 million of these capital commitments remained unfunded.

Historically we have funded capital commitments with cash from operations that otherwise would be distributed to our principals and by our principals. Following the completion of the Transactions, we expect to fund any capital contributions that the general partners are required to make to a fund with future operating cash flows and other sources of liquidity available to us.

The agreements governing our traditional private equity funds include clawback provisions that require the general partner of a fund to repay any excess amounts previously received in respect of its carried interest if, upon liquidation of the fund, the general partner has received carried interest distributions in excess of the amount to which it is entitled under the governing documents of the relevant fund.

In connection with the Transactions, we will enter into an exchange agreement with KKR Holdings pursuant to which KKR Holdings or transferees of its Group Partnership units may up to four times each year (subject to the terms of the exchange agreement) exchange Group Partnership units (together with corresponding special voting units) for our common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. We will also enter into a tax receivable agreement with KKR Holdings or certain transferees of its Group Partnership units pursuant to which our intermediate holding company will be required to pay 85% of the amount of cash savings, if any, in U.S. federal, state and local income taxes that it realizes as a result of increases in the tax basis of certain of the assets of our intermediate holding company arising from any exchanges of Group Partnership units for our common units. See "Certain Relationships and Related Party Transactions—Tax Receivable Agreement." This payment obligation will be an obligation of our intermediate holding company and not of either Group Partnership.

While the actual increase in tax basis and amount and timing of any payments under our tax receivable agreement will vary depending upon a number of factors, including the timing of exchanges, the price of our common units at the time of the exchange, the extent to which such exchanges are taxable and the amount and timing of our taxable income, we expect that as a result of the size of the increases in the tax basis of the tangible and intangible assets of the Group Partnerships, the payments that we may be required to make could be substantial. We do not currently anticipate that these payments will impact our liquidity needs, as they generally will be made only to the extent that our intermediate holding company actually realizes cash savings as a result of exchanges of Group Partnership units by our principals. However, our intermediate holding company's obligations under the tax receivable agreement would be effectively accelerated upon the occurrence of an early termination of the tax receivable agreement by our intermediate holding company or certain mergers, asset sales and other forms of business combinations or other changes of control. In these situations, our obligations under the tax receivable agreement could have a substantial negative impact on our liquidity. In the event that other of our current or future subsidiaries become taxable as corporations and acquire Group Partnership units in the future, or if we become taxable as a corporation, for U.S. federal income tax purposes, each will become subject to a tax receivable agreement with substantially similar terms.

In connection with the KPE Transaction, we will issue CVIs that will entitle KPE unitholders to receive a variable amount of newly issued common units (or the cash equivalent thereof) on the third anniversary of the issue date in the event that the trading price of our common units over an averaging period plus the cumulative distributions paid on our common units from the issue date is less than $22.25 per common unit. If the cash settlement option is selected, KKR Holdings will contribute cash to the Group Partnership (for further distribution to us) in an amount sufficient to settle the amounts due to CVI holders.

We intend to make quarterly cash distributions to our unitholders in amounts that in the aggregate are expected to constitute substantially all of the cash earnings of our asset management business each year in excess of amounts determined by our Managing Partner to be necessary or appropriate to provide for the conduct of our business, to make appropriate investments in our business and our funds, to comply with applicable law and any of our debt instruments or other agreements or to provide for future distributions to our unitholders for any one or more of the ensuing four quarters. Our distribution policy reflects our belief that distributing substantially all of the cash earnings of our asset management business will provide transparency for our unitholders and impose on us an investment discipline with respect to the businesses and strategies that we pursue. A number of factors such as the general economic and business climate, our financial condition and operating results, the execution of our current and/or future business strategies, future legal, tax and regulatory requirements and restrictions, future working capital requirements and other such factors may impact our ability to make cash distributions to our common unitholders. Because we will not know what the cash earnings of our asset management business will be for any year until the end of such year, we expect that our first three quarterly distributions in respect of any given year will generally be smaller than the final quarterly distribution in respect of such year.

Sources of Cash

Following the Transactions, our principal source of cash will consist of cash balances contributed to the Group Partnerships as part of the KPE Transaction. We will also receive cash from time to time from: (i) our operating activities, including the management, advisory and incentive fees earned from all of our funds, managed accounts, portfolio companies, capital markets transactions and other investment products; (ii) realizations on carried interest, capital invested by or on behalf of our general partners and principal segment assets; (iii) realized returns that are generated on investments that are made with capital invested by or on behalf of the general partners of our funds; (iv) returns on assets acquired by KPE; and (v) borrowings under the credit facilities described below. We may also issue additional common units and other securities to investors with the objective of increasing our available capital.

We have access to funding under various credit facilities that we have entered into in connection with major financial institutions. Following the completion of the Transactions, we will also have borrowing availability under a credit facility that KPE has entered into with a syndicate of lenders. The following is a summary of the principal terms of these facilities:

- In February 2008, the management company for our private equity funds entered into a credit agreement with a major financial institution providing for revolving borrowings of up to $1 billion with a $50 million sublimit for swingline notes and a $25 million sublimit for letters of credit. This facility has a term of five years. There were no amounts outstanding under this facility as of March 31, 2008.

- In February 2008, the management company for our private equity funds renewed its $25 million line of credit with a major financial institution. The facility has a term of one year and is available for general corporate purposes. There were no amounts outstanding under this facility as of March 31, 2008.

- In February 2008, the holding company for our capital markets business entered into a credit agreement with a major financial institution. The credit agreement provides for revolving borrowings of up to $700 million with a $500 million sublimit for letters of credit. This facility has a term of five years. There were no amounts outstanding under this facility as of March 31, 2008.

- In June 2007, the Acquired KPE Partnership entered into a credit agreement with a syndicate of lenders. The credit agreement provides for up to $1.0 billion of senior secured credit, subject to availability under a borrowing base determined by the value of certain investments pledged as collateral security for obligations under the agreement. The facility has a term of five years. As of March 31, 2008, the Acquired KPE Partnership had $999 million of borrowings outstanding under the facility. Such borrowings bore interest at rates ranging from 4.06% to 7.13%. Subsequent to that date, the Acquired KPE Partnership repaid $499 million of such borrowings. The Acquired KPE Partnership made payments of $401.2 million to reduce borrowings outstanding under the KPE Credit Agreement subsequent to March 31, 2008.

In addition, certain of our consolidated funds, including the Acquired KPE Partnership, have entered into financing arrangements in connection with specific investments with the objective of enhancing returns. Such financing arrangements include $1,146.4 million of financing provided through total return swaps and $178.1 million of financing provided through a term loan and revolving credit facility.

Contractual Obligations, Commitments and Contingencies

In the ordinary course of our business, we and our consolidated funds enter into contractual arrangements that may require future cash payments. The following table sets forth information relating to the anticipated future cash payments that were associated with those contractual obligations as of March 31, 2008.

Type of Contractual Obligations	<1 Year	1 to 3 Years	3 to 5 Years	>5 Years	Total
	Payments due by Period ($ in millions)				
Before Consolidation of Funds:					
Capital commitments to traditional private equity funds(1)	$ 490.4	$ —	$ —	$ —	$ 490.4
Lease obligations	22.1	68.2	19.2	112.9	222.4
Total	$ 512.5	$ 68.2	$ 19.2	$ 112.9	$ 712.8
After Consolidation of Funds:					
Equity commitments(2)	$ 126.0	$ —	$ —	$ —	$ 126.0
Lease obligations	22.1	68.2	19.2	112.9	222.4
Debt payment obligations(3)	—	—	2,323.5	—	2,323.5
Total(4)	$ 148.1	$ 68.2	$ 2,342.7	$ 112.9	$ 2,671.9

(1) These capital commitments represent commitments by the general partners of our traditional private equity funds to contribute capital to fund a portion of the purchase price paid for each portfolio company investment made by the fund. Following the completion of the KPE Transaction, such amounts will also reflect capital commitments that have directly or indirectly been made by the Acquired KPE Partnership to certain of our consolidated funds. As of March 31, 2008, approximately $878 million of these capital commitments remained unfunded. Because capital contributions are due on demand, the above commitments have been presented as falling due within one year. However, given the size of such commitments and the rates at which our funds make investments, we expect that the capital commitments presented above will be called over a period of several years, if not longer. See "—Liquidity and Capital Resources—Future Sources of Cash and Liquidity Needs—Liquidity Needs."

(2) These equity commitments represent contractual commitments entered into by our private equity funds to fund a portion of the purchase price of unconsummated portfolio company investments. Our funds pay amounts due with respect to these commitments using capital contributed by fund investors and capital provided by us and, in the case of our larger transactions, with amounts funded by third-party co-investors or financial intermediaries to whom a portion of the equity commitment is syndicated. Whether and when the transactions regarding which we have entered into commitments will be consummated depends on a number of factors, some or all of which may be outside of our control, and we cannot assure you that any of these commitments will be funded. As a result, the equity commitments presented above do not necessarily reflect our fund's actual future cash outflows.

(3) Debt payment obligations include interest to be paid over the maturity of the related debt obligation, which has been calculated assuming no prepayments are made and the debt is held until its final maturity date. Future interest rates have been calculated using rates in effect as of March 31, 2008, including both variable and fixed rates provided for by the relevant debt agreements. The amounts presented above include outstanding indebtedness of the Acquired KPE Partnership, which will become our indebtedness upon completion of the KPE Transaction. As of March 31, 2008, the Acquired KPE Partnership had $999 million of borrowings outstanding under the facility. Such borrowings bore interest at rates ranging from 4.06% to 7.13%. Subsequent to that date, the Acquired KPE Partnership repaid $499 million of such borrowings.

(4) Our contractual obligations table does not give effect to the potential obligations described in the paragraphs below.

In the normal course of business, we also enter into contractual arrangements that contain a variety of representations and warranties and that include general indemnification obligations. The purchase and sale agreement that we have entered into with KPE includes additional representations and warranties as well as certain indemnification obligations as described under "KPE Transaction." Our maximum exposure under the foregoing arrangements is unknown due to the fact that the exposure would relate to claims that may be made against us in the future. Accordingly, no amounts have been included in our combined financial statements as of March 31, 2008 relating to indemnification obligations.

As of March 31, 2008, the amount of carried interest we have received, excluding carried interest received by general partners of the 1996 Fund, that is subject to this contingent repayment obligation was $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. If, as a result of poor performance of later investments in the life of one of our traditional private equity funds, the fund does not achieve overall profitability, the general partners of those funds could potentially be required to make a payment under such a clawback obligation.

At the time of formation of each of our traditional private equity funds, our senior principals, personally guaranteed, on a several basis and subject to a cap, the clawback obligation of the general partner of the relevant private equity fund. In connection with the Transactions, with respect to each fund general partner in which we hold an interest, we will enter into an agreement with each of our personnel who has entered into such a guarantee pursuant to which we will indemnify such person for any liabilities incurred with respect to the guarantee. No indemnification will be provided with respect to clawback obligations of fund general partners in which we do not hold an interest, including the general partners of the 1996 Fund. See "Certain Relationships and Related Party Transactions—Guarantee of Contingent Obligations to Fund Partners; Indemnification."

Off Balance Sheet Arrangements

Other than contractual commitments and other legal contingencies incurred in the normal course of our business, we do not have any off-balance sheet financings or liabilities.

Critical Accounting Policies

The preparation of our financial statements in accordance with GAAP requires our management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of revenues, income and expense. Our management bases these estimates and judgments on available information, historical experience and other assumptions that we believe are reasonable under the circumstances. These estimates, judgments and assumptions, however, are often subjective and may be impacted negatively based on changing circumstances or changes in our analyses. If actual amounts are ultimately different from those estimated, judged or assumed, revisions are included in our combined financial statements for the period in which the actual amounts become known. We believe the following critical accounting policies could potentially produce materially different results if we were to change underlying estimates, judgments or assumptions. Please see the notes to the predecessor combined financial statements included elsewhere in this prospectus for further detail regarding our critical accounting policies.

Principles of Consolidation

Our policy is to consolidate those entities in which we, through our senior principals, have control, as well as those entities in which we are the primary beneficiary of a variable interest entity, or a VIE. VIEs are defined as entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional financial support from other parties. A VIE must be consolidated only by its primary beneficiary, which is defined as the party who, along with its affiliates and agents, will absorb a majority of the VIE's expected losses or receive a majority of the expected residual returns as a result of holding variable interests. We refer to all entities that are included in the accompanying combined financial statements are referred to as consolidated entities.

The majority of the consolidated entities are under the common control of our senior principals and are comprised of: (i) those entities in which we, directly or through our senior principals, have majority ownership and control over significant operating, financial and investing decisions; and (ii) our consolidated funds, which are those entities in which we, through our senior principals, hold substantive, controlling general partner or managing member interests. With respect to our consolidated funds, we generally have operational discretion and control, and fund investors have no substantive rights to impact ongoing governance and operating activities of the funds.

Our consolidated funds do not consolidate their majority-owned and controlled investments in portfolio companies. Rather, those investments are accounted for as investments and carried at fair value as described below.

Non-controlling interests in consolidated entities represent the ownership interests in consolidated entities, including our consolidated funds, held by entities or persons other than our existing owners. Non-controlling interest holders have a substantial ownership position in our combined total assets (approximately 86% as of March 31, 2008).

Fair Value of Investments

Our consolidated funds are treated as investment companies under the AICPA Audit and Accounting Guide, "Investment Companies," for the purposes of GAAP and, as a result, reflect their investments on our predecessor combined statement of financial condition at fair value, with unrealized gains or losses resulting from changes in fair value reflected as a component of investment income in our predecessor combined statements of income. We have retained the specialized accounting of the consolidated funds pursuant to EITF Issue No. 85-12, Retention of Specialized Accounting for Investments in Consolidation.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 applies to reporting periods beginning after November 15, 2007. The adoption of SFAS 157 on January 1, 2008 did not have a material impact on our combined financial statements.

The adoption of SFAS 157 requires us to classify and disclose investments measured and reported at Fair Value in one of the following categories:

Level I—Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I include listed equities and listed derivatives. In addition, securities sold, but not yet purchased, and options written by the Acquired KPE Partnership are included in Level I. As required by SFAS 157, we do not adjust the quoted price for these investments, even in situations where we hold a large position and a sale could reasonably affect the quoted price. We classified 14.4% of investments measured and reported at fair value as Level I at March 31, 2008, including 13.7% of our private equity investments.

Level II—Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives. We classified 8.1% of investments measured and reported at fair value as Level II at March 31, 2008, including 8.0% of our private equity investments.

Level III—Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include private portfolio companies held through our private equity funds and KPE. We classified 77.5% of investments measured and reported at fair value as Level III at March 31, 2008, including 78.3% of our private equity investments.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and we consider factors specific to the investment.

When determining fair values of investments, we use the last reported market price as of the statement of financial condition date for investments that have readily observable market prices. If no sales occurred on such day, we use the "bid" price at the close of business on that date and, if sold short, the "asked" price at the close of business on that date day. Forward contracts are valued based on market rates or prices obtained from recognized financial data service providers.

The majority of our private equity investments are valued utilizing unobservable pricing inputs. Management's determination of fair value is based upon the best information available for a given circumstance and may incorporate assumptions that are management's best estimates after consideration of a variety of internal and external factors. We generally employ two valuation methodologies when determining the fair value of a private equity investment. The first methodology is a market multiples approach that considers a specified financial measure (such as EBITDA) and recent public market and private transactions and other available measures for valuing comparable companies. Other factors such as the applicability of a control premium or illiquidity discount, the presence of significant unconsolidated assets and liabilities and any favorable or unfavorable tax attributes are also considered in arriving at a market multiples valuation. The second methodology utilized is a discounted cash flow approach. In this approach, we will incorporate significant assumptions and judgments in determining the most likely buyer, or market participant for a hypothetical sale, which might include an initial public offering, private equity investor, strategic buyer or a transaction consummated through a combination of any of the above. Estimates of assumed growth rates, terminal values, discount rates, capital structure and other factors are employed in this approach. The ultimate fair value recorded for a particular investment will generally be within the range suggested by the two methodologies, adjusted for issues related to achieving liquidity including size, registration process, corporate governance structure, timing, an initial public offering discount and other factors, if applicable.

Our calculations of the fair values of private equity investments were reviewed by Duff & Phelps, LLC, an independent valuation firm, who provided third-party valuation assistance to us, which consisted of certain limited procedures that we identified and requested it to perform. Upon completion of such limited procedures, Duff & Phelps, LLC concluded that the fair value, as determined by us, of those investments subjected to their limited procedures did not appear to be unreasonable. The limited procedures did not involve an audit, review, compilation or any other form of examination or attestation under generally accepted auditing standards. The general partners of our funds are responsible for determining the fair value of investments in good faith, and the limited procedures performed by Duff & Phelps, LLC are supplementary to the inquiries and procedures that the general partner of each fund is required to undertake to determine the fair value of the investments. See "Private Equity Valuations and Related Data" for a further discussion of our private equity investment valuations.

Changes in the fair value of the investments of our consolidated private equity funds may impact our results of operations as follows:

- The management fees that we are paid by KPE are based on the approximate NAV of the fund, which in turn is impacted by the fair values of its investments. Historically, a change in the fair values of the funds' investments during a reporting period would have affected the amount of management fees that were payable following the completion of the reporting period, but would not have had an immediate impact on our results. In connection with the Transactions, the Acquired KPE Partnership will become a wholly-owned subsidiary of ours and we will no longer generate net income. The management fees paid by our traditional private equity funds are calculated based on the amount of capital committed to, or invested by, the funds and are not directly affected by changes in the fair value of the funds' investments.

- The net gains from investment activities of our private equity funds are directly affected by changes in the fair values of the funds investments as described under "—Key Financial Measures—Investment Income—Net Gains from Investment Activities." Based on the investments of our private equity funds as of March 31, 2008, we estimate that an immediate 10% decrease in the fair value of the funds' investments generally would result in a 10% immediate change in net gains from the funds' investment activities (including carried interest), regardless of whether the investment was valued using observable market prices or internal models with significant unobservable market parameters. However, we estimate the impact that the consequential decrease in investment income would have on our reported amounts of income before taxes and net income would be significantly less than the amount presented above, given that a majority of the change in fair value would be absorbed by fund investors who hold non-controlling interests in the funds.

Substantially all of the value of the investments in our consolidated fixed income funds were valued using observable market parameters, which may include quoted market prices, as of March 31, 2008 and December 31, 2007. Quoted market prices, when used, are not adjusted.

The management fees that are paid by the KKR Strategic Capital Funds are based on their respective NAVs. Accordingly, a 10% decrease in the fair value of the funds' investments as of March 31, 2008 would have resulted in a reduction in management fees for the three months ended March 31, 2008 of $0.5 million. KFN's base management and incentive fees are indirectly impacted by changes in the fair values of assets, and a decline in the fair value of assets that results in a 10% decrease in the shareholder's equity of KFN would have resulted in a reduction in management fees for the three months ended March 31, 2008 of $0.6 million. There were no incentive fees earned at the KKR Strategic Capital Funds or KFN for the three months ended March 31, 2008.

Revenue Recognition

Fee income consists primarily of advisory fees that we receive from our portfolio companies and the management and other fees that we receive directly from our unconsolidated funds, including both the base management fees and the incentive fees that are paid by our unconsolidated fixed income funds. These fees are based upon the contractual terms of the management and other agreements that we enter into with the applicable funds and portfolio companies. We recognize fee income in the period during which the related services are performed and the amounts have been contractually earned in accordance with the relevant management or other agreements. Incentive fees are accrued either annually or quarterly, after all contingencies have been removed, based on performance to date versus the performance benchmark stated in the management agreement.

Recognition of Investment Income

Investment income consists primarily of the unrealized and realized gains on investments, dividend and interest income received from investments and foreign currency gains as reduced by unrealized and realized losses on investments, interest expense incurred in connection with investment activities and foreign currency losses on investments. Unrealized gains or losses result from changes in the fair value of our funds' investments during a period. Upon disposition of an investment, previously recognized unrealized gains or losses are reversed and a corresponding realized gain or loss is recognized in the current period. While this reversal does not impact the net amounts of gains that we recognize from investment activities, it affects the manner in which we classify our gains and losses for reporting purposes.

We recognize investment income with respect to our carried interests in investments of our private equity funds, the capital invested by or on behalf of the general partners of our private equity funds and the non-controlling interests that third-party fund investors hold in our consolidated funds. A carried interest entitles us to a percentage of the gain generated on third-party capital invested by a private equity fund, subject in the case of our traditional private equity funds to the fund achieving a profit on all investments as a whole. The instruments governing our traditional private equity funds include clawback provisions that require the general partner of a fund to repay any excess amounts previously received in respect of its carried interest if, upon liquidation of the fund, the general partner has received carried interest distributions in excess of the amount to which it is entitled under the governing documents of the fund. This feature operates only with respect to the investments of an individual fund and does not provide for netting of gains and losses across funds. As of 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 carried interests allocate to us a disproportionate share of our private equity funds' earnings relative to our capital contributions, those interests reduce the amount of our funds' earnings that are allocated to fund investors' non-controlling interests in consolidated funds. We recognize investment income attributable to a carried interest in a fund to the extent that the fund's investment returns are positive. When a carried interest is subject to a clawback provision, we recognize the related investment income based on the terms of the fund's instruments assuming that the fund was terminated on that date and that the fair value of the fund's investments were then realized in full. Given the long durations during which our private equity funds hold investments, management believes that this approach results in income recognition that best reflects our performance in any given period as the manager of our private equity funds.

Due to the consolidation of the majority of our funds, the share of our funds' investment income that is allocable to our carried interests and capital investments is not shown in our combined financial statements. Instead, the investment income that we retain in our net income, after allocating amounts to non-controlling interests, represents the portion of our investment income that is allocable to us. Because the substantial majority of our funds are consolidated and because we hold only a minority economic interest in our funds' investments, our share of the investment income generated by our investment activities is significantly less than the total amount of investment income presented in our predecessor combined financial statements.

Recent Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value, with changes in fair value recognized in earnings. SFAS 159 applies to reporting periods beginning after November 15, 2007. The adoption of SFAS 159 on January 1, 2008 did not have a material impact on the combined financial statements.

In June 2007, the AICPA issued Statement of Position No. 07-1, "Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies" ("SOP 07-1"), for issuance. SOP 07-1 addresses whether the accounting principles of the AICPA Audit and Accounting Guide Investment Companies may be applied to an entity by clarifying the definition of an investment company and whether those accounting principles may be retained by a parent company in consolidation or by an investor in the application of the equity method of accounting. Generally, in order for an entity to retain investment company accounting for a subsidiary or equity method investee: (i) the subsidiary or equity method investee should meet the definition of an investment company pursuant to the guidance in SOP 07-1; (ii) the entity should follow established policies that effectively distinguish the nature and type of investments made by the investment company from the nature and type of investments made by other entities within the consolidated group that are not investment companies; and (iii) the entity (through the investment company), should be investing for current income, capital appreciation, or both, rather than for strategic operating purposes. On October 17, 2007, the FASB voted to defer indefinitely the adoption date of SOP 07-1.

In December 2007, the FASB issued SFAS 160, "Noncontrolling Interests in Consolidated Financial Statements" ("SFAS 160"). SFAS 160 amends Accounting Research Bulletin No. 51 "Consolidated Financial Statements" ("ARB 51"). Key provisions of SFAS 160 include: (1) a requirement that noncontrolling interests are to be treated as a separate component of equity, rather than a liability or other item outside of equity; (2) clear presentation of the amount of consolidated net income attributable to noncontrolling interests on the face of the consolidated statement of operations; and (3) enhanced disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling-interest holders. SFAS 160 is effective for periods beginning on or after December 15, 2008. We are currently assessing the impact of adopting SFAS 160 on the combined financial statements.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), "Business Combinations" ("SFAS 141(R)"). SFAS 141(R) replaces SFAS No. 141, "Business Combinations." SFAS 141(R) expands the scope of business combinations to include all transactions and other events in which one entity obtains control over one or more other businesses. SFAS 141 applied only to business combinations in which control was obtained by transferring consideration. Key provisions of SFAS 141(R) require that: (1) the acquirer recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at their fair values on the acquisition date; (2) the acquirer in a business combination achieved in stages (sometimes referred to as a step acquisition) recognize the identifiable assets and liabilities, as well as the noncontrolling interest in the acquiree, at the full amounts of their fair values (or other amounts determined in accordance with SFAS 141(R)); (3) the acquirer recognize contingent consideration at fair value on the acquisition date; and (4) acquisition-related costs be recognized separately from the cost of the acquisition. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. We are currently assessing the impact of adopting SFAS 141(R) on the combined financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS No. 161"). SFAS No. 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. We are currently assessing the impact of adopting SFAS No. 161 on the combined financial statements.

In March 2008, the EITF reached a consensus on Issue No. 07-4, "Application of the Two-Class Method under FASB Statement No. 128, Earnings Per Share, to Master Limited Partnerships" ("EITF 07-4"). EITF 07-4 applies to master limited partnerships that make incentive equity distributions. EITF 07-4 is to be applied retrospectively beginning with financial statements issued in the interim periods of fiscal years beginning after December 15, 2008. We are currently assessing the impact that EITF 07-4 may have on the combined financial statements.

In April 2008, the FASB issued Staff Position No. FAS 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP No. 142-3"). FSP No. 142-3 amends the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under SFAS No. 142, "Goodwill and Other Intangible Assets." FSP No. 142-3 affects entities with recognized intangible assets and is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The new guidance applies prospectively to (1) intangible assets that are acquired individually or with a group of other assets and (2) both intangible assets acquired in business combinations and asset acquisitions. We are currently assessing the impact that FSP No. 142-3 may have on the combined financial statements.

Qualitative and Quantitative Disclosures About Market Risk

Our exposure to market risks primarily relates to our role as general partner or manager of our funds and sensitivities to movements in the fair value of their investments, including the effect that those movements have on the management fees and carried interests that we receive. Following the completion of the Transactions, we will have increased exposure to market risks as a result of the assets acquired from KPE. The fair value investments may fluctuate in response to changes in the value of securities, foreign currency exchange rates and interest rates.

Although our funds share many common themes, we generally maintain separate investment and risk management processes for monitoring and managing market risks. In particular:

- The investment process for private equity involves a detailed analysis of potential acquisitions and industry-specific investment teams are assigned to oversee the operations, strategic development, financing and capital deployment decisions of our funds' portfolio companies. Investment decisions are subject to approval by our equity investment committee, which consists of a group of our senior principals, and portfolio company investments are monitored by our portfolio management committee, which consists of a group of our senior principals and senior advisors.

- Our approach to making debt investments focuses on creating investment portfolios that generate attractive risk-adjusted returns on invested capital, allocating capital across multiple asset classes, selecting high-quality investments that may be made at attractive prices, applying rigorous standards of due diligence when making investment decisions, subjecting investments to regular monitoring and oversight and making buy and sell decisions based on price targets and relative value parameters. We employ both "top-down" and "bottom-up" analyses when making debt investments. Our top-down analysis involves a macro analysis of relative asset valuations, long-term industry trends, business cycles, interest rate expectations, credit fundamentals and technical factors to target specific industry sectors and asset classes in which to invest. Our bottom-up analysis includes a rigorous analysis of the credit fundamentals and capital structure of each credit considered for investment and a thorough review of the impact of credit and industry trends and dynamics and dislocations events on such potential investment.

Market Risk

Our consolidated funds hold investments that are reported at fair value. Net changes in the fair value of investments impact the net gains from investments in our combined statements of income. Based on the investments of our funds as of March 31, 2008, we estimate that a 10% decrease in the fair value of our funds' investments would result in a corresponding reduction in investment income. However, we estimate the impact that the consequential decrease in investment income would have on our reported amounts of income before taxes and net income would be significantly less than the amount presented above, given that a substantial majority of the change in fair value would be allocated to fund investors who hold non-controlling interests in our funds. As a result of our acquisition of non-controlling interests in the Acquired KPE Partnership, the extent of such allocation will be less in future periods.

Our base management fees are calculated based on the amount of capital committed or invested by a fund or the NAV of a fund's investments, as described under "Business—Private Equity—Traditional Private Equity Funds." In the case of our fixed income funds, our incentive fees are calculated based on the performance of a fund's investments, which in the case of one of our fixed income funds is calculated based on the appreciation in the NAV of the fund's investments. To the extent that base management or other amounts are calculated based on the NAV of the fund's investments, the amount of fees that we may charge will be increased or decreased in direct proportion to the effect of changes in the fair value of the fund's investments. The proportion of our management and other amounts that are based on NAV depends on the number and type of funds in existence. For a discussion of the impact of market risks on our fair value of investments, see "—Critical Accounting Policies—Fair Value of Investments."

Exchange Rate Risk

Our private equity funds make investments from time to time in currencies other than those in which their capital commitments are denominated. Those investments expose us and our fund investors to the risk that the value of the investments will be affected by changes in exchange rates between the currency in which the capital commitments are denominated and the currency in which the investments are made. Our policy is to minimize these risks by employing hedging techniques, including using foreign exchange contracts to reduce exposure to future changes in exchange rates when our funds have invested a meaningful amount of capital in currencies other than the currencies in which their capital commitments are denominated.

Because most of the capital commitments to our funds are denominated in U.S. dollars, our primary exposure to exchange rate risk relates to movements in the value of exchange rates between the U.S. dollar and other currencies in which our investments are denominated (primarily euro, British pound and Australian dollars). We estimate that a simultaneous parallel movement by 10% in the exchange rates between the U.S. dollar and all of the foreign currencies in which our funds' investments were denominated as of March 31, 2008 would result in net gains or losses from investment activities of our funds of $560 million. However, we estimate that the effect on our income before taxes and our net income from such a change would be significantly less than the amount presented above, because a substantial majority of the gain or loss would be absorbed by fund investors who hold non-controlling interests in our funds.

Interest Rate Risk

Interest rate risk is defined as the sensitivity of our current and future earnings to interest rate volatility, variability of spread relationships, and the effect that interest rates may have on our cash flows. Our fixed income funds and the Acquired KPE Partnership have outstanding indebtedness that accrues interest at variable rates. As a result, changes in interest rates affect the amount of interest payments that those funds are required to make, which may impact the earnings and cash flows of those funds. However, we estimate the effect on our income before taxes and our net income from such an increase would be substantially allocated to fund investors in proportion to their non-controlling interests in the funds. As a result of our acquisition of non-controlling interests in the Acquired KPE Partnership, the extent of such allocation will be less in future periods.

In addition, our fixed income funds and the Acquired KPE Partnership make investments in floating rate investments that are primarily financed with variable rate borrowings. Interest rates on our floating rate investments and our variable rate borrowings do not reset on the same day or with the same frequency and, as a result, we are exposed to basis risk with respect to index reset frequency. Our floating rate investments may reprice on indices that are different than the indices that are used to price our variable rate borrowings and, as a result, we are exposed to basis risk with respect to repricing indices.

We manage interest rate risk and make interest rate decisions by evaluating our projected earnings under selected interest rate scenarios. During periods of increasing interest rates we tend to purchase floating rate investments. We manage our interest rate risk using various techniques ranging from the purchase of floating rate investments to the use of interest rate derivatives. We generally fund our floating rate investments with variable rate borrowings with similar interest rate reset frequencies. We also may use interest rate derivatives to hedge the variability of cash flows associated with existing or forecasted variable rate borrowings. We did not use any material interest rate derivatives during any of the periods presented.

Credit Risk

Certain of our funds enter into derivative instruments that subject us to the risk that the counterparties may be unable to meet their obligations under those agreements. We seek to minimize our risk exposure by limiting the counterparties with which we enter into contracts to highly rated major financial institutions with strong credit ratings.

PRIVATE EQUITY VALUATIONS AND RELATED DATA

This prospectus presents valuation and related data, such as net and gross IRRs and multiples of invested capital, relating to our traditional private equity funds. Unless otherwise indicated, this data is presented as of March 31, 2008, which we refer to as the valuation date, and has been prepared using the methodologies described below. Please keep this in mind as you read this prospectus.

Realized Values

We calculated the aggregate realized value of a traditional fund's portfolio investments as the historical amount of the net cash and other marketable securities actually received by the fund from all of the investments made from the date of the fund's formation through the valuation date. Such amounts do not give effect to the allocation of any realized returns to the fund's general partner or manager pursuant to a carried interest, or the payment of any applicable management fees to the fund's manager. Where the value of an investment was only partially realized, we classified the actual cash and other consideration received by the fund as realized value and classified the balance of the value of the investment as unrealized value, which is valued using the methodology described below under "—Unrealized Values."

Unrealized Values

Methodology

The majority of our private equity investments are valued utilizing unobservable pricing inputs. Management's determination of fair value is based upon the best information available for a given circumstance and may incorporate assumptions that are management's best estimates after consideration of a variety of internal and external factors. We generally employ two valuation methodologies when determining the fair value of a private equity investment. The first methodology is a market multiples approach that considers a specified financial measure (such as EBITDA) and recent public market and private transactions and other available measures for valuing comparable companies. Other factors such as the applicability of a control premium or illiquidity discount, the presence of significant unconsolidated assets and liabilities and any favorable or unfavorable tax attributes are also considered in arriving at a market multiples valuation. The second methodology utilizes is a discounted cash flow approach. In this approach, we will incorporate significant assumptions and judgments in determining the most likely buyer, or market participant for a hypothetical sale, which might include an initial public offering, a private equity investor, a strategic buyer or a transaction consummated through a combination of any of the above. Estimates of assumed growth rates, terminal values, discount rates, capital structure and other factors are employed in this approach. The ultimate fair value recorded for a particular investment will generally be within the range suggested by the two methodologies, adjusted for issues related to achieving liquidity including size, registration process, corporate governance structure, timing, an initial public offering discount and other factors, if applicable.

Independent Valuation Firm

An aggregate of 39 of the private equity investments that we valued as of the valuation date (representing approximately $27.2 billion, or 84%, of the total unrealized value of all private equity investments valued as of the valuation date) did not have a readily available market and were valued using fair value pricing. Our calculations of the fair values of private equity investments were reviewed by Duff & Phelps, LLC, an independent valuation firm, who provided third-party valuation assistance to us, which consisted of certain limited procedures that we identified and requested it to perform. Upon completion of such limited procedures, Duff & Phelps, LLC concluded that the fair value, as determined by us, of those investments subjected to their limited procedures did not appear to be unreasonable. The limited procedures did not involve an audit, review, compilation or any other form of examination or attestation under generally accepted auditing standards. The general partners of our funds are responsible for determining the fair value of the investments, and the limited procedures performed by Duff & Phelps, LLC are supplementary to the inquiries and procedures that the general partner of each fund is required to undertake to determine the fair value of the investments.

IRRs

IRRs measure the aggregate annual compounded returns generated by a fund's investments over a holding period. We calculated net IRRs after giving effect to the allocation of realized and unrealized returns on a fund's investments to the fund's general partner pursuant to a carried interest and the payment of any applicable management fees. These amounts measure returns based on amounts that, if distributed, would be paid to fund investors. We calculated gross IRRs before giving effect to the allocation of realized and unrealized returns on a fund's investments to the fund's general partner or manager pursuant to a carried interest and the payment of any applicable management fees. These amounts measure the returns on the fund's investments as a whole without regard to whether all of the returns would, if distributed, be payable to fund investors. In all cases, we computed IRRs using what is known as a "dollar-weighted" IRR, which takes into account the timing of cash flows and amounts invested at any given time, and we determined realized and unrealized returns using the methodologies described above.

Multiples of Invested Capital

The multiples of invested capital measure the aggregate returns generated by a fund's investments in absolute terms. We calculated each multiple of invested capital by adding together the total realized and unrealized values of a fund's investments and dividing by the total amount of capital invested by the fund. Such amounts do not give effect to the allocation of any realized and unrealized returns on a fund's investments to the fund's general partner or manager pursuant to a carried interest or the payment of any applicable management fees. In all cases, we determined the realized and unrealized values of a fund's investments using the methodologies described above.

Bridge Financing Provided by Private Equity Funds

In certain instances, our traditional private equity funds may call capital to provide temporary or "bridge" financing to a portfolio company in connection with a portfolio company investment. This financing, which may be in the form of debt or equity, is designated as bridge financing prior to the time that the investment is made. If bridge financing that is extended by a private equity fund is not repaid within 18 months from the date the financing was extended, the bridge financing is considered to be permanent financing and is included in the amount of the fund's portfolio company investment. If the bridge financing is repaid within 18 months from the date the financing was extended, the repayment is considered a repayment of principal and any additional amounts received are treated as interest income from the portfolio company. For the purposes of calculating the private equity valuation and related information presented in this prospectus, including invested amounts, IRRs and multiples of invested capital, we disregard both the principal amount of any bridge financing and related interest income if and to the extent that the bridge financing is repaid within 18 months from the date it was extended.

Calculation of Dollar Weighted Average Holding Periods

We measure the length of time during which our funds hold portfolio investments on a dollar weighted basis. We calculated the dollar weighted average holding period for a fund's portfolio investments by dividing (i) the holding period of each of the fund's investments multiplied by the cost basis of such investment by (ii) the aggregate cost basis of all of the fund's investments. An investment's holding period is equal to the period of time between the date on which the investment was made and the date on which the amount invested was realized or, if the investment was held as of the valuation date, the valuation date. The cost basis of an investment is equal to the amount of capital invested by the fund. Where the value of an investment was only partially realized as of the valuation date, we considered the holding periods and cost bases of the realized and unrealized portions of the investment separately for the purposes of the calculation.

INDUSTRY

Overview

Asset management is the professional management of investments by third-party portfolio managers on behalf of investors. Asset managers earn a contracted fee by employing various strategies to meet the investment goals of their investors. These strategies are generally considered to be either "traditional" or "alternative." Traditional asset management generally involves the use of equity, debt and/or derivative securities while alternative asset management utilizes a variety of investment strategies. The asset management industry has grown significantly over the past ten years, with the total value of AUM worldwide estimated at greater than $60 trillion in 2007. One key driver of industry growth is aging populations in both developed and emerging markets around the world which have increased the pools of savings and particularly pension assets.

Traditional asset managers manage portfolios of securities by investing through investment companies registered under the Investment Company Act (e.g., mutual funds and exchange traded funds) or through separate unregistered accounts managed on behalf of individuals or institutions. Investment objectives generally include total return, capital appreciation, current income and/or replicating the performance of a particular index. Investors in these funds generally have unrestricted access to their funds either through market transactions (in the case of closed-end mutual funds and exchange traded funds) or through withdrawals (in the case of open-end mutual funds and separately managed accounts). Traditional asset managers are generally compensated on a monthly or quarterly basis with fees that are calculated as a percentage of AUM. Managers of such portfolios in the United States are typically registered with the SEC under the Investment Advisers Act.

Alternative asset managers utilize a variety of investment strategies to deliver investment performance on an absolute return basis within certain predefined risk parameters and investment guidelines. These investment returns tend to have a lower correlation to the broader market than traditional asset management strategies. Alternative asset managers include private equity funds, real estate funds, venture capital funds, hedge funds, funds of funds (i.e., funds that invest in investment funds), and mezzanine and structured debt funds. Many alternative asset vehicles, particularly private equity funds, require investors to fund committed capital over the investment period of the vehicle and limit investors' access to invested capital until such time as investments yield returns or are realized. Nearly all alternative asset management fee arrangements include a significant performance component. Generally, depending upon, among other things, the composition of the investor base and the nature of investment activities, alternative asset vehicles may not be required to register as investment companies under the Investment Company Act, and managers of such funds may not be required to register with the SEC under the Investment Advisers Act.

Alternative asset management vehicles have been the fastest growing segment of the asset management industry as many investors, primarily driven by large institutional funds, have sought to diversify their investment portfolios to include alternative asset strategies. Alternative asset managers' ability to generate superior returns with a lower correlation to the broader market provides significant diversification benefits when consolidated with the other more traditional asset management strategies.

A further discussion of private equity funds and hedge funds is set forth below.

Alternative Asset Management

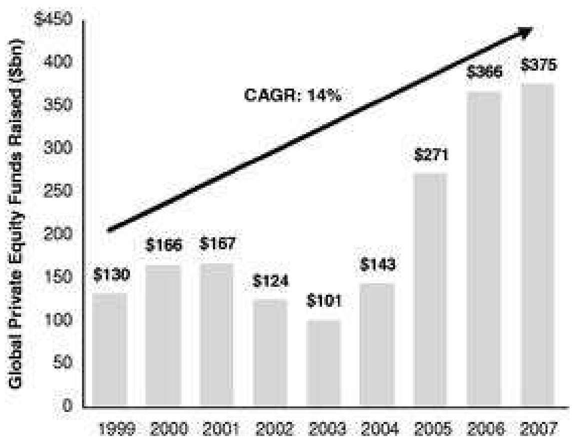
Private Equity Funds

Private equity funds are managed pools of capital that invest principally in non-public, non-actively traded common equity, preferred stock, or mezzanine or distressed debt securities. In certain cases, private equity funds engage in the acquisition and delisting of public companies or invest in publicly listed companies. Private equity fund managers often seek to exploit dislocations in the market where other investors do not recognize the value of, or may lack the required expertise to generate additional value from, a certain company or security. These investments may include significant changes to a company's capital structure through the use of borrowed capital, a strategy referred to as a "leveraged buyout." In the typical leveraged buyout, the private equity fund borrows a portion of the purchase price and thereby magnifies the gain on its investment if the company's value appreciates. In certain cases, private equity funds engage in "take private" transactions, which involve the acquisitions and delisting of public companies.

Private equity funds are generally fixed-life vehicles, with provisions to extend their term under certain circumstances, and are generally organized as unregistered limited partnerships or limited liability companies. The business, affairs and investment decisions of private equity firms are usually controlled by a general partner. The fund obtains capital commitments from certain qualified investors that are high net-worth individuals or institutions who thereafter become passive limited partners in the fund partnership. At such time as the general partner identifies an appropriate investment opportunity, it is entitled to call the capital on an "as needed" basis (typically over the first three to six years of the fund's term) from its investors, and this capital is returned through distributions upon realizations of the underlying investments (typically within five to eight years). General partners are typically compensated with a combination of management fees (based on committed or contributed capital), advisory and incentive fees (paid by portfolio companies for advisory and other services rendered) and carried interest (based on the net profits generated by the fund). Private equity fund managers typically commit a portion of their own capital to the funds they manage.

Private equity fund-raising experienced significant growth over the last several years, reaching historic levels in each of 2005, 2006 and 2007. According to *Thomson Financial* , the global private equity industry raised $366 billion and $375 billion in capital in 2006 and 2007, respectively.

Global Private Equity Funds Raised



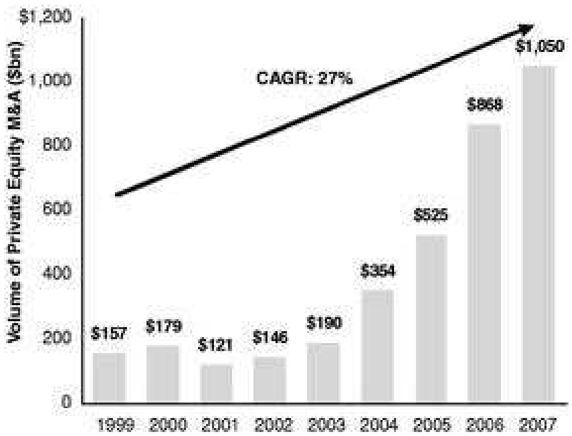
Source: Thompson Financial

Note: Compound Annual Growth Rate, or "CAGR," represents the annual rate of growth over a period, assuming growth at a steady rate.

Foundations and endowments now allocate a substantial portion of assets to private equity and corporate pension funds are expected to increase allocations to the asset class. More than 30% of corporate pension funds plan to increase private equity allocations as pension funds, on average, are underinvested in private equity when compared to university endowments and foundations. The average corporate pension plan's portfolio allocates 3.7% of funds to private equity while the average endowment or foundation allocates 8.3% of funds to private equity.

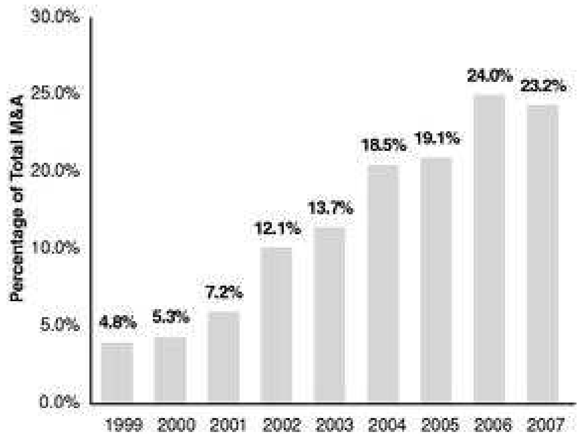
As private equity allocations have increased, concerns have been being raised over potential "capital overhang" in the industry. However, as amounts allocated to private equity have increased, transactions have increased in size and the market has broadened geographically, with higher activity in Europe and Asia. Private equity managers have also broadened the scope of their investment activities, resulting in higher investment volume and activity both in the United States and abroad. While global private equity M&A volume has contracted in 2008, according to *Thomson Financial* , global private equity M&A volume increased at a compound annual growth rate of 48% from 2002 to 2007 and a compound annual growth rate of 27% from 1999 to 2007 as general partners pursued larger deals. Private equity involvement in M&A transactions also increased dramatically as a percentage of overall M&A activity, from just 5% of all M&A activity in 1999 to approximately 23% of all M&A activity in 2007, according to *Thomson Financial* .

Global Private Equity M&A



Source: Thomson Financial

Global Private Equity M&A
As Percentage of Total M&A



Source: Thomson Financial

Returns for Private Equity

Private equity fund managers have, on average, historically outperformed the broader stock indices over the past 20 years. High risk-adjusted returns are the driving attraction of private equity and provide incentive in the face of the illiquidity and administrative complexity associated with the asset class.

Private Equity and Public Market Returns
As of December 31, 2007

Private Equity	**1 Yr**	**3 Yr**	**5 Yr**	**10 Yr**	**20 Yr**
U.S. Buyouts	24.2%	14.4%	15.4%	8.9%	12.0%
European Buyouts	20.8	22.9	16.5	16.9	16.5
Public Equity					
NASDAQ	9.8%	6.8%	14.7%	5.4%	11.0%
S&P 500 Index	3.5	6.6	10.8	4.2	9.3

Note: Past performance is not indicative of future results. Buyouts represent returns from private equity funds that tend to acquire companies with established markets and current revenue streams.

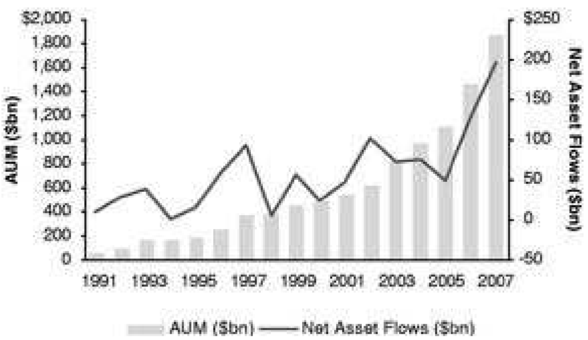
Source: From *Thomson Financial* and *Bloomberg* ; includes *Thomson Financial U.S. Buyouts* and *Mezzanine Index* , *Thomson Financial European Buyouts* and *Mezzanine Index* , *NASDAQ* and *S&P 500 Index* .

Hedge Funds

The term hedge fund generally refers to an investment vehicle that seeks to generate positive risk-adjusted returns under various market conditions. Unlike a traditional asset management fund, a hedge fund invests in diverse asset classes and employs a variety of investment strategies to exploit market opportunities. Some of these strategies include various forms of arbitrage, long/short equity, event-driven, global macro and other quantitative and fundamental strategies. In light of their often superior risk-adjusted performance and for diversification purposes, hedge funds have been utilized by an increasing number of institutional asset managers, and, as a result, have experienced significant inflows in recent years. Global AUM in the hedge fund industry, as reported by *HFR Industry Reports,* have grown from approximately $456 billion at December 31, 1999 to an estimated $1.9 trillion at December 31, 2007, a 19% compound annual growth rate.

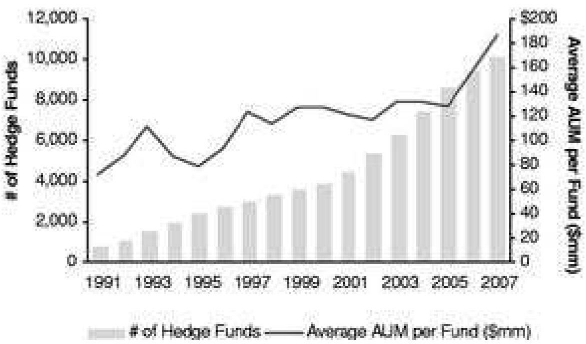
Hedge funds are typically structured as limited partnerships or limited liability companies that are generally exempt from registration under the Investment Company Act. Advisers to such hedge funds are often not registered under the Investment Advisers Act and can pursue investment strategies not typically available via registered investment companies. Usually the manager of a hedge fund will receive both a base management fee and a performance fee. The base management fee is based on the net asset value of the fund, and the performance fee is computed as a percentage of the fund's profits (i.e., the net realized and unrealized gains in the portfolio). Some hedge funds set a "hurdle rate" under which the fund manager does not earn a performance fee until the fund's performance exceeds a benchmark rate. Another feature common to hedge funds is the "high water mark" under which a fund manager does not receive its performance fees until the fund's net asset value exceeds the highest historical value on which performance fees were last paid. Typical hedge fund investors are high net worth individuals and institutions that are permitted to invest and withdraw funds periodically in accordance with the terms of the funds. Hedge fund managers typically commit a portion of their own capital in the funds they manage.

Hedge Fund AUM and Net Asset Flows



Source: HFR Industry Reports

Number of Hedge Funds and Average AUM



Source: HFR Industry Reports

Industry Trends

Growing Investor Demand and Increased Institutional Investor Allocations

Growth in AUM is driven by appreciation in the value of managed assets and net inflows of capital from investors. The industry has experienced significant growth in worldwide AUM over the past ten years, primarily fueled by a combination of the net capital inflows from an aging population and the proven ability of alternative managers to generate superior returns with a lower correlation to the broader market. Within the United States, approximately half of AUM are retirement-related assets. Total pension assets in the United States grew from $7.9 trillion at the end of 1997 to $15.0 trillion at the end of 2007. Shifting demographics and the drive towards "privatization" of retirement planning present an opportunity for the asset management industry. These investors are expected to seek products with absolute return products and with improved risk management characteristics and customized investment advice.

Alternative asset management vehicles have been the fastest growing segment of the industry as investors have sought to achieve greater portfolio diversification and improve the risk-adjusted return profile of their portfolios. However, despite these alternative products becoming a more significant source of industry growth, these strategies still account for a relatively small portion of total institutional assets. For example, the average allocation to alternative investments by U.S. corporate and public defined benefit pension plans was 3.7% and 4.4%, respectively, in 2007.

Product Innovation

The alternative asset management industry is highly competitive, and asset managers compete for both investors and investment opportunities. Leading alternative asset managers have developed new investment strategies and structures which have enabled them to attract additional capital from existing investors as well as new capital from investors who have not invested with them previously. Some of these newer fund offerings include exposure to distressed securities, the development of mezzanine and infrastructure funds and investments in new geographies. Opportunities also exist to develop new investment vehicles and structures, including co-investment vehicles, and to raise new types of funds, such as proprietary hedge funds and structured product funds, that will allow asset managers to both deploy more managed capital and capture a greater share of the economics generated by the new investments.

Convergence of Private Equity and Hedge Funds

In recent years, hedge funds have increasingly become activist investors in public companies, functioning as transaction catalysts with the goal of maximizing shareholder value. This trend, together with private equity funds' continued focus on finding undervalued public companies to pursue leveraged buyout opportunities have brought the two types of alternative asset managers into closer proximity and frequent overlap. An increasing number of hedge funds have taken controlling positions in companies while private equity funds have from time to time made minority investments in public companies.

Large alternative asset managers are increasingly expanding their operations to include both private equity and hedge fund businesses. Combining the businesses within one entity can lead to significant operational efficiencies as hedge funds and private equity funds often compete for capital and talent. The intellectual capital and complementary skill set of hedge funds and private equity managers also can be leveraged within one combined organization to identify and realize new investment opportunities.

Growth and Returns of Larger Funds

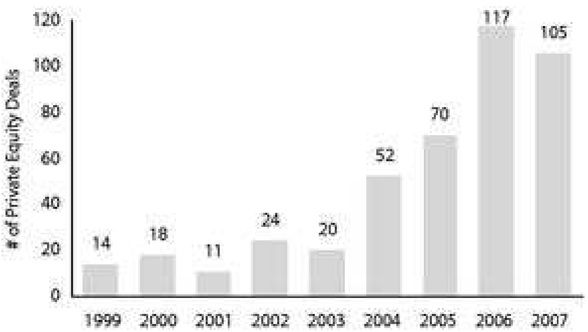
Institutional investors are attracted to larger funds with well-established track records, systems and operations, and advanced risk management capabilities. Managers of larger funds typically control multiple funds with various strategies. As a result, the number of larger funds in the private equity fund sector has increased in recent years. According to *Thomson Financial* , the percentage of new private equity buyout funds with more than $1 billion in capital raised increased from 4% of all new private equity buyout funds formed in 1996 to 25% by the end of 2007.

Further, "mega" private equity funds (typically private equity funds with more than $5 billion in AUM) have benefited from the increased fund size as the average annual returns for such mega funds are increasingly outperforming the returns of their smaller counterparts. Based on the data compiled by *Thomson Financial* , during the three-year span of 2004-2007, the average annual returns of the mega funds were approximately 31%, as opposed to the average returns of large ($2 billion to $5 billion in AUM) and mid-sized funds ($500 million to $2 billion in AUM) of 21%.

Increasing Size of Private Equity M&A Transactions

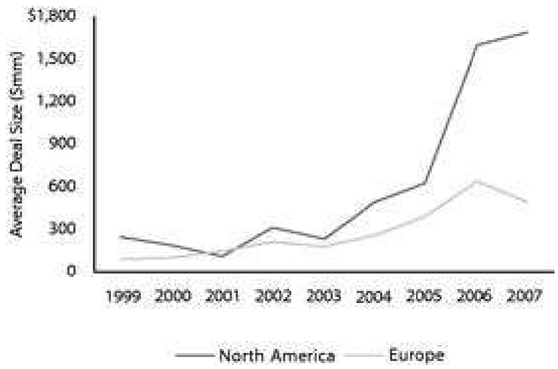
Over the past several years, a number of factors, including larger fund sizes, greater liquidity in the senior and high-yield debt markets, and joint buying power of consortiums, have collectively increased the volume of large, sponsor-driven M&A transactions. While the volume of large, sponsor-driven M&A transactions has slowed in 2008, globally, financial sponsors were involved in 105 buyout transactions valued at more than $1 billion in 2007, with a significant portion of these transactions resulting in the target going private. Furthermore, nine of the ten largest leveraged buyouts to date were announced since 2006 with an average transaction value of more than $30 billion.

$1 Billion+ Global Private Equity Buyout Deals



Source: Thomson Financial

Private Equity Buyout Average Deal Size



Source: Thomson Financial

Ability to Deliver Non-Correlated and Higher Risk-Adjusted Investment Returns

Private equity has historically been relatively uncorrelated to the real estate, public debt and equity markets. This low correlation to other asset classes has made private equity an attractive component of a diversified investment portfolio. The combination of low correlation and strong performance of private equity relative to other asset classes has been an important catalyst in the growth of the industry. By including private equity investments in their portfolios, investors often reduce portfolio volatility, increase portfolio duration and contribute to an overall improvement in a portfolio's risk/return profile.

Increased Sector Scrutiny

The institutionalization of the alternative asset management industry has required alternative asset managers to develop more advanced internal controls and management information systems, as large institutional investors require greater transparency and robust risk management systems. The larger, more institutionalized alternative asset managers are better positioned to develop these processes and controls. In addition, as the number of investors who invest their funds with alternative asset managers continues to expand, there has been increased regulatory attention to the sector. Particularly, recently introduced tax legislation would, if enacted, preclude alternative asset managers from qualifying for treatment as a partnership for U.S. federal income tax purposes under the publicly traded partnership rules and tax carried interest using income tax rates rather than capital gains tax rates.

BUSINESS

Overview

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.

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 disproportionate share of the investment gains that are generated on third-party capital that we invest and typically equals 20% of the net realized returns generated on private equity investments. Following the completion of the Transactions, our net income will also reflect returns on assets acquired from KPE.

We seek to consistently generate attractive investment returns by employing world-class people, following a patient and disciplined investment approach and driving growth and value creation in the investments that we acquire. Our investment teams have deep industry knowledge and are supported by a substantial and diversified capital base, an integrated global investment platform, the operational expertise of KKR Capstone consultants and our senior advisors and a worldwide network of business relationships that provide us with a significant source of investment opportunities, specialized knowledge during due diligence and substantial resources for creating and realizing value for stakeholders. We also believe that these aspects of our business will help us continue to expand and grow our business and deliver strong investment performance in a variety of economic and financial conditions.

The Transactions

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 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.

Prior to the completion of the KPE Transaction, we will complete the Reorganization Transactions pursuant to which our business will be reorganized under the Group Partnerships. 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. 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 under "Organizational Structure," 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.

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 and our industry leadership 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. Indeed, we would not be proceeding with the Transactions if we felt that they would move us away from our principles.

Sourcing Advantage

We believe that we have a competitive advantage for sourcing new investment opportunities as a result of our internal deal generation strategies, our industry expertise and our global network. Across our businesses, our investment professionals are organized into industry groups 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.

We also 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. 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 generate additional deal flow.

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. During 2007, we were named "Best Private Equity Firm" by *Global Finance* and "European Large Buyout Firm of the Year" by *Financial News* and the KKR Strategic Capital Funds were named "Hedge Fund Launch of the Year" by *Alternative Investment News* .

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 has 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 for during an investment period that typically lasts for six years and may remain invested for up to approximately 12 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 otherwise is 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.

Long-Standing Investor Relationships

Over our 32-year history, we have established strong relationships with investors that have allowed us to raise significant amounts of capital for investment in a broad range of asset classes. Our fund investors consist of a diversified group of investors, including some of the largest public and private pensions, global financial institutions, university endowments and other institutional and public market investors. Many of these investors have invested with us for decades across multiple funds that we have sponsored. More recently, we have expanded our investor base to include public market investors, such as mutual funds and hedge funds, through the listing of permanent capital vehicles, and we have developed relationships with new significant investors worldwide, providing us with an additional source of capital. We believe that the strength, breadth, duration and diversity of our investor relationships provide us with a significant advantage for raising capital from existing and new sources and will help us continue to grow our AUM.

Global Scale and Infrastructure

We are truly a global firm. With offices in 10 major cities on four continents, we have created an integrated global platform for sourcing and making investments in multiple asset classes and throughout the capital structure. 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 and across asset classes. Our investment processes are overseen by three committees that operate globally. These consist of our private equity investment committee, which reviews all investments made by our private equity funds, our debt investment committee, which reviews all investments made by our fixed income funds, and our portfolio management committee, which monitors the performance of our private equity investments. We believe that operating as a global and diversified firm that is centrally managed from the United States enhances the growth and stability of our business and helps optimize the decisions we make across asset classes and geographies.

Strong Relationships with Financial Leaders

We actively cultivate our relationships with major investment banking firms and other financial intermediaries and are among those firms' most significant clients. Our investment professionals meet regularly with major investment banking firms concerning potential investment opportunities, and we often work with the same group of financial institutions when seeking financing arrangements for our transactions. We believe that, as a result of our repeated and consistent dealings with the major financial services firms over a long period of time and our completion of a significant number of large transactions, we are frequently one of the first parties considered for a potential transaction. We also believe that our relationships with financial institutions and the credibility that we have established through our past successes help us obtain financing for our transactions at attractive prices and with favorable terms.

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 more than $1.9 billion of their personal capital in our portfolio companies and funds, and we and our people have been compensated substantially based on the performance of our funds and their investments. Through the Transactions, we will achieve an even greater alignment of interests with our constituencies 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. To ensure our interests remain aligned over the long-term, 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.

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. Our recent acquisition of Energy Future Holdings (previously known as TXU) is the largest leveraged buyout completed in the United States and a pioneering example of how a private equity investment can be a collaborative effort with environmentalists and labor organizations. Another example of innovation at a portfolio company is our use of a complex 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; a global network of leading business relationships; a reputation for integrity and fair dealing; creativity and innovation; and superior investment performance. The strength of our brand helps us attract world-class talent, raise capital, obtain access to investment opportunities and win deals. It has also provided us with a foundation to expand and diversify into new business lines. We intend to leverage the strength of our brand as we continue to grow our business.

Our Firm

History and Development

We were founded in 1976 as a private equity firm specializing in leveraged buyouts. We completed our first acquisition in 1977 with capital raised from a small group of investors in what was known as a "boot-strap financing" and, since that time, we have sponsored and managed a total of 17 investment funds and built a brand name, a global franchise, a broad investor base and a diversified investment institution. We have gained experience by investing in and managing companies throughout all economic cycles, both good and bad, providing us with significant experience for addressing the challenges of the current market environment. We now maintain offices in 10 major cities located across four continents and we have diversified our operations to include actively managing investments across a broad range of major asset classes and throughout a company's capital structure.

During the first 28 years of our operations, we focused our efforts primarily on building a leading private equity business. Our initial focus on private equity allowed us to develop and refine financial and structuring skills that we believe are prerequisites for success in any investment business. In 2000, we began placing a greater emphasis on the operational aspects of portfolio companies, which we believe is an essential component for creating value. Since then, our operational approach to building value in portfolio companies has become a fundamental part of our firm and a cornerstone of the way in which we do business. While we manage our firm and our investments differently today than we did during the earlier years of our development, we have not changed our principles, our performance- based culture or our investment objective, which is to generate large multiples of invested capital and attractive IRRs for investors.

Commencing in 2004, we began to actively pursue debt investments as a separate asset class through our formation of KFN 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. To support the operations of KFN, we hired additional investment professionals with significant experience evaluating and managing fixed income investments, including investments in corporate debt, bank loans, asset-backed securities, real estate assets and other credit products, and we built a platform for identifying, assessing, making, monitoring and exiting debt investments. The experience that we gained through our management and operation of KFN and the resources provided by these additional personnel created a strong foundation for growing our fixed income operations.

During 2007, we established a capital markets business in the United States, Europe and Asia to capitalize on our natural sourcing advantage, grow our capital raising capabilities, expand our distribution relationships and capture additional income streams. To facilitate capital markets transactions, we have 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. We have also hired experienced professionals with long-standing investor relationships and industry experience. Today, our capital markets activities are focused on our funds, our portfolio companies and our private equity and fixed income segments. Over time, we may expand our business and grow our capabilities in a manner that further compliments our business.

Global Operations

With offices in New York, Menlo Park, San Francisco, Houston, London, Paris, Hong Kong, Beijing, Tokyo and Sydney, we have established our firm as a leading global alternative asset manager. Our expansion outside of the United States began in 1995 when we made our first investment in Canada. Since that time, we have taken a long-term strategic approach to investing globally and have established a presence in Europe, Asia and Australia with multilingual and multicultural investment teams that have local market knowledge and significant business, investment and operational experience in the countries in which we invest. We believe that our global capabilities have assisted us in raising capital and capturing a greater number of investment opportunities, while enabling us to diversify our operations. From the time of the 1996 Fund's first investment through March 31, 2008, our 1996 Fund and subsequent funds collectively invested more than $14.5 billion of capital outside of North America.

The following table presents information concerning the composition of our private equity portfolio by country as of March 31, 2008. This information includes three private equity investments held by KPE and not held by our traditional private equity funds.

	Private Equity Portfolio	
Country	**Number of Investments**	**Fair Value**
	($ in millions)	
United States	25	$ 17,313.7
France	3	3,724.8
Netherlands	3	1,880.7
Germany	4	1,914.5
Australia	2	760.5
Singapore	2	843.2
Denmark	1	726.8
United Kingdom	2	3,313.9
Canada	2	244.1
India	2	463.3
China	1	227.2
Taiwan	1	270.9
Turkey	1	583.2
Japan	1	170.5
Total	50	$ 32,437.3

While our operations span multiple continents and asset classes, our investment professionals are supported by an integrated infrastructure and operate under a common set of principles and business practices that are monitored by our global committees. We believe that we have created a single culture that rewards investment discipline, creativity, determination and patience and the sharing of information, resources, expertise and best practices across our offices and asset classes. When appropriate, we staff transactions across multiple offices in order to take advantage of the industry-specific expertise of our investment professionals, and we hold regular meetings in which investment professionals throughout our offices share their knowledge and experiences. We believe that the ability to draw on the local cultural fluency of our investment professionals while maintaining a centralized and integrated global infrastructure distinguishes us from other alternative asset managers and has been a substantial contributing factor to our ability to raise funds, invest internationally and expand our business.

Our Team

Private Equity Professionals

We currently employ more than 100 investment professionals who focus primarily on private equity investments. These individuals come from diverse backgrounds in private equity, operations, strategic consulting and finance and include some of the most experienced private equity investors in the world. Over the past seven years, we have focused our senior-level private equity recruiting efforts on executives with significant operating experience, including former chief executive officers and chief financial officers of companies operating in a wide range of industry sectors. As a group, our private equity investment professionals provide us with a powerful global team for identifying businesses with durable competitive advantages; developing capital structures for portfolio companies that support their business strategies; working with management teams to build better and more competitive businesses; providing portfolio companies with access to a global network of resources that strengthen their operations; and creating value and generating superior returns.

Fixed Income Professionals

We currently employ more than 20 investment professionals who focus primarily on corporate debt investments. These individuals have backgrounds in debt investments, risk management, asset liability management, capital markets, finance and portfolio management and provide us with significant experience for managing our fixed income funds, structured finance vehicles and managed account platform. Our debt investment professionals have significant fixed income experience, including experience investing in and trading leveraged bank loans, second lien loans, high-yield bonds, subordinated bonds, mezzanine bonds, preferred stock, credit and interest rate derivative instruments, structured products, real-estate investments and other debt and equity investments. Together, they provide us with significant expertise for evaluating and managing credit risks and creating diversified investment portfolios of corporate debt investments that have the ability to generate attractive leverage-adjusted returns.

Senior Advisors

To complement the expertise of our investment professionals, we have retained a team of approximately 20 senior advisors to provide us with additional operational and strategic insights. The responsibilities of our senior advisors include serving on the boards of our portfolio companies, helping us evaluate individual investment opportunities and assisting our portfolio companies with operational matters. Our team of senior advisors currently includes Sir John Bond (the former Group Chairman of HSBC Holdings plc), Richard L. Clemmer (the former Chief Executive Officer of Agere Systems), David M. Cote (the Chairman and Chief Executive Officer of Honeywell International Inc.), George M.C. Fisher (the former Chairman and Chief Executive Officer of Eastman Kodak Company and the former Chairman and Chief Executive Officer of Motorola, Inc.), and Dr. Edward Tian Suning (the founder and Chairman of China Broadband Capital Partners L.P. and the Vice Chairman and former Chief Executive Officer of China Netcom Group) as well as other individuals who have held leading positions in major corporations and public agencies worldwide. Four of our senior advisors also participate on our portfolio management committee, which monitors the performance of our private equity investments.

Operating Consultants

We have developed an institutionalized process for creating value in our investments. As part of our effort, we utilize the services of KKR Capstone, a team of more than 30 operational consultants that works exclusively with our investment professionals and portfolio company management teams. With executives in New York, Menlo Park, London and Hong Kong, KKR Capstone provides us with additional expertise for assessing investment opportunities and assisting managers of our portfolio companies in defining strategic priorities and implementing operational changes. During the initial phases of an investment, KKR Capstone's work seeks to implement our thesis for value creation. Its consultants may assist our portfolio companies in addressing top-line growth, cost optimization and efficient capital allocation and in developing operating and financial metrics. Over time, KKR Capstone's work shifts to identifying challenges and taking advantage of business opportunities that arise during the life of an investment. While we do not require our portfolio companies to engage KKR Capstone, in our experience most portfolio company managers embrace its involvement as a result of the operational expertise and bottom-line focus of its consultants. In addition, to assist us with investments in the insurance industry, we have established an exclusive relationship with Fisher Capital, an insurance advisory firm that was founded by Jim Fisher after the successful sale of our investment in American Re-insurance, where Mr. Fisher served as the Chief Financial Officer.

Global Committees

Our investment processes are overseen by three committees that operate globally. These committees consist of separate investment committees for our private equity and fixed income funds and a portfolio management committee for our private equity funds. Our equity investment committee and our fixed income investment committee are responsible for reviewing and approving all investments made by our funds; monitoring due diligence practices; and providing advice in connection with the structuring, negotiation, execution and pricing of investments. Our portfolio management committee is responsible for working with our investment professionals from the date on which an investment is made by a private equity fund until the time the investment is exited in order to ensure that strategic and operational objectives are accomplished and that the performance of the investment is closely monitored. Our founders, Henry Kravis and George Roberts, are members of all of our committees. Other members consist of our senior principals. Our portfolio management committee is also advised by certain of our senior advisors and consultants from KKR Capstone.

Private Equity

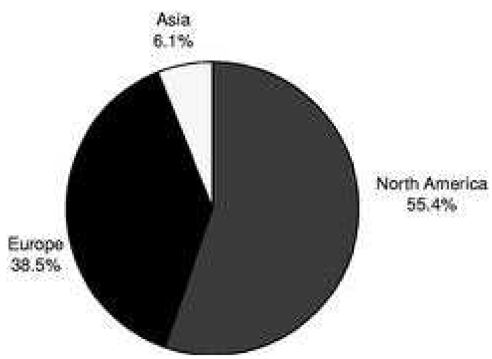
Through our private equity segment, we sponsor and manage a number of funds and co-investment vehicles that make primarily control-oriented investments in connection with leveraged buyouts and other similarly-yielding investment opportunities. Our private equity funds are managed by Kohlberg Kravis Roberts & Co. L.P. and currently consist of a number of private equity funds that have a finite life and investment period, which we refer to as traditional private equity funds, and KPE. We have also created a number of innovative private equity products, including 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 private equity transactions. As of March 31, 2008, our private equity segment had $46.7 billion of AUM, including $4.7 billion of permanent capital held by KPE, making us one of the largest private equity sponsors in the world.

Private Equity Experience

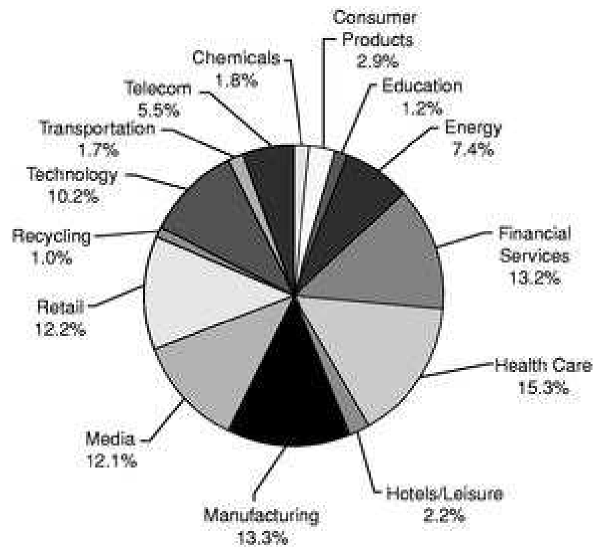
We are a world leader in private equity, having raised 14 traditional private equity funds with approximately $58.5 billion of capital commitments. We focus on the largest end of the private equity market, which allows us to invest in industry-leading franchises with global operations, attract world-class management teams, deploy large amounts of capital in individual transactions and optimize amounts of income that we earn on a per transaction basis. Our approach leverages our capital base, sourcing advantage, skill set, global network and infrastructure, industry knowledge, operating expertise, and unique access to KKR Capstone and our senior advisors, which we believe sets us apart from other private equity firms.

The following charts present information concerning the amount of capital invested by our 1996 Fund and subsequent traditional private equity funds by geography and industry from the time of the 1996 Fund's first investment through March 31, 2008. We believe that this data illustrates the benefits of our business approach and our ability to source and invest in deals in multiple industries and geographies. The predecessor combined financial statements included in this prospectus consolidate the 1996 Fund and subsequent traditional private equity funds.

Dollars Invested by Geography
(1996 Fund and Subsequent Funds as of March 31, 2008)



Dollars Invested by Industry
(1996 Fund and Subsequent Funds as of March 31, 2008)



Although we will not acquire interests in the general partners of the 1996 Fund or prior funds in connection with the Transactions, the 1996 Fund was significant to our operations during the periods for which historical information has been presented in this prospectus. The predecessor combined financial statements included in this prospectus consolidate the 1996 Fund and subsequent traditional private equity funds. If the 1996 Fund is not included in the "Dollars Invested by Geography" chart above, the share of dollars invested is 49.7% in North America, 42.9% in Europe and 7.4% in Asia. If the 1996 Fund is not included in the "Dollars Invested by Industry" chart above, the share of dollars invested in the following industries changed by at least 1.0%: Consumer Products (-1.1%), Healthcare (2.4%), Hotels/Leisure (-1.8%), Technology (2.1%) and Telecom (-2.0%).

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, defensible market positions and attractive growth prospects, which we believe will provide benefits through a broad range of business conditions, including the current economic cycle.

The following table presents information concerning the portfolio companies of our traditional private equity funds as of March 31, 2008.

Company Name	Year of Investment	Industry	Region
Bharti Infratel Ltd.	2008	Telecommunication	India
Legg Mason, Inc.	2008	Financial Services	United States
Northgate Information Solutions	2008	Technology	United Kingdom
Alliance Boots	2007	Health Care	United Kingdom
Biomet Inc.	2007	Health Care	United States
Dollar General Corporation	2007	Retail	United States
Energy Future Holdings Corp.	2007	Energy	United States
First Data Corporation	2007	Financial Services	United States
Harman International	2007	Consumer	United States
Laureate Education, Inc.	2007	Education	United States
MMI Holdings Ltd.	2007	Technology	Singapore
ProSiebenSat.1 Media AG	2007	Media	Germany
Tarkett S.A.	2007	Manufacturing	France
Tianrui Group Cement Co., Ltd.	2007	Manufacturing	China
U.N Ro-Ro Isletmeleri A.S.	2007	Transportation	Turkey
US Foodservice	2007	Retail	United States
Yageo Corporation	2007	Technology	Taiwan
Aricent Technologies	2006	Technology	India
AVR Bedrijven N.V.	2006	Recycling	The Netherlands
BIS Industries Limited	2006	Industrial	Australia
Capmark Financial Group Inc.	2006	Financial Services	United States
HCA	2006	Health Care	United States
KION Group	2006	Manufacturing	Germany
Nielsen Co	2006	Media	United States
NXP (Philips Semiconductors)	2006	Technology	The Netherlands
PagesJaunes Groupe	2006	Media	France
Seven Media Group	2006	Media	Australia
TDC A/S	2006	Telecommunication	Denmark
Accellent	2005	Health Care	United States
Avago Technologies Ltd.	2005	Technology	Singapore
Duales System Deutschland	2005	Recycling	Germany
Masonite International Corporation	2005	Manufacturing	Canada
SunGard Data Systems, Inc.	2005	Technology	United States
Toys 'R' Us, Inc.	2005	Retail	United States
Auto-Teile-Unger Holding GmbH	2004	Retail	Germany
Jazz Pharmaceuticals, Inc.	2004	Health Care	United States
Maxeda	2004	Retail	The Netherlands
Sealy Corporation	2004	Consumer	United States
Visant Corporation	2004	Media	United States
KSL Holdings	2003	Hotel/Leisure	United States
Legrand Holdings S.A.	2002	Manufacturing	France
NuVox Communications, Inc.	2000	Telecommunication	United States
Rockwood Holdings, Inc.	2000	Chemicals	United States
Zhone Technologies	1999	Telecommunication	United States
Boyds Collection, Limited	1998	Consumer	United States
MedCath Corporation	1998	Health Care	United States
PRIMEDIA Inc.	1989	Media	United States

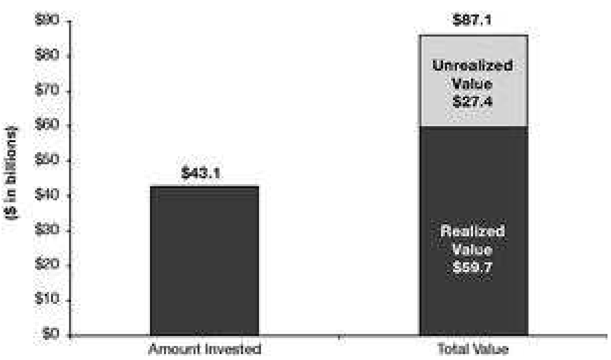
We believe that our broad and deep experience and long-term track record of investing large amounts of capital in a wide range of industry sectors and geographical regions and economic and financial conditions are among the many factors that distinguish our private equity business. Over our 32-year history, we have consistently lead the private equity industry, including completing:

- the first leveraged buyout in excess of $1 billion;
- the first buyout of a public company by tender offer;
- several of the largest leveraged buyouts worldwide to date;
- more than 165 private equity investments with a total transaction value in excess of $420 billion; and
- the three largest private equity transactions in Canada, two of the largest leveraged buyouts in France and the largest leveraged buyouts in each of the United States, Denmark, the Netherlands, Turkey, India and Singapore.

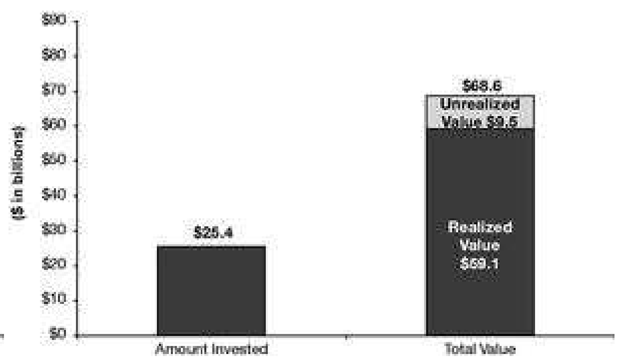
We take a long-term approach to private equity investments and measure the success of our investments over a period of years rather than months. Given the duration of our private equity investments, we focus on generating large multiples of invested capital and attractive IRRs when deploying capital in private equity transactions.

Since our inception, we have completed more than 165 private equity investments involving an aggregate transaction value of more than $420 billion. 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. 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



Additionally, because our emphasis on generating large multiples of invested capital and attractive IRRs has produced significant cash flows for our fund investors, we believe that our private equity approach has also been an important contributor to the extended relationships that we have developed with our investor base. The following table presents information concerning the total distributions to investors made by our traditional private equity funds during the periods indicated.

	Year Ended December 31,						
Year	**2003**	**2004**	**2005**	**2006**	**2007**	**2008 (through March 31)**	**Total**
				($ in millions)			
Distributions to Investors	$ 3,016	$ 7,035	$ 3,569	$ 5,251	$ 4,319	$ 228	$ 23,418

From our inception in 1976 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 the cyclical and sometimes challenging environments in which we have operated. The S&P 500 Index is an unmanaged index and its returns assume reinvestment of dividends and do not reflect any fees or expenses.

The table below presents information as of March 31, 2008 relating to the historical performance of each of our traditional private equity funds since our inception, which we believe illustrates the benefits of our approach to making private equity investments. This data does not reflect additional capital raised since March 31, 2008 or acquisitions or disposals of investments, changes in investment values or distributions occurring after that date. We encourage you to review the cautionary note below for a description of reasons why the future results of our private equity funds may differ from the historical results of our private equity funds. You should also see "Private Equity Valuations and Related Data" for a description of how the values below were calculated.

	Amount		Fair Value of Investments					Multiple of
Private Equity Fund(1)(2)	**Committed**	**Invested**	**Realized**	**Unrealized**	**Total**	**Gross IRR**	**Net IRR**	**Invested Capital**
				($ in millions)				
Historical Excluded Funds(3)								
1976 Fund	$ 31	$ 31	$ 537	$ —	$ 537	39.5%	35.5%	17.1
1980 Fund	357	357	1,828	—	1,828	29.0%	25.8%	5.1
1982 Fund	328	328	1,290	—	1,290	48.1%	39.2%	3.9
1984 Fund	1,000	1,000	5,963	—	5,963	34.5%	28.9%	6.0
1986 Fund	672	672	9,081	—	9,081	34.4%	28.9%	13.5
1987 Fund	6,130	6,130	14,779	120	14,899	12.1%	8.9%	2.4
1993 Fund	1,946	1,946	4,128	15	4,143	23.6%	16.8%	2.1
1996 Fund	6,012	6,012	11,149	1,100	12,249	18.3%	13.5%	2.0
Included Funds(4)								
European Fund (1999)(5)	3,085	3,085	5,450	2,485	7,935	29.4%	22.1%	2.6
Millennium Fund (2002)	6,000	5,866	4,956	5,765	10,721	37.2%	27.4%	1.8
European Fund II (2005)(6)(7)	5,752	5,530	563	5,487	6,050	*	*	*
2006 Fund(7)	17,642	11,396	—	11,541	11,541	*	*	*
Asian Fund (2007)(7)	4,000	564	—	646	646	*	*	*
European Fund III (2008)(7)(8)	5,516	194	—	194	194	*	*	*
Total Funds(7)	$ 58,471	$ 43,111	$ 59,724	$ 27,352	$ 87,076	26.2%	20.1%	2.7
Total Funds in Accounting Predecessor (1)(9)	$ 48,007	$ 32,647	$ 22,118	$ 27,218	$ 49,336	22.5%	17.1%	2.1
Total Included Funds(10)	$ 41,995	$ 26,635	$ 10,969	$ 26,118	$ 37,087	32.0%	24.1%	2.1

(1) The predecessor combined financial statements included in this prospectus consolidate the 1996 Fund and subsequent traditional private equity funds. We will not acquire interests in the general partners of the 1996 Fund and prior funds in connection with the Transactions, because those general partners are not expected to receive meaningful proceeds from further realizations. 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" and "Unaudited Pro Forma Financial Information."

(2) None of our private equity funds are registered as investment companies under the Investment Company Act. The management company for each of our private equity funds is Kohlberg Kravis & Roberts & Co. L.P., which receives the management fees that are paid by our traditional private equity funds. These management fees are calculated based on the amount of capital committed to a fund during the investment period and thereafter on the cost basis of the fund's remaining investments. We also generally receive periodic monitoring fees in exchange for providing our portfolio companies with management, consulting and other services, and we typically receive transaction fees from portfolio companies for providing them with financial advisory and other services in connection with specific transactions. Each fund's general partner is generally entitled to a carried interest that allocates to it 20% of the net profits realized from the fund's investments. See "—Traditional Private Equity Funds."

(3) The last investment for each of the 1976 Fund, 1980 Fund, the 1982 Fund, the 1984 Fund and the 1986 Fund was liquidated on May 14, 2003, July 11, 2003, December 11, 1997, July 17, 1998 and December 29, 2004, respectively. The 1987 Fund and the 1993 Fund currently each have one investment, and it is not known when those investments will be liquidated. In the case of the 1976 Fund and the 1980 Fund, the last distributions made to fund investors occurred on May 17, 2002 and December 14, 1999, respectively.

(4) The Included Funds represent the funds in which we will acquire an interest in connection with the Transactions.

(5) The European Fund's capital commitments include euro-denominated commitments of €196.5 million. We have converted these amounts into U.S. dollars based on the foreign exchange rate at the date of purchase for each investment.

(6) The European Fund II's capital commitments include euro-denominated commitments of €2,597.2 million. We have converted these amounts into U.S. dollars based on (i) the foreign exchange rate at the date of purchase for each investment and (ii) the exchange rate prevailing on March 31, 2008 in the case of unfunded commitments.

(7) The gross IRR, net IRR and multiple of invested capital are calculated based on our first ten traditional private equity funds, which represent all of our private equity funds that have invested for at least 36 months prior to March 31, 2008. The European Fund II, the 2006 Fund, the Asian Fund and the European Fund III had not invested for at least 36 months as of March 31, 2008. We therefore have not calculated gross IRRs, net IRRs and multiples of invested capital with respect to those funds as of March 31, 2008.

(8) The European Fund III's capital commitments include euro-denominated commitments of €2,373 million. We have converted these amounts into U.S. dollars based on (i) the foreign exchange rate at the date of purchase for each investment and (ii) the exchange rate prevailing on March 31, 2008, in the case of unfunded commitments.

(9) The gross IRR, net IRR and multiple of invested capital for the Accounting Predecessor are calculated based on the 1996 Fund, the European Fund and the Millennium Fund, which represent the funds in the Accounting Predecessor, which had invested for at least 36 months as of March 31, 2008.

(10) The gross IRR, net IRR and multiple of invested capital for the Included Funds are calculated based on the European Fund and the Millennium Fund, which represent the funds in the Included Funds that had invested for at least 36 months as of March 31, 2008.

Private Equity Investment Approach

Our approach to making private equity investments focuses on achieving large multiples of invested capital and attractive IRRs by selecting high-quality investments that may be made at attractive prices, applying rigorous standards of due diligence when making investment decisions, implementing strategic and operational changes that drive value creation in the businesses we acquire, carefully monitoring investments and making informed decisions when developing investment exit strategies. We believe that we have achieved a leading position in the private equity industry by applying a disciplined investment approach and by building strong partnerships with highly motivated management teams who put their own capital at risk. When making private equity investments, we seek out large capitalization companies with strong business franchises, attractive growth prospects, defensible market positions and the ability to generate attractive returns. We do not participate in "hostile" transactions that are not supported by a target company's board of directors.

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).

Sourcing and Selecting Investments

We have access to significant opportunities for making private equity investments as a result of our sizeable capital base, our global infrastructure and our 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. Members of our global network frequently contact us with new investment opportunities, including a substantial number of exclusive investment opportunities and opportunities that are made available to only a very limited number of other firms, which has generated substantial deal flow for us. We also proactively pursue business development strategies that are designed to generate deals internally based on the depth of our industry knowledge and our reputation as a leading financial sponsor.

To enhance our ability to identify and consummate private equity investments, we have organized our private equity professionals in industry-specific teams that focus on the nine industry sectors in which we are most active: chemicals; consumer products; energy and natural resources; financial services; health care; industrial; media and communications; retail and technology. Our industry teams 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. These industry teams possess a detailed understanding of the economic drivers, opportunities for value creation and strategies that can be designed and implemented to improve companies across the industries in which we invest. Former operating executives have recently joined our firm to augment our industry teams and lend an additional operating perspective to our investment analyses.

We believe that our industry-specific expertise provides us with important proprietary investment opportunities and provides us with a significant advantage when investing in more complex and regulated industries, such as banking, insurance and power generation and transmission. Utilizing our insights and industry contacts to access new markets or target strategic acquisitions also helps us when we work with management teams to develop value-creating strategies and, in some instances, can lead to additional revenue opportunities for our portfolio companies.

Due Diligence and the Investment Decision

When an investment team determines that an investment proposal is worth consideration, the proposal is formally presented to our private equity investment committee and the due diligence process commences. The objective of the due diligence process is to identify attractive investment opportunities based on the facts and circumstances surrounding an investment and to prepare a framework that may be used from the date of an acquisition to drive operational improvement and value creation. When conducting due diligence, our investment teams evaluate a number of important business, financial, tax, accounting, environmental and legal issues in order to determine whether an investment is suitable. In connection with the due diligence process, our investment professionals spend significant amounts of time meeting with a company's management and operating personnel, visiting plants and facilities and speaking with customers and suppliers in order to understand the opportunities and risks associated with the proposed investment. Our investment professionals also use the services of outside accountants, consultants, lawyers, investment banks and industry experts as appropriate to assist them in this process. These due diligence practices are monitored by our equity investment committee, which must approve an investment before it may be made, and often provide important insights for creating value once an investment is completed.

Building Successful and Competitive Businesses

When investing in a portfolio company, we partner with world-class management teams to execute on our investment thesis, and we 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 executives, our senior advisors and our investment teams and with "100-Day Plans" that focus our efforts and drive our strategies. We emphasize efficient capital management, top-line growth, R&D spending, geographical expansion, cost optimization and investment for the long-term.

Realizing Investments

We have developed substantial expertise for realizing private equity investments. From our inception through March 31, 2008, we generated approximately $59.7 billion of cash proceeds from the sale of our portfolio companies in initial public offerings, secondary offerings, recapitalization, and sales to strategic buyers. When we exit an investment, our objective is to structure the exit in a manner that optimizes returns for investors and, in the case of publicly traded companies, minimizes the impact that the exit has on the trading price of the company's securities. We believe that our ability to successfully realize investments is attributable in part to the strength and discipline of our portfolio management committee and our longstanding relationships with corporate buyers and members of the investment banking and investing communities.

Traditional Private Equity Funds

Overview

Most of the private equity funds that we sponsor and manage have finite lives and investment periods. These funds are organized as limited partnerships and are controlled by a general partner. Fund investors are limited partners who agree to contribute capital to the fund from time to time for use in qualifying investments during the investment period, which generally lasts up to six years depending on how quickly we are able to deploy the capital. Each fund's general partner is entitled to a carried interest that allocates to it 20% of the net profits realized from the fund's investments. The instruments governing our traditional private equity funds include clawback provisions that require the general partner of a fund to repay any excess amounts previously received in respect of its carried interest if, upon liquidation of the fund, the general partner has received carried interest distributions in excess of the amount to which it is entitled under the governing documents of the fund. This feature operates only with respect to the investments of an individual fund and does not provide for netting of gains and losses across funds.

We enter into management agreements with our traditional private equity funds pursuant to which we generally receive management fees in exchange for providing the funds with management and other services. These management fees are calculated based on the amount of capital committed to a fund during the investment period and thereafter on the cost basis of the fund's investments, which causes the fees to be reduced over time as investments are liquidated. These management fees are paid by our fund investors, who generally contribute capital to the fund in order to allow the fund to pay the fees to us. Our funds generally allocate management fees across individual investments and, as and when an investment generates returns, 20% of the allocated management fee is deducted from the carried interest that we would otherwise receive.

We also generally enter into monitoring agreements with our portfolio companies pursuant to which we receive periodic monitoring fees in exchange for providing them with management, consulting and other services, and we typically receive transaction fees from portfolio companies for providing them with financial advisory and other services in connection with specific transactions. In some cases, we may be entitled to other potential fees that are paid by an investment target when a potential investment is not consummated. Our traditional private equity fund agreements typically require us to share a portion of any advisory and other potential fees that are allocable to a fund with fund investors in the form of a management fee reduction after reduction for certain expenses. These management fee reductions typically amount to 80% of the amount of the monitoring, transaction and other potential fees that are reasonably allocable to a fund.

In addition, the agreements governing our traditional private equity funds enable investors in those funds to reduce their capital commitments available for further investments, on an investor-by-investor basis, in the event certain "key persons" in our investment funds (for example, both of Messrs. Kravis and Roberts) generally cease to actively manage the fund. While these provisions do not allow investors to withdraw capital that has been invested or cause a fund to terminate, the occurrence of a "key man" event could cause disruption in our business, reduce the amount of capital that we have available for future investments and make it more challenging to raise additional capital in the future.

Because fund investors typically are unwilling to invest their capital in a fund unless the fund's manager also invests its own capital in the fund's investments, our private equity fund documents generally require the general partners of our traditional private equity funds to make minimum capital commitments to the funds. The amounts of these commitments, which are negotiated by fund investors, generally range from 2% to 4% of a fund's total capital commitments at final closing. When investments are made, the general partner contributes capital to the fund based on its fund commitment percentage and acquires a capital interest in the investment that is not subject to a carried interest. Historically, these capital contributions have been funded with cash from operations that otherwise would be distributed to our principals and by our principals.

In addition, our principals and certain other qualifying employees are permitted to invest and have invested their own capital in side-by-side investments with our traditional private equity funds. Side-by-side investments are investments made on the same terms and conditions as those available to the applicable fund, except that these side-by-side investments are not subject to management fees or a carried interest. We believe that these investments, which require our people to put their own capital at risk, are an important means of our aligning the interests of our people with those of our investors.

In connection with the Reorganization Transactions, 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. We will, however, be required to fund the general partners' obligations with respect to future investments and we will record investment income to the extent that those investments generate profits. In addition, we will not acquire any interest in any side-by-side investments in our portfolio companies that our personnel have made alongside our funds.

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. While the general partners and investment advisers to our private equity funds, including their directors, officers, other employees and affiliates, are generally indemnified by the private equity funds 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.

The table below presents information as of March 31, 2008 relating to the traditional private equity funds in which we will acquire a general partner interest as part of the Reorganization Transactions. This data does not reflect acquisitions or disposals of investments, changes in investment values or distributions occurring after March 31, 2008.

	As of March 31, 2008								
	Investment Period		Amount					Outstanding Investments	
Private Equity Fund	Commencement Date(1)	End Date(2)	Committed(3)	% Committed by General Partner	Invested by Fund	Realized(4)	Remaining Cost(5)	Fair Value(6)	Fair Value Allocable to General Partner (7)
	($ in millions)								
European Fund III (2008)	3/2008	3/2014	$ 5,515.9	5.3%	$ 193.7	—	$ 193.7	$ 193.7	$ 8.6
Asian Fund (2007)	7/2007	7/2013	4,000.0	2.5%	564.0	—	564.0	645.8	32.1
2006 Fund	9/2006	9/2012	17,642.1	2.1%	11,396.2	—	11,396.2	11,540.5	285.6
European Fund II (2005)	11/2005	11/2011	5,751.5	2.1%	5,530.0	$ 563.0	5,313.5	5,486.6	96.3
Millennium Fund (2002)	12/2002	12/2008	6,000.0	2.5%	5,866.0	4,956.0	4,889.7	5,764.9	330.0
European Fund (1999)	12/1999	12/2005	3,085.4	3.2%	3,085.0	5,450.0	1,168.6	2,485.2	330.1

(1) The commencement date represents the date on which the general partner of the applicable fund commenced investment of the fund's capital.

(2) The end date represents the date on which the general partner of the applicable fund was or will be required by the fund's governing agreement to cease making investments on behalf of the fund, unless extended by a vote of the fund investors.

(3) The amount committed represents the aggregate capital commitments to the fund, including capital commitments by third-party fund investors and the general partner. We have converted the amounts committed into U.S. dollars based on (i) the foreign exchange rate at the date of purchase for each investment and (ii) the exchange rate that prevailed on March 31, 2008, in the case of unfunded commitments.

(4) The amount realized represents the amount of capital actually realized by the fund through disposition of and income from investments as of March 31, 2008.

(5) Remaining cost represents the amount of capital invested by the applicable fund to acquire its unrealized investments that has not been returned to investors through disposition of investments or otherwise.

(6) Fair value represents our determination of the fair value of the applicable fund's unrealized investments. Please see "Private Equity Valuations and Related Data" for a discussion of the valuation methodologies we employ in making such determinations.

(7) Fair value applicable to general partner represents that portion of a fund's fair value that is allocable to its general partner as a result of (i) the general partner's capital commitment to the fund and (ii) the general partner's right to carried interest.

Global Private Equity Funds

Our global private equity funds make private equity investments that we source worldwide, but focus most of their investment activities in North America. These funds generally participate in all investments that we source for our European and Asian private equity funds based on allocation criteria set forth in the agreement governing the funds. In connection with the Transactions, we will acquire interests in the general partners of our two most recent global private equity funds: the Millennium Fund and the 2006 Fund. The 2006 Fund is one of the largest private equity funds ever raised.

The Millennium Fund received $6.0 billion of capital commitments as of its final closing, of which $5.9 billion had been invested as March 31, 2008. The 2006 Fund received $17.6 billion of capital commitments as of its final closing, of which $11.4 billion had been invested as of March 31, 2008 and $6.2 billion remained available for future investments. Collectively, these funds had outstanding investments in 42 portfolio companies operating in 14 different industry sectors. These investments had a fair value of $17.3 billion and a remaining cost of $16.3 billion as of March 31, 2008.

European Private Equity Funds

Our European private equity funds make private equity investments that we source in Europe, although they are permitted to make investments in other jurisdictions (but generally not the United States and Canada). In connection with the Transactions, we will acquire interests in the general partners of each of our European private equity funds: the European Fund, the European Fund II and the European Fund III.

The European Fund and the European Fund II received $3.1 billion and $5.8 billion of capital commitments as of their respective final closings. All of the capital commitments made to the European Fund have been invested, and $5.5 billion of the capital commitments made to the European Fund II have been invested. The European Fund III, which held an initial closing in the first quarter of 2008, had received an aggregate of $5.5 billion of capital commitments as of March 31, 2008, of which $0.2 billion had been invested and $5.3 billion remained available for future investments. Collectively, our European private equity funds had outstanding investments in 18 portfolio companies operating in 9 different industry sectors as of March 31, 2008. These investments had a fair value of $8.2 billion and a remaining cost of $6.7 billion as of such date.

Asian Private Equity Fund

Our Asian Fund is our first private equity fund that is dedicated to making investments in the Asia-Pacific region, and we will acquire interests in the general partner of this fund in connection with the Transactions. The fund received $4.0 billion of capital commitments as of its final closing, of which $564.0 million had been invested and $3.4 billion remained available for future investments as of March 31, 2008. The fund had outstanding investments in four portfolio companies operating in three different industry sectors as of March 31, 2008. These investments had a fair value of $645.8 million and a remaining cost of $564.0 million as of such date.

Legacy Private Equity Funds

The investment period for each of the 1987 Fund, the 1993 Fund and the 1996 Fund has ended. Because the general partners of these funds are not expected to receive meaningful proceeds from further realizations, we will not acquire general partner interests in them in connection with the Transactions. We will, however, continue to provide the legacy funds with management and other services until their liquidation. While we do not expect to receive meaningful fees for providing these services, we do not believe that the ongoing administration of the funds will interfere with our operations or cause us to incur any material costs.

KPE

KPE is a Euronext Amsterdam-listed 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. 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.

Pursuant to the purchase and sale agreement that we have entered into with KPE, we have agreed to acquire all of the assets of KPE, including all of its interests in the Acquired KPE Partnership, and assume all of the liabilities of KPE and its general partner, in exchange for our common units and CVIs. We intend to manage assets acquired from KPE 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. The assets that we will acquire will provide us with a significant source of capital to further grow and expand our business, increase our participation in our existing portfolio of businesses and further align our interests with our investors and other stakeholders. See "The KPE Transaction" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Segments—Principal."

From the commencement of KPE's operations on May 10, 2006 through March 31, 2008, the Acquired KPE Partnership generated a net loss of $16.5 million and made $98.1 million of distributions, and the net assets of the Acquired KPE Partnership that were allocable to fund investors decreased by $114.6 million to $4.7 billion as of March 31, 2008. Excluding temporary investments, the Acquired KPE Partnership's outstanding investments had a fair value of $5.9 billion as of March 31, 2008, of which 67% was attributable to investments in North America, 27% was attributable to investments in Europe and 7% was attributable to investments in Asia. The following table presents information concerning the fair value of these investments as of the date indicated.

	As of March 31, 2008
Investment Type	**Fair Value**
Private equity	$ 5,430
Fixed income	281
Public equity	160
Total investments	$ 5,871

In order to maximize the amount of capital deployed at any time, KPE adopted an over-commitment approach for making investments through the Acquired KPE Partnership. As of March 31, 2008, the Acquired KPE Partnership had committed to fund $878 million of equity invested in our future private equity transactions.

Other Private Equity Products

In addition to our private equity funds, we have recently developed a number of innovative private equity products and investment structures to allow a broader base of investors to participate in our deals and increase the amount of capital that we may commit to transactions, grow our AUM and capture additional income streams. These products also help us avoid partnering with large consortia of private equity firms and thereby allow us to retain greater operational and economic control over our portfolio companies.

Co-Investment Structures

The proportion of equity used to finance leveraged buyouts has increased significantly in recent years, creating significant opportunities to offer co-investment opportunities to both fund investors and other third parties. We have capitalized on this opportunity by building out our capital markets and distribution capabilities and creating co-investment structures that allow us to syndicate a portion of the equity that we use to finance acquisitions. Our co-investment structures include non-carry yielding co-investment vehicles as well as carry-yielding co-investment vehicles that allow us to capture a greater share of the economics generated by our transactions. In connection with the Transactions, we will acquire interests in all of the carry-yielding co-investment vehicles that we have established.

Principal Protected Private Equity Product

The principal protected private equity product allows investors who value downside protection or are limited in their ability to invest directly in private equity, such as financial institutions that are subject to capital adequacy requirements, to obtain exposure to private equity transactions by investing in securities that are principal protected and financially guaranteed by a financial institution with a long-term credit rating of "AA" from S&P and "Aa1" from Moody's. The entities we manage underlying principal protected private equity product was launched on November 30, 2007 and invests in (i) several co-investment vehicles that we sponsor, (ii) KPE, (iii) public market investments that we identify and (iv) a U.S. Treasury bond index, which is used to facilitate capital preservation. We will acquire the general partner interests in the principal protected private equity product in connection with the Transactions.

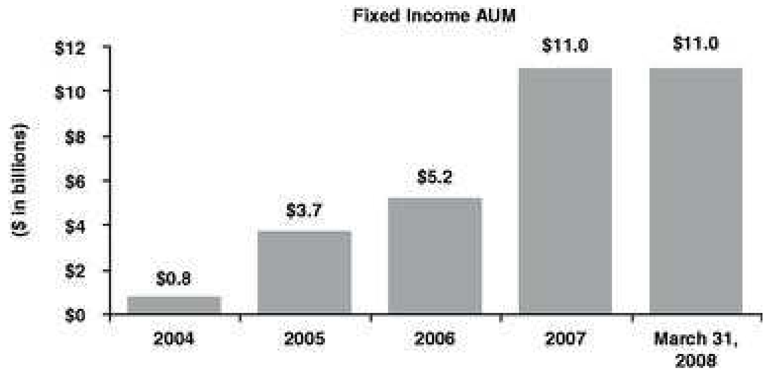
The principal protected private equity product has a maturity of 14 years. Investors are permitted to redeem a portion of their interests in the product during annual redemptions beginning at the end of the tenth year. We earn a management fee generally equal to between 1.25% and 1.5% of the NAV of the product (excluding the U.S. Treasury bond index), less any management fees that are paid to a fund in which the product invests, and the financial guarantor earns a "wrap" fee equal to 1.5% of the capital invested in the product. We are entitled to receive a 20% carried interest on the net realized returns generated on co-investments as well as incentive distributions that allocate 20% of the appreciation in the public market investments, subject to a "high-water" mark.

Fixed Income

We believe the experience of our people, our global platform and our ability to effectively adapt our investment strategies to different market conditions allow us to capitalize on investment opportunities 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 private and publicly traded fixed income funds, structured finance vehicles and managed accounts that focus on corporate debt investments. Our fixed income funds consist of KFN, an NYSE listed specialty finance company, and the KKR Strategic Capital Funds, which consist of three side-by-side entities that invest primarily in corporate debt of performing and non-performing companies.

As of March 31, 2008, our fixed income segment had $11.0 billion of AUM, including $1.1 billion of AUM at KFN, $1.7 billion of AUM at the KKR Strategic Capital Funds, which consist of three side-by-side entities, and $8.2 billion of AUM at structure finance vehicles. We earn management fees for managing our fixed income funds based on the amount of capital under management in the funds as well as incentive fees based on the performance of the funds' investments. We have a right to earn management fees for managing our structured finance vehicles based on the amount of investments under management within each vehicle. Our managed account platform generally provides for the payment of fees that vary based on the nature of the investment program.

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.



Fixed Income Experience

We commenced our fixed income operations in August 2004 with the formation of KFN in order to develop a permanent capital base, diversify our operations and capture opportunities to make debt investments. In connection with the formation of KFN, we hired additional investment professionals with significant experience evaluating and managing debt investments, including investments in corporate loans and debt securities, residential mortgage investments and other fixed income products, and we built a platform for identifying, assessing, executing, monitoring and realizing debt investments. In October 2006, we launched the KKR Strategic Capital Funds, three private side-by-side fixed income funds. To continue this growth, we are currently expanding our debt operations in both Europe and Asia and have recently created a separately managed account platform for fixed income investors.

When considering the data for our fixed income funds, you should bear in mind that the historical results of our fixed income funds are not indicative of the future results that our funds may achieve and that the unrealized values presented herein may not be realized in the future. For example, as described below under "—KFN," in May 2007 KFN consummated a restructuring plan that significantly affected the allocation of the fund's investments among various asset classes and impacted its results. In addition, unlike most of our private equity funds, our fixed income funds invest in a wide variety of asset classes, which may generate a broad range of yields and cause future results to differ from time to time based on relative asset allocations.

Fixed Income Investment Approach

Our approach to making debt investments focuses on creating investment portfolios that generate attractive leveraged risk-adjusted returns on invested capital by using leverage, allocating capital across multiple asset classes, selecting high-quality investments that may be made at attractive prices, applying rigorous standards of due diligence when making investment decisions, subjecting investments to regular monitoring and oversight and making buy and sell decisions based on price targets and relative value parameters. We employ both "top-down" and "bottom-up" analyses when making debt investments. Our top-down analysis involves a macro analysis of relative asset valuations, long-term industry trends, business cycles, interest rate expectations, credit fundamentals and technical factors to target specific industry sectors and asset classes in which to invest. Our bottom-up analysis includes a rigorous analysis of the credit fundamentals and capital structure of each credit considered for investment and a thorough review of the impact of credit and industry trends and dynamics and dislocation events on such potential investment.

Sourcing and Selecting Investments

We source debt investment opportunities through a variety of channels, including our internal deal generation strategies and our access to a global network of contacts at major companies and corporate executives, commercial and investment banks, financial intermediaries and other investment and advisory institutions. Our fixed income funds are also regularly provided with opportunities to invest in debt that our portfolio companies incur in connection with our private equity investments. These opportunities may be significant. As of March 31, 2008, our fixed income funds held investments totaling $4.7 billion in senior and subordinated corporate loans, bridge loans and debt securities of our portfolio companies.

Due Diligence and the Investment Decision

Once a potential investment has been identified, our fixed income professionals screen the opportunity and make a preliminary determination concerning whether we should proceed with a due diligence investigation. When evaluating the suitability of a debt investment, we employ a relative value framework and subject the investment to a rigorous credit analysis. Our review considers, among other things, pricing terms, expected returns, credit structure, credit ratings, historical and projected financial data, the company's competitive position, the quality and track record of the company's management team, margin stability and industry and company trends. Our fixed income professionals use the services of outside accountants, consultants, lawyers, investment banks and industry experts as appropriate to assist them in the due diligence process and, when relevant and permitted, leverage the knowledge and experience of our private equity professionals. These due diligence practices are monitored by our fixed income investment committee, which must approve an investment before it may be made.

Monitoring Investments

We monitor our portfolios of debt investments using daily, quarterly and annual analyses. Our daily analyses includes morning market meetings, industry and company pricing runs, industry and company reports and discussions with our private equity investment professionals on an as-needed basis. Our quarterly analyses include the preparation of quarterly operating results, reconciliations of actual results to projections, updates to financial models (baseline and stress cases) and reviews of portfolios of debt by our fixed income investment committee. Our annual analyses involve preparing annual credit memoranda, conducting internal audits and testing compliance with monitoring and documentation requirements.

KFN

Overview

KFN is a specialty finance company that commenced operations in July 2004 to invest in a broad range of investments. It is traded on the NYSE under the symbol "KFN" and, through March 31, 2008, had issued more than $2.1 billion of common shares to investors through public and private offerings. Approximately $141.3 million of this capital was contributed by our principals in their personal capacity. We have received restricted shares and options from KFN (representing 2.0% of KFN's equity on a fully diluted basis as of March 31, 2008) as part of the consideration paid to us for providing management services. Such equity has been allocated to our personnel and will not be acquired in connection with the Transactions. While KFN is managed by us, it is not consolidated in our predecessor combined financial statements due to the fact that is not under the common control of our senior principals or required to be consolidated as a variable interest entity.

Management and Incentive Fees

We have entered into a services agreement with KFN pursuant to which we have agreed to provide it with management and other services. In exchange for providing these services, we are entitled to receive:

- a monthly base management fee of 1.75% that is computed based on KFN's equity (which generally is calculated as the sum of the aggregate net proceeds from (i) the issuance of its common or preferred shares, (ii) the sales of trust preferred securities issued after June 15, 2007, (iii) the sales of any securities convertible into common shares or any other securities classified as "equity" and pre-approved by KFN's board of directors and (iv) the sales of any securities that do not constitute indebtedness on its financial statements according to GAAP, in each case deducting any underwriting discounts, commissions, retained earnings (less repurchased or repaid securities classified as "equity") and other expenses and costs relating to the issuance or sales. This calculation will be adjusted to exclude non-cash charges approved by a majority of KFN's independent directors and discussed with us as well as special one-time events pursuant to changes in GAAP); and

- a quarterly incentive fee that is generally equal to the amount by which KFN's (i) net income (before incentive fees and stock-based compensation expenses) per weighted average share of its common stock for the quarter exceeds (ii) an amount equal to (A) the weighted average price at which its common stock was issued multiplied by the (B) the greater of (1) 2% and (2) 0.5% plus one-fourth of the average of the weekly average yield to maturity for 10-year Treasury securities during the quarter.

Our services agreement with KFN will automatically be renewed for successive one-year terms following December 31, 2007 unless the agreement is terminated in accordance with its terms. The management agreement provides that KFN may terminate the agreement only if:

- the termination is approved at least 180 days prior to the expiration date by at least two-thirds of KFN's independent directors or by the holders of a majority of the outstanding shares of KFN's common stock and the termination is based upon (i) a determination that our performance has been unsatisfactory and materially detrimental to KFN or (ii) a determination that the management and incentive fees payable to us are not fair (subject to our right to prevent a

  termination by reaching an agreement to reduce our management and incentive fees), in which case a termination fee is payable to us; or

- our subsidiary that manages KFN experiences a "change of control" or we materially breach the provisions of the agreement, engage in certain acts of willful misconduct or gross negligence, become bankrupt or insolvent or are dissolved, in which case a termination fee is not payable to us.

KFN uses structured finance vehicles to provide term financing for its investments. In connection with these transactions, we have entered into collateral management agreements with the structured finance vehicles where we earn a management fee for providing management services. As of March 31, 2008, we have permanently waived approximately $35.3 million in management fees. We evaluate such waivers on a quarterly basis and do not expect to waive all such management fees in the future.

Investment Activities

KFN's investment activities have historically been influenced by its original election to be taxed as a REIT, which initially required it to hold a significant amount of residential mortgage loans and mortgage-backed securities on its statement of financial condition. Consistent with its strategy, while a REIT, KFN used investments in corporate debt and equity and applied varying degrees of leverage to enhance returns. As described below, on May 4, 2007, KFN reorganized as a limited liability company, which now permits it to invest up to 100% of its investments in corporate loans and debt securities and equity securities.

As of March 31, 2008, KFN's investment portfolio included multiple asset classes and industries. The following table presents information concerning the amortized cost and fair value of these investments by asset class as of the date indicated.

	As of March 31, 2008	
Investment Type	Amortized Cost Basis	Fair Value
	($ in millions)	
Corporate loans and debt securities	$ 10,281.6	$ 9,193.5
Marketable equity securities	49.0	28.7
Non-marketable equity securities	20.1	20.1
Residential mortgage-backed securities(1)	372.7	324.4
Total	$ 10,723.4	$ 9,566.7

(1) Amount reflects KFN's ownership of mortgage-backed securities and excludes $3.3 billion of residential mortgage loans consolidated by KFN in accordance with GAAP.

KFN reported net income of $14.0 million, or $0.12 per diluted common share outstanding, for the quarter ended March 31, 2008, as compared to $48.4 million, or $0.59 per diluted common share outstanding, for the quarter ended March 31, 2007. KFN reported a net loss for the year ended December 31, 2007 of $100.2 million, or a loss of $1.11 per diluted common share outstanding, as compared to net income of $135.3 million, or $1.68 per diluted common share outstanding, and $55.1 million, or $0.90 per diluted common share outstanding, for the years ended December 31, 2006 and 2005, respectively. As of March 31, 2008, KFN had shareholders' equity of $1.5 billion and total investments of $10.5 billion.

Restructuring of KFN from a REIT; Diversification of Investments

In May 2007, KKR Financial Corp. consummated the implementation of a restructuring plan pursuant to which shares of common stock in KKR Financial Corp. were exchanged for common shares in KFN, which became the parent company of KKR Financial Corp. following the exchange. The purpose of the restructuring was to provide KFN with the flexibility to reallocate a significant portion of its capital to non-real estate investments, such as corporate loans and debt securities and marketable and non-marketable equity investments. Compared to real estate investments, these types of investments historically have generated significantly greater returns on equity for KFN.

In connection with the restructuring described above and its efforts to reduce its real estate-related investments, KFN announced on August 15, 2007 the sale of approximately $5.2 billion of residential mortgage loans and terminated related interest rate swaps, which sale resulted in a net loss to KFN of approximately $36.4 million. On October 18, 2007, KFN announced that its REIT subsidiary, KKR Financial Corp., consummated the restructuring of its non-recourse asset-backed secured liquidity note facilities. In March 2008, KFN entered into an agreement with the secured liquidity noteholders to terminate the secured liquidity note facilities and return all of the residential mortgage-backed securities funded by the secured liquidity notes to the noteholders. Charges related to the restructuring of these facilities totaled approximately $249.2 million. Separately, on March 31, 2008, KFN agreed to sell to Rock Capital 2 LLC a controlling interest in the REIT subsidiary. This sale closed on June 30, 2008 and did not result in either a gain or loss.

KKR Strategic Capital Funds

Overview

The KKR Strategic Capital Funds consist of three side-by-side funds that make investments primarily in corporate debt and marketable and non-marketable equity securities. Investors in these funds consist of equity holders who had previously contributed an aggregate of $1.3 billion of capital to the side-by-side funds as of March 31, 2008. These include $91.4 million of capital contributed by our investment professionals in their personal capacity and $175.0 million of capital contributed by KPE.

Each of the individual funds comprising the KKR Strategic Capital Funds has a perpetual life and investment period and is permitted to reinvest its capital and earnings. Fund investors are entitled to have their equity returned to them through redemptions of their equity interests (at prices based on the relevant individual fund's prevailing net asset value) only after the expiration of an applicable lock-up period or upon the occurrence of certain other redemption events. The lock-up period is at least 25 months from the date of the capital contribution in the case of investors who have agreed to pay higher management and incentive fees and 60 months from the date of the capital contribution in the case of investors who have agreed to pay lower fees and carried interests, as described below. Each individual fund generally has the ability to limit the amount of equity that may be redeemed at any time to interests representing no more than 15% of its net asset value at such time, and fund investors are required to comply with certain notice provisions in order to redeem their equity.

The governing agreements of the KKR Strategic Capital Funds enable investors in those funds to withdraw all or any portion of their capital accounts, on an investor-by-investor basis, in the event certain "key persons" in these funds (specifically, any two of the three lead investment professionals for the funds, or both of Messrs. Kravis and Roberts) generally cease to actively manage the fund. A withdrawal of capital would likely have a negative impact on our revenue, net income and cash flow. Even if capital is not withdrawn, a key man event could cause disruption in our business and make it more challenging to raise additional capital in the future.

Management and Incentive Fees

We have entered into management agreements with each side-by-side fund comprising the KKR Strategic Capital Funds pursuant to which we have agreed to provide the fund with management and other services. With respect to each fund, we generally are entitled to receive:

- with respect to Class A investors who have agreed to a 25 month lock-up period, (i) a monthly management fee that is equal to 0.1667% (or 2.0% annualized) of the NAV of the fund that is allocable to those investors and (ii) an annual incentive fee or carried interest that is equal to 20% of the increase in the NAV of the fund that is allocable to those investors, subject to a high-water mark;
- with respect to Class B investors who have agreed to a 60 month lock-up period, (i) a monthly management fee that is equal to 0.1250% (or 1.5% annualized) of the NAV of the fund that is allocable to those investors and (ii) an annual incentive fee or carried interest that is equal to 15% of the increase in the NAV of the fund that is allocable to those investors, subject to a high-water mark; and
- with respect to Class C investors who have agreed to a 60 month lock-up period, (i) a monthly management fee that is equal to 0.1250% (or 1.5% annualized) of the NAV of the fund that is allocable to those investors and (ii) an annual incentive fee or carried interest that is equal to 20% of the increase in the NAV of the fund that is allocable to those investors, subject to a high-water mark.

Our management agreements with the funds comprising the KKR Strategic Capital Funds will automatically be renewed for successive one-year terms unless the agreements are terminated in accordance with their terms.

Investment Activities

The KKR Strategic Capital Funds' investment activities focus primarily on the debt and equity of performing and non-performing companies, including leveraged bank loans, high-yield bonds, subordinated bonds, mezzanine bonds, preferred stock and marketable and non-marketable equity instruments. As of March 31, 2008, the funds' outstanding investments were diversified across over thirty industries and had an aggregate fair value of $2.0 billion, of which 77% was attributable to investments in North America, 16% was attributable to investments in Europe and 4% was attributable to investments in Asia. The following table presents information concerning the cost and fair value of these investments.

	As of March 31, 2008	
Investment Type	**Cost Basis**	**Fair Value**
	($ in millions)	
Corporate loans	$ 1,148.8	$ 975.2
Corporate debt securities	334.9	289.4
Collateralized loan obligation notes of affiliates	691.5	641.2
Marketable equity securities	10.2	6.7
Non-marketable equity securities	24.8	47.3
Other asset classes(1)	25.4	38.8
Total	$ 2,235.6	$ 1,998.6

(1) Other asset classes consist primarily of credit default swaps where the KKR Strategic Capital Funds have either purchased or sold protection.

From the period since their inception in October 2006 through March 31, 2008, the KKR Strategic Capital Funds had an annualized gross IRR of 6.1% and an annualized IRR, net of expenses, of 2.6%. This compares to annualized benchmark returns for the Lehman Aggregate Bond Index of 7.0% and the Merrill Lynch High Yield Index of 2.2% for the same period.

Managed Account Platform

We recently launched a managed account platform to manage the assets of individual investors in a manner tailored to their specific investment objectives and needs. Our managed account platform generally provides for the payment of fees that vary based on the nature of the investment program. Since March 31, 2008, we have received $3 billion of commitments for this platform, and we are seeking to raise additional capital from both new and existing investors, including investors in our private equity funds and fixed income funds. We believe that through this initiative we can further leverage the expertise and intellectual capital in our fixed income and private equity businesses to capture additional income streams while addressing the specific investment needs of our existing and future investor base.

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 sourcing 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. Our broker-dealer license in the United Kingdom allows us to operate broadly in the European Economic Area under European passporting regulations. See "—Regulation."

Today, our capital markets activities are focused on our funds, our portfolio companies and our private equity and fixed income segments. Our capital markets activities primarily supplement our existing capital-raising capabilities and the underwriting and advisory services that our funds and portfolio companies currently receive from large investment banks. Our capital markets professionals also focus on developing new products that we believe will allow us to attract new investors to the various asset classes that we manage. Following the completion of the Transactions, our capital markets professionals will act as additional resources for 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 activities.

Cautionary Note Regarding Historical Fund Performance

The historical results for our private equity and fixed income funds included above may not be indicative of the future results that you should expect from us, which could negatively impact the fees and incentive amounts received by us from such funds. In particular, our funds' future results may differ significantly from their historical results for the following reasons:

- 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 your receipt of our common units 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 some 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, and those trends and rates of return may not be repeated;

- in some historical periods, 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 or that such market conditions will continue; and

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

Our Strategic Growth Initiatives

Having organically grown our fixed income business from 2 executives and $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 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. We believe that our expansion into these 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 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

We believe that by extending our platform to infrastructure investments and by applying the skill set that we have developed over our 32-year history, we are well-positioned to generate attractive risk-adjusted returns and create significant value in connection with infrastructure investments. We will manage our new infrastructure business in a manner similar to our private equity business. Our objective is to make selective investments in infrastructure businesses and assets on a global basis where we can apply our operational and public affairs expertise to generate additional value. We expect that our infrastructure strategy will generate investment returns through both income and capital appreciation. Investments are expected to focus on energy, waste and wastewater, transportation and telecommunications assets but may also include social infrastructure and infrastructure-related assets. We anticipate investing through concession agreements or by outright purchase principally in brownfield assets and may undertake greenfield projects in a minority of circumstances. We expect to generally structure our investments in the form of equity and equity-related securities but we may also consider debt-related securities. We will generally seek to acquire majority ownership in assets or companies to insure strategic influence over the investment. The predominant emphasis will be on infrastructure investments in OECD economies; however, certain BRIC countries, such as India and China, may also be considered.

Mezzanine

Mezzanine financing represents a hybrid of debt and equity. 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 these characteristics of mezzanine financing, the returns that it can generate 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.

We intend to conduct our mezzanine operations globally, focusing on making privately negotiated investments in the mezzanine securities of large, global companies. These mezzanine securities are expected to include senior notes, subordinated debt or preferred stock with some form of equity participation. We believe our differentiated sourcing capabilities combined with a world-class team of mezzanine investment professionals will make us a valuable partner in mezzanine finance. We expect that our cash interest will be a primary component of anticipated returns; however, other security features including payment-in-kind interest, warrants, transaction fees and equity co-investments may also drive performance. We may take concentrated positions where we have a distinct competitive information and access advantage. Our approach to making and monitoring investments will be consistent with our other businesses, using industry teams, a global investment committee, a disciplined investment process and rigorous portfolio management and credit analysis.

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 products 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 have regulatory capital constraints with improved access to our private equity investments.

Competition

We compete with other alternative asset managers 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. 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.

Some of the entities that we compete with as an alternative asset manager have greater financial, technical, marketing and other resources and more personnel than we do, and some of the entities that we compete with when managing fixed income and other asset classes may have longer operating histories, more established relationships or greater experience than we have with respect to those types of investments. Several of our competitors also have recently raised, or are expected to raise, significant amounts of capital and have investment objectives that are similar to the investment objectives of our funds, which may create additional competition for investment opportunities. Some of these competitors may also have lower costs of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us when sourcing investment opportunities. In addition, some of these competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider range of investments and to bid more aggressively than us for investments. Strategic buyers may also be able to achieve synergistic cost savings or revenue enhancements with respect to a targeted portfolio company, which may provide them with a competitive advantage in bidding for such investments.

We expect to compete as a capital markets business primarily with investment banks and independent broker-dealers in the United States, Europe and Asia and intend to focus our capital markets activities initially on our funds, our portfolio companies and our private equity and fixed income businesses. While we intend to target customers with whom we have an existing relationship, we expect that those customers will have pre-existing relationships with our competitors, many or all of whom will have access to competing securities transactions, greater financial, technical or marketing resources or more established reputations than us. The limited operating history as a capital markets business could make it difficult for us to compete with established broker-dealers, participate in capital markets transactions of unaffiliated issuers or successfully grow our capital markets business over time.

Employees

We believe that one of our primary strengths and a principal reason for our success is the quality and dedication of our people. As of March 31, 2008, we employed approximately 500 employees worldwide. The following table presents information concerning these employees by functional area.

Type	As of March 31, 2008
Private Equity and Fixed Income Professionals	123
Finance, Accounting, Human Resources and Information Technology Personnel	64
Administrative Support Staff	315
Total	502

The following table presents information concerning our most senior professionals. We refer to these individuals elsewhere in this prospectus as our "senior principals."

	Location	Age	Years at KKR	Committee Membership
Henry R. Kravis	New York	64	32	Private Equity Investment Committee Fixed Income Investment Committee Portfolio Management Committee
George R. Roberts	Menlo Park	64	32	Private Equity Investment Committee Fixed Income Investment Committee Portfolio Management Committee
Paul E. Raether	New York	61	28	Private Equity Investment Committee Portfolio Management Committee
Michael W. Michelson	Menlo Park	57	27	Private Equity Investment Committee
James H. Greene, Jr.	Menlo Park	57	22	—
Perry Golkin	New York	54	22	—
Johannes P. Huth	London	48	9	Private Equity Investment Committee
Todd A. Fisher	London	42	15	Private Equity Investment Committee
Alexander Navab	New York	42	15	Private Equity Investment Committee
Jacques Garaïalde	London	52	5	—
Marc S. Lipschultz	New York	39	13	—
Reinhard Gorenflos	London	47	6	Portfolio Management Committee
Michael M. Calbert	Menlo Park	45	8	—
Scott C. Nuttall	New York	35	11	Fixed Income Investment Committee
Joseph Y. Bae	Hong Kong	36	11	—
Brian F. Carroll	New York	36	11	—
Adam H. Clammer	Menlo Park	37	11	—
Frederick M. Goltz	Menlo Park	37	12	—
Oliver Haarmann	London	40	9	—
Dominic P. Murphy	London	41	3	—
John L. Pfeffer	London	39	7	—
John K. Saer, Jr.	New York	51	7	—
Clive Hollick	London	63	3	—
David H. Liu	Hong Kong	37	22	—
Ming Lu	Hong Kong	50	22	—
Kenneth W. Freeman	New York	57	3	Portfolio Management Committee
David J. Sorkin	New York	49	1	—
Craig J. Farr	New York	36	2	—
Saturnino S. Fanlo	San Francisco	48	4	Fixed Income Investment Committee
David A. Netjes	San Francisco	49	4	Fixed Income Investment Committee

Regulation

Our operations are subject to regulation and supervision in a number of jurisdictions. The level of regulation and supervision to which we are subject varies from jurisdiction to jurisdiction and is based on the type of business activity involved. We, in conjunction with our outside advisers and counsel, seek to manage our business and operations in compliance with such regulation and supervision. The regulatory and legal requirements that apply to our activities are subject to change from time to time and may become more restrictive, which may make compliance with applicable requirements more difficult or expensive or otherwise restrict our ability to conduct our business activities in the manner in which they are now conducted. Changes in applicable regulatory and legal requirements, including changes in their enforcement, could materially and adversely affect our business and our financial condition and results of operations. As a matter of public policy, the regulatory bodies that regulate our business activities are responsible for safeguarding the integrity of the securities and financial markets and protecting investors who participate in those markets rather than protecting the interests of our unitholders.

United States

Regulation as an Investment Adviser

As an investment adviser, we are subject to the anti-fraud provisions of the Investment Advisers Act and to fiduciary duties derived from these provisions which apply to our relationships with our advisory clients, including funds that we manage. These provisions and duties impose restrictions and obligations on us with respect to our dealings with our clients, including for example restrictions on agency cross and principal transactions with our clients. We have not registered as an investment adviser under the Investment Adviser Act, although we are in the process of doing so. After we register as an investment adviser, we will be subject to additional requirements under the Investment Advisers Act and related regulations primarily intended to benefit advisory clients. These additional requirements relate, among other things, to maintaining an effective and comprehensive compliance program, recordkeeping and reporting requirements and disclosure requirements. The Investment Advisers Act generally grants the SEC broad administrative powers, including the power to limit or restrict an investment adviser from conducting advisory activities in the event it fails to comply with federal securities laws. Additional sanctions that may be imposed for failure to comply with applicable requirements include the prohibition of individuals from associating with an investment adviser, the revocation of registrations and other censures and fines.

Regulation as a Broker-Dealer

KKR Capital Markets LLC, one of our subsidiaries, is registered as a broker-dealer with the SEC under the Exchange Act and with the New York Securities Commission under New York state securities laws, and is a member of the Financial Industry Regulatory Authority, or FINRA. A broker-dealer is subject to legal requirements covering all aspects of its securities business, including sales and trading practices, public and private securities offerings, use and safekeeping of customers' funds and securities, capital structure, record-keeping and retention and the conduct and qualifications of directors, officers, employees and other associated persons. These requirements include the SEC's "uniform net capital rule," which specifies the minimum level of net capital that a broker-dealer must maintain, requires a significant part of the broker-dealer's assets to be kept in relatively liquid form, imposes certain requirements that may have the effect of prohibiting a broker-dealer from distributing or withdrawing its capital and subjects any distributions or withdrawals of capital by a broker-dealer to notice requirements. These and other requirements also include rules that limit a broker-dealer's ratio of subordinated debt to equity in its regulatory capital composition, constrain a broker-dealer's ability to expand its business under certain circumstances and impose additional requirements when the broker-dealer participates in securities offerings of affiliated entities. Violations of these requirements may result in censures, fines, the issuance of cease-and-desist orders, revocation of licenses or registrations, the suspension or expulsion from the securities industry of the broker-dealer or its officers or employees or other similar consequences by regulatory bodies.

United Kingdom

KKR Capital Markets Limited, one of our subsidiaries, is authorized in the United Kingdom under the Financial Services and Markets Act 2000, or FSMA, and has permission to engage in a number of activities regulated under FSMA, including dealing as principal or agent and arranging deals in relation to certain types of specified investments and arranging the safeguarding and administration of assets. Kohlberg Kravis Roberts & Co. Limited, another one of our subsidiaries, is authorized in the United Kingdom under FSMA and has permission to engage in a number of regulated activities including advising on and arranging deals relating to corporate finance business in relation to certain types of specified investments. FSMA and related rules govern most aspects of investment business, including sales, research and trading practices, provision of investment advice, corporate finance, use and safekeeping of client funds and securities, regulatory capital, record keeping, margin practices and procedures, approval standards for individuals, anti-money laundering, periodic reporting and settlement procedures. The Financial Services Authority is responsible for administering these requirements and our compliance with them. Violations of these requirements may result in censures, fines, imposition of additional requirements, injunctions, restitution orders, revocation or modification of permissions or registrations, the suspension or expulsion from certain "controlled functions" within the financial services industry of officers or employees performing such functions or other similar consequences.

Other Jurisdictions

KPE is authorized to do business in Guernsey and is subject to the ongoing supervision of the Guernsey Financial Services Commission and the Netherlands Authority for the Financial Markets.

One of the KKR Strategic Capital Funds is regulated as a mutual fund by the Cayman Islands Monetary Authority. As a regulated mutual fund, the fund is required to comply with certain registration, filing, information delivery and notice requirements and is subject to the ongoing supervision of the Cayman Islands Monetary Authority. The Cayman Islands Monetary Authority may subject a regulated mutual fund to special audits and require the fund to provide access to information or records from time to time. Failure to comply with requests by the Cayman Islands Monetary Authority may result in substantial fines or may result in the Cayman Islands Monetary Authority applying to a court to have the fund terminated.

Properties

Our principal executive and administrative offices are located in New York. We maintain additional offices in Menlo Park, San Francisco, Houston, London, Paris, Hong Kong, Beijing, Tokyo and Sydney. The following table presents information concerning these properties.

	As of March 31, 2008	
Location	**Area**	**Lease Expiration Date**
	(square feet)	
New York	123,170	4/2010-4/2017
Menlo Park	36,437	8/2008-9/2023
San Francisco	25,076	7/2016
Houston	2,533	9/2013
London	18,325	3/2019-10/2019
Paris	4,758	10/2011
Hong Kong	9,789	9/2008-12/2011
Beijing	2,300	1/2008-7/2009
Tokyo	8,012	3/2009-12/2016
Sydney	4,525	10/2012

We believe that our facilities are adequate for us to conduct our business activities. All of our office space is leased. The most significant terms of the lease arrangements for our office space are the length of the lease and the amount of the rent. Our leases have terms varying in duration. The rent payable under our office leases varies significantly from location to location as a result of differences in prevailing market conditions in different geographic locations. We do not believe that any single office lease is material to our business, results of operations or financial condition. In addition, we believe there is adequate alternative office space available at acceptable rental rates to meet our needs, although adverse movements in rental rates in some markets may negatively affect us when we enter into new leases.

Legal Proceedings

From time to time, we are involved in various legal proceedings, lawsuits and claims incidental to the conduct of our business. We do not believe that the ultimate liability arising from any currently pending proceeding, lawsuit or claim, if any, will have a material effect on our results of operations or financial condition.

In August 2008, KFN, its directors and executive officers, including certain of our investment professionals, were named as defendants in a purported class action complaint by KFN shareholders under federal securities laws. The suit alleges that the registration statement utilized by KFN to effectuate its restructuring plan in May 2007 was false and misleading in that it misrepresented and/or omitted material facts, including carrying value and allowance for loan losses, relating to the portfolio of mortgage loans held at such time by its REIT subsidiary, KKR Financial Corp.

In December 2007, we along with 15 other defendants were named in a purported class action complaint by shareholders in certain public companies recently acquired by private equity firms. In July 2008, we along with 16 other defendants were named in a purported amended class action complaint. The suit alleges that the defendant firms engaged in certain cooperative behavior during the bidding process in certain going-private transactions in violation of antitrust laws and that this purported behavior suppressed the price paid by the private equity firms for the plaintiffs' shares in the acquired companies below that which would otherwise have been paid in the absence of such behavior.

In 2005, we and certain of our investment professionals were named as defendants in now-consolidated shareholder derivative actions relating to one of our portfolio companies. These actions claim that the board of directors of the portfolio company breached its fiduciary duty of loyalty in connection with the redemption of certain shares of preferred stock in 2004 and 2005. The plaintiffs further allege that we benefited from these redemptions of preferred stock at the expense of the portfolio company and that we usurped a corporate opportunity of the portfolio company in 2002 by purchasing shares of its preferred stock at a discount on the open market while causing the portfolio company to refrain from doing the same. In February 2008, the special litigation committee formed by the board of directors of the portfolio company, following a review of plaintiffs' claims, filed a motion to dismiss the actions.

In August 1999, we were named as a defendant in an action alleging breach of fiduciary duty and conspiracy in connection with the acquisition of one of our portfolio companies in 1995. In April 2000, the complaint in this action was amended to further allege that we and others violated state law by fraudulently misrepresenting the financial condition of this portfolio company.

We believe that each of these actions are without merit and intend to defend them vigorously.

In addition, in September 2006, we received a request for certain documents and other information from the Antitrust Division of the U.S. Department of Justice in connection with the DOJ's investigation of private equity firms to determine whether they have engaged in conduct prohibited by United States antitrust laws. We are fully cooperating with the DOJ's investigation.

MANAGEMENT

Directors and Executive Officers

As is commonly the case with limited partnerships, our partnership agreement provides for the management of our business and affairs by a general partner rather than a board of directors. Our Managing Partner serves as our sole general partner and has a board of directors that is responsible for the oversight of our business and affairs as well as executive officers that are authorized to act on behalf of our Managing Partner or our partnership. Prior to the completion of the Transactions, we expect that a total of additional independent directors will be appointed to the board of directors of our Managing Partner so that a majority of the board of directors will consist of independent directors.

The following table presents certain information concerning the board of directors and executive officers of our Managing Partner.

Name	Age	Position with Managing Partner
Henry R. Kravis	64	Co-Chief Executive Officer and Co-Chairman
George R. Roberts	64	Co-Chief Executive Officer and Co-Chairman
William J. Janetschek	45	Chief Financial Officer
David J. Sorkin	49	General Counsel

Henry R. Kravis co-founded KKR in 1976 and serves as Co-Chairman and Co-Chief Executive Officer of our Managing Partner. Currently, he participates in all the investment activities of our business and serves on the Equity Investment, Debt Investment and Portfolio Management Committees. He is also a member of the board of directors of Legrand, KPE and Accel-KKR Company. Prior to founding KKR, Mr. Kravis was a Partner in the Corporate Finance Department of Bear Stearns & Company, where he pioneered the use of leverage in acquisitions. He earned a B.A. from Claremont McKenna College, and an M.B.A. from Columbia Graduate School of Business.

George R. Roberts co-founded KKR in 1976 and serves as Co-Chairman and Co-Chief Executive Officer of our Managing Partner. Currently, he participates in all the investment activities of our business and serves on the Equity Investment, Debt Investment and Portfolio Management Committees. He is also a member of the board of directors of KPE and Accel-KKR Company. Prior to founding KKR, Mr. Roberts was in the Corporate Finance Department of Bear Stearns & Company, where he became a partner at 29 and where he pioneered the use of leverage in acquisitions. He earned a B.A. from Claremont McKenna College, and a J.D. from the University of California (Hastings) Law School.

William J. Janetschek joined our firm in 1997 and serves as Chief Financial Officer of our Managing Partner. Prior to joining us, he was a Tax Partner with the New York office of Deloitte & Touche LLP. Mr. Janetschek was with Deloitte & Touche for 13 years. He holds a B.S. from St. John's University and an M.S., Taxation, from Pace University, and is a Certified Public Accountant.

David J. Sorkin joined our firm in 2007 and serves as General Counsel of our Managing Partner. Prior to joining us, he was a partner with Simpson Thacher & Bartlett LLP, where he was a member of that law firm's executive committee. Mr. Sorkin was with Simpson Thacher & Bartlett LLP for 22 years. He holds a B.A. from Williams College and a J.D. from Harvard University.

Managing Partner Board Structure and Practices

Matters relating to the structure and practices of our Managing Partner's board of directors are governed by provisions of our Managing Partner's limited liability company agreement and the Delaware Limited Liability Company Act. The following description is a summary of those provisions and does not contain all of the information that you may find useful. For additional information, you should read the copy of our Managing Partner's amended and restated limited liability company agreement that has been filed as an exhibit to the registration statement of which this prospectus forms a part.

Independence and Composition of the Board of Directors

Upon the completion of the Transactions, we expect our Managing Partner's board of directors will consist of directors. While we are exempt from NYSE Rules relating to board independence, our Managing Partner intends to maintain a board of directors that consists of at least a majority of directors who are independent under NYSE Rules relating to corporate governance matters.

Election and Removal of Directors

The directors of our Managing Partner may be elected and removed from office only by the vote of a majority of the Class A shares of our Managing Partner that are then outstanding. Each person elected as a director will hold office until a successor has been duly elected and qualified or until his or her death, resignation or removal from office, if earlier. Class A shareholders are not required to hold meetings for the election of directors with any regular frequency and may remove directors, with or without cause, at any time.

All of our Managing Partner's outstanding Class A shares are held by our senior principals. Under our Managing Partner's limited liability company agreement, each Class A share is non-transferable without the consent of the holders of a majority of the Class A shares that are then outstanding and each Class A share will automatically be redeemed and cancelled upon the holder's death, disability or withdrawal as a member of our Managing Partner. Upon the completion of the Transactions, Henry Kravis and George Roberts, our Managing Partner's Co-Chairmen and Co-Chief Executive Officers, will collectively hold Class A shares representing a majority of the total voting power of the outstanding Class A shares. In addition, notwithstanding the number of Class A shares held by Messrs. Kravis and Roberts, under our Managing Partner's limited liability company agreement, Messrs. Kravis and Roberts are deemed to represent a majority of the Class A shares then outstanding for purposes of voting on matters upon which holders of Class A shares are entitled to vote. Messrs. Kravis and Roberts may, in their discretion, designate one or more holders of Class A shares to hold such voting power and exercise all of the rights and duties of Messrs. Kravis and Roberts under our Managing Partner's limited liability company agreement. While neither of them acting alone will be able to direct the election or removal of directors, they will be able to control the composition of the board if they act together. While Messrs. Kravis and Roberts historically have acted with unanimity when managing our business, they have not entered into any agreement relating to the voting of their Class A shares following the completion of the Transactions. See "Security Ownership."

Limited Matters Requiring a Class B Shareholder Vote

Through our subsidiaries, we will hold voting interests in the general partners of a number of funds that were formed outside of the United States. Under our Managing Partner's limited liability company agreement, our Managing Partner's board of directors will be required to inform the holders of our Managing Partner's Class B shares of any matter that is submitted to a vote of the holders of such voting interests and to cause any voting interests that we hold through subsidiaries to be voted in accordance with directions received from the holders of a majority of the Class B shares providing such instructions notwithstanding any other provision in the agreement to the contrary. Holders of Class B shares will have no right to participate in the management of our Managing Partner or our partnership and will not have any other rights under our Managing Partner's limited liability company agreement other than as described above. Our principals, including Messrs. Kravis and Roberts, collectively hold 100% of our Managing Partner's outstanding Class B shares. See "Security Ownership."

Action by the Board of Directors

Our Managing Partner's board of directors may take action in a duly convened meeting in which a quorum is present or by a written resolution signed by all directors then holding office. When action is to be taken at a meeting of the board of directors, the affirmative vote of a majority of the directors then holding office is required for any action to be taken other than with respect to a matter in which a director has an interest. A matter in which a director has an interest, if considered at a meeting of the board of directors, may be decided by the vote of a majority of the disinterested directors then holding office to the extent that the interested director abstains from voting on the matter.

Certain specified actions approved by our Managing Partner's board of directors require the additional approval of a majority of the Class A shares of our Mananging 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.

Board Committees

Prior to the completion of the Transactions, we expect that our Managing Partner's board of directors will establish an audit committee, a conflicts committee, a nominating and corporate governance committee and an executive committee that will operate pursuant to written charters as described below. Because we are a limited partnership, our Managing Partner's board is not required by NYSE Rules to establish a compensation committee or a nominating and corporate governance committee or to meet other substantive NYSE corporate governance requirements. While the board will establish a nominating and governance committee, we intend to rely on available exemptions concerning the committee's composition and mandate.

Audit Committee

Our Managing Partner's board of directors will establish an audit committee that will be responsible for assisting the board of directors in overseeing and monitoring: (i) the quality and integrity of our financial statements; (ii) our compliance with legal and regulatory requirements; (iii) our independent registered public accounting firm's qualifications and independence; and (iv) the performance of our independent registered public accounting firm. The members of the audit committee will be required to meet the independence standards for service on an audit committee of a board of directors pursuant to Rule 10A-3 under the Exchange Act and NYSE Rules relating to corporate governance matters, and the charter for the audit committee will comply with those requirements.

Conflicts Committee

Our Managing Partner's board of directors will establish a conflicts committee that will be responsible for reviewing specific matters that the board of directors believes may involve a conflict of interest and for enforcing our rights under any of the exchange agreement, the tax receivable agreement, the contingent value interests agreement, the limited partnership agreement of any Group Partnership, a lock-up agreement or our limited partnership agreement, which we refer collectively to as the covered agreements, against KKR Holdings and certain of its subsidiaries and designees, a general partner or limited partner of KKR Holdings, or a person who holds a partnership or equity interest in the foregoing entities. The conflicts committee will also be authorized to take any action pursuant to any authority or rights granted to such committee under any covered agreement or with respect to any amendment, supplement, modification or waiver to any such agreement that would purport to modify such authority or rights. In addition, the conflicts committee shall approve any amendment to any of the covered agreements that in the reasonable judgment of our Managing Partner's board of directors is or will result in a conflict of interest. The conflicts committee will determine if the resolution of any conflict of interest submitted to it is fair and reasonable to our partnership. Any matters approved by the conflicts committee will be conclusively deemed to be fair and reasonable to our partnership and not a breach of any duties that may be owed to our unitholders. In addition, the conflicts committee may review and approve any related person transactions, other than those that are approved pursuant to our related person policy, as described under "Certain Relationships and Related Party Transactions—Statement of Policy Regarding Transactions with Related Persons," and may establish guidelines or rules to cover specific categories of transactions. The members of the conflicts committee will be required to meet the independence standards for service on an audit committee of a board of directors pursuant to Rule 10A-3 under the Exchange Act and NYSE Rules relating to corporate governance matters.

Nominating and Corporate Governance Committee

Our Managing Partner's board of directors will establish a nominating and corporate governance committee that will be responsible for identifying and recommending candidates for appointment to the board of directors and for assisting and advising the board of directors with respect to matters relating to the general operation of the board and corporate governance matters. At least one member of the nominating and corporate governance committee will be required to meet the independence standards for service on an audit committee of a board of directors pursuant to Rule 10A-3 under the Exchange Act and

NYSE Rules relating to corporate governance matters. We expect that Messrs. Kravis and Roberts will also serve on the nominating and corporate governance committee.

Executive Committee

Our Managing Partner's board of directors will establish an executive committee that will act, when necessary, in place of our Managing Partner's full board of directors during periods in which the board is not in session. The executive committee will be authorized and empowered to act as if it were the full board of directors in overseeing our business and affairs, except that it will not be authorized or empowered to take actions that have been specifically delegated to other board committees or to take actions with respect to: (i) the declaration of distributions on our 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 our Managing Partner's unitholders or our unitholders; or (vi) any action that may not be delegated to a board committee under our Managing Partner's limited liability company agreement or the Delaware Limited Liability Company Act. We expect that the executive committee will consist of Messrs. Kravis and Roberts.

Compensation Committee Interlocks and Insider Participation

Because we are a limited partnership, our Managing Partner's board of directors is not required by NYSE Rules to establish a compensation committee. Our founders, Messrs. Kravis and Roberts, will serve as Co-Chairmen of the board of directors of our Managing Partner. For a description of certain transactions between us and our founders, see "Certain Relationships and Related Party Transactions."

Executive Compensation

Compensation Discussion and Analysis

A primary objective of many companies when designing executive compensation arrangements has been to align the interests of top executives with the interests of shareholders. As a private firm, one of our fundamental philosophies has been to align the interests of our people with the interests of our fund investors. We have sought to achieve such an alignment in the past through the investment of a significant amount of our own capital and the capital of our principals in and alongside of the funds that we manage and the ownership by our principals of interests in the general partners of our funds that entitle them to a portion of the carried interest that we receive with respect to fund investments.

As a result, our Managing Partner's Co-Chief Executive Officers, General Counsel and our other senior principals have not been paid any salary or bonus and have instead received only cash distributions in respect of their ownership interests in the general partners of our funds and investments that they have made in or alongside our funds. Our Managing Partner's Co-Chief Executive Officers, General Counsel and our other senior principals also receive distributions in respect of their ownership interests in our fee generating businesses.

While certain individuals who are not senior principals, including our Managing Partner's Chief Financial Officer, receive salaries and bonuses, the compensation that they have been paid has been significantly based on the performance of our funds' investments and our fee generating businesses and those individuals generally have derived a substantial amount of their financial benefits through their ownership interests in the general partners of our funds and investments that they have made in or alongside our funds. In addition, in establishing compensation for our Managing Partner's Chief Financial Officer, we have taken into account his performance for prior years, the length of time he has been with us and his overall contribution to our business. Moreover, his overall compensation is significantly performance-based, which we believe aligns his interests with the interests of our fund investors.

We believe that our philosophy of aligning the interests of our principals with the interests of our fund investors through equity ownership has been an important contributor to the growth and successful performance of our firm. Because we believe that such an approach will further our goal of creating long-term value for our unitholders, we intend to continue to adhere to this philosophy when designing compensation arrangements as a public company. Following the Transactions, our principals will hold interests in our business through KKR Holdings and 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.

We intend to review our compensation policies periodically. While we do not have any plans to modify the compensation philosophy or arrangements described above, we may make changes to the compensation policies and decisions relating to one or more individuals based on the outcome of such a review.

Summary Compensation Table

The following table presents summary information concerning compensation that we paid or accrued for services rendered by our four executive officers, consisting of our two Co-Chief Executive Officers, our Chief Financial Officer and our General Counsel, in all capacities during the fiscal year ended December 31, 2007. We refer to these individuals in other parts of this prospectus as our "named executive officers." As discussed above under "—Compensation Discussion and Analysis," our Managing Partner's Co-Chief Executive Officers historically have not received salary or bonus and, instead, have received financial benefits only through their ownership interests in the general partners and management companies of our funds and investments that they have made in or alongside our funds. While our Managing Partner's Chief Financial Officer has received a salary and bonus, the compensation paid to him has been significantly based on the performance of our funds' investments and he generally has derived a substantial amount of his financial benefits through his ownership interests in the general partners of our funds and investments that he has made in or alongside our funds. In addition, our Managing Partner's General Counsel joined our firm as a senior principal at the end of 2007 and did not receive any compensation for such fiscal year. Cash distributions to our named executive officers in respect of our fiscal and tax year ended December 31, 2007 were $ to Mr. Kravis, $ to Mr. Roberts and $ to Mr. Janetschek.

Summary Compensation Table

Name and Principal Position	Salary	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Nonqualified Deferred Compensation	All Other Compensation	Total
Henry R. Kravis Co-Chief Executive Officer	—	—	—	—	—	—	$	$
George R. Roberts Co-Chief Executive Officer	—	—	—	—	—	—		
William J. Janetschek Principal Financial Officer								
David J. Sorkin General Counsel	—	—	—	—	—	—	—	—

Director Compensation

Our Managing Partner was formed on June 25, 2007 and has not paid any compensation to its directors for their board service. Following the completion of the Transactions, we intend to limit the individuals who receive compensation for their board service to our Managing Partner's independent directors. We expect to establish customary compensation practices for our Managing Partner's independent directors.

Non-Competition and Non-Solicitation Agreements

In connection with the Transactions, KKR Holdings will enter into a non-competition and non-solicitation agreement with our principals and certain other personnel. These agreements will supersede and replace any other non-competition and non-solicitation agreements with such individuals. We will not be a party to the non-competition and non-solicitation agreements to which our principals and other personnel will be subject, and these agreements can be waived, modified or amended at any time without our consent. All personnel are required to protect and only use "confidential information" in accordance with restrictions placed by us on use and disclosure of confidential information pursuant to our firm policy and a confidentiality agreement entered into by such persons.

KKR Holdings

Upon completion of the Transactions, Messrs. Kravis, Roberts, Janetschek and Sorkin will, with our principals, hold interests in our business through KKR Holdings, which will own all of the outstanding Group Partnership units that are not held by us. These individuals will receive financial benefits from our business in the form of distributions and payments received from KKR Holdings and through their direct and indirect participation in the value of Group Partnership units held by KKR Holdings, and KKR Holdings will bear the economic costs of any executive bonuses paid to them. Our principals' interests in Group Partnership units that are held by KKR Holdings will be subject to transfer restrictions and, except for certain interests that will be vested upon completion of the Transactions, will be subject to vesting requirements and forfeitable if the principal ceases to be involved in our business prior to vesting. See "Organizational Structure—KKR Holdings."

2008 Equity Incentive Plan

The board of directors of our Managing Partner intends to adopt the KKR & Co. L.P. 2008 Equity Incentive Plan, which we refer to as the 2008 Equity Incentive Plan, before the effective date of the Transactions.

The following description of the 2008 Equity Incentive Plan is not complete and is qualified by reference to the full text of the 2008 Equity Incentive Plan, which has been filed as an exhibit to the registration statement of which this prospectus forms a part. The 2008 Equity Incentive Plan will be a source of new equity-based awards permitting us to grant to our employees and other personnel, the directors of our Managing Partner and our consultants and senior advisors non-qualified unit options, unit appreciation rights, restricted common units, deferred restricted common units, phantom restricted common units and other awards based on our common units and Group Partnership units.

Administration

The board of directors of our Managing Partner will administer the 2008 Equity Incentive Plan. However, the board of directors of our Managing Partner may delegate such authority, including to a committee or subcommittee of the board of directors, and the board intends to effect such a delegation to a committee comprising Messrs. Kravis and Roberts. We refer to the board of directors of our Managing Partner, or the committee or subcommittee thereof to whom authority to administer the 2008 Equity Incentive Plan has been delegated, as the case may be, as the Administrator. The Administrator will determine who will receive awards under the 2008 Equity Incentive Plan, as well as the form of the awards, the number of units underlying the awards and the terms and conditions of the awards, consistent with the terms of the 2008 Equity Incentive Plan. The Administrator will have full authority to interpret and administer the 2008 Equity Incentive Plan and its determinations will be final and binding on all parties concerned.

Units Subject to the 2008 Equity Incentive Plan

The total number of our common units which may initially be issued under the 2008 Equity Incentive Plan is (equivalent to 2% of the number of fully diluted common units outstanding upon completion of the Transactions). Beginning in 2009, the aggregate number of our common units covered by the 2008 Equity Incentive Plan will be increased on the first day of each fiscal year during its term to an amount equal to the total number of our common units which may initially be issued under the 2008 Equity Incentive Plan multiplied by a fraction, the numerator of which is the total number of our common units outstanding on the last day of the immediately preceding fiscal year and the denominator of which is the number of our common units outstanding upon completion of the KPE Transaction, unless the Administrator should decide to increase the number of our common units covered by the 2008 Equity Incentive Plan by a lesser amount. We will make available the number of units necessary to satisfy the maximum number of units that may be issued under the 2008 Equity Incentive Plan. The units underlying any award granted under the 2008 Equity Incentive Plan that expires, terminates or is cancelled or satisfied for any reason without the payment of consideration, and units that are used to pay the exercise price of any award, will again become available for awards under the 2008 Equity Incentive Plan.

For purposes of the preceding paragraph, a common unit will be considered to be "covered by" the 2008 Equity Incentive Plan if (i) it is available for issuance pursuant to the 2008 Equity Incentive Plan but is not subject to an outstanding award or (ii) it is subject to an outstanding award. For purposes of the preceding paragraph, (A) an option or unit appreciation right that has been granted under the 2008 Equity Incentive Plan will be considered to be an "outstanding" award until is it exercised or otherwise terminates or expires by its terms, (B) a common unit that has been granted as an award under the 2008 Equity Incentive Plan that is subject to vesting conditions will be considered an "outstanding" award until the vesting conditions have been satisfied or the award otherwise terminates or expires unvested by its terms and (C) any award other than an option, unit appreciation right or common unit that is subject to vesting conditions will be considered to be an "outstanding" award until it has been settled.

Options and Unit Appreciation Rights

The Administrator may award non-qualified unit options under the 2008 Equity Incentive Plan. Options granted under the 2008 Equity Incentive Plan will become vested and exercisable at such times and upon such terms and conditions as may be determined by the Administrator at the time of grant, but an option will not be exercisable for a period of more than ten years after it is granted. The option price per unit will be determined by the Administrator and, except for options granted to participants who are U.S. taxpayers, may be less than 100% of the fair market value per underlying unit on the date of grant. To the extent permitted by the Administrator, the exercise price of an option may be paid in cash or its equivalent, in units having a fair market value equal to the aggregate option exercise price and satisfying such other requirements as may be imposed by the Administrator; partly in cash and partly in units; through the delivery of irrevocable instructions to a broker to sell units obtained upon the exercise of the option and to deliver promptly to us an amount out of the proceeds of the sale equal to the aggregate option exercise price for the common units being purchased; or through net settlement of units.

The Administrator may grant unit appreciation rights independent of or in conjunction with an option. Each unit appreciation right granted independent of a unit option shall entitle a participant upon exercise to an amount equal to (i) the excess of (A) the fair market value on the exercise date of one unit over (B) the exercise price per unit, multiplied by (ii) the number of units covered by the unit appreciation right, and each unit appreciation right granted in conjunction with an option will entitle a participant to surrender to us the option and to receive such amount. Payment will be made in units and/or cash (any common unit valued at fair market value), as determined by the Administrator. The exercise price per unit will be determined by the Administrator and, except for options granted to participants who are U.S. taxpayers, may be less than 100% of the fair market value per underlying unit on the date of grant.

Other Equity-Based Awards

The Administrator, in its sole discretion, may grant or sell units, restricted common units, deferred restricted common units, phantom restricted common units, and any other awards that are valued in whole or in part by reference to, or are otherwise based on the fair market value of, our common units. Any of these other equity-based awards may be in such form, and dependent on such conditions, as the Administrator determines, including without limitation the right to receive, or vest with respect to, one or more units (or the equivalent cash value of such units) upon the completion of a specified period of service, the occurrence of an event and/or the attainment of performance objectives. The Administrator may in its discretion determine whether other equity-based awards will be payable in cash, units or a combination of both cash and units.

Adjustments upon Certain Events

Equity Restructuring

In the event of any change in our outstanding common units by reason of any extraordinary unit distribution or split, recapitalization, rights offering, split-up or spin-off or any other event that constitutes an equity restructuring (as defined in the 2008 Equity Incentive Plan) with respect to our common units, the Administrator shall, in the manner determined appropriate or desirable by the Administrator and without liability to any person, adjust any or all of (i) the number of our common units or our other securities (or number and kind of other securities or property) with respect to which awards may be granted under the 2008 Equity Incentive Plan, and (ii) the terms of outstanding awards, including (A) the number of our common units or our other securities (or number and kind of other securities or property) subject to outstanding awards or to which outstanding awards relate and (B) the option price or exercise price of any option or unit appreciation right.

Merger, Reorganization or Other Corporate Transactions

In the event of any change in our outstanding common units by reason of any reorganization, merger, consolidation, combination, repurchase or exchange of our common units or our other securities, issuance of warrants or other rights to purchase our common units or our other securities or other similar corporate transaction or event that affects our common units such that an adjustment is determined by the Administrator in its discretion to be appropriate or desirable, the Administrator in its sole discretion and without liability to any person may make such substitution or adjustment, if any, as it deems to be equitable, as to (i) the number of our common units or our other securities (or number and kind of other securities or property) with respect to which awards may be granted under the 2008 Equity Incentive Plan, and (ii) the terms of any outstanding award, including (A) the number of our common units or our other securities (or number and kind of other securities or property) subject to outstanding awards or to which outstanding awards relate and (B) the option price or exercise price of any option or unit appreciation right.

Change in Control

In the event of a change in control of us (as defined in the 2008 Equity Incentive Plan), the 2008 Equity Incentive Plan provides that (i) if determined by the Administrator in the applicable award agreement or otherwise, any outstanding awards then held by participants which are unexercisable or otherwise unvested or subject to lapse restrictions shall automatically be deemed exercisable or otherwise vested or no longer subject to lapse restrictions, as the case may be, as of immediately prior to such change in control and (ii) the Administrator may, but shall not be obligated to (A) accelerate, vest or cause the restrictions to lapse with respect to all or any portion of an award, (B) cancel awards for fair value, (C) provide for the issuance of substitute awards that will substantially preserve the otherwise applicable terms of any affected awards previously granted under the 2008 Equity Incentive Plan as determined by the Administrator in its sole discretion, or (D) provide that, with respect to any awards that are options, for a period of at least 15 days prior to the change in control, such options will be exercisable as to all units subject thereto and that upon the occurrence of the change in control, such options will terminate.

Transferability

Unless otherwise determined by our Administrator, no award granted under the plan will be transferable or assignable by a participant in the plan, other than by will or by the laws of descent and distribution.

Amendment, Termination and Term

The Administrator may amend or terminate the 2008 Equity Incentive Plan, but no amendment or termination shall be made without the consent of a participant, if such action would diminish any of the rights of the participant under any award theretofore granted to such participant under the 2008 Equity Incentive Plan; except that the Administrator may (1) amend the 2008 Equity Incentive Plan and/or any outstanding awards in such manner as it deems necessary to permit the 2008 Equity Incentive Plan and/or any outstanding awards to satisfy applicable requirements of the Internal Revenue Code or other applicable laws and (2) amend any outstanding awards in a manner that is not adverse (other than in a de minimis manner) to a participant, except as otherwise may be permitted under the provisions relating to equity restructurings, mergers, reorganizations, other corporate transactions, or a change in control of us, as described above. The 2008 Equity Incentive Plan will have a term of ten years.

Equity Awards

In connection with the Transactions, we intend to grant to employees who do not hold interests in KKR Holdings awards under our 2008 Equity Incentive Plan. The form and amount of awards to be granted under the plan have not yet been determined. Any such awards will be subject to vesting restrictions.

SECURITY OWNERSHIP

Our Common Units and the Group Partnership Units

The following table sets forth the beneficial ownership of our common units and Group Partnership units that are exchangeable for our common units by:

- each person known to us to beneficially own more than 5% of any class of the outstanding voting securities of our partnership;
- each of the directors, director nominees and named executive officers of our Managing Partner; and
- the directors, director nominees and executive officers of our Managing Partner as a group.

The numbers of common units and Group Partnership units outstanding and the percentage of beneficial ownership before the KPE Transaction set forth below are based on common units and Group Partnership units to be issued and outstanding immediately prior to the KPE Transaction and after giving effect to the KPE Transaction. The numbers of common units and Group Partnership units outstanding and the percentage of beneficial ownership after the KPE Transaction set forth below are based on common units and Group Partnership units to be issued and outstanding immediately after the completion of the KPE Transaction. Beneficial ownership is in each case determined in accordance with the rules of the SEC.

	Common Units Beneficially Owned†				Group Partnership Units and Special Voting Units Beneficially Owned††				Percentage of Combined Voting Power††	
	Prior to KPE Transaction		After the KPE Transaction		Prior to KPE Transaction		After the KPE Transaction			
Name(1)	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Prior to KPE Transaction	After KPE Transaction
KKR Holdings(2)	—	—	—	—						
Henry R. Kravis(2)	—	—	—	—						
George R. Roberts(2)	—	—	—	—						
William J. Janetschek(2)	—	—	—	—						
David J. Sorkin(2)	—	—	—	—						
Directors, director nominees and executive officers as a group (persons)	—	—								

* Less than 1%.

† Group Partnership units are exchangeable (together with the corresponding special voting units) for our common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications and compliance with lock-up, vesting and transfer restrictions as described under "Organizational Structure—KKR Holdings." See "Certain Relationships and Related Party Transactions—Exchange Agreement." Beneficial ownership of Group Partnership units reflected in this table has not also been reflected as beneficial ownership of our common units for which such Group Partnership units may be exchanged.

†† On any matters that may be submitted to a vote of our unitholders, the special voting units will provide their holders with a number of votes that is equal to the aggregate number of Group Partnership units that such holders then hold and will entitle such holders to participate in the vote on the same basis as our unitholders. See "Description of Our Limited Partnership Agreement—Meetings; Voting."

(1) The address of each beneficial owner is c/o KKR Management LLC, 9 West 57th Street, 42nd Floor, New York, New York 10019.

(2) KKR Holdings will own, beneficially or of record, an aggregate of exchangeable Group Partnership units (or 100% of the total number of common units and exchangeable Group Partnership units) outstanding prior to the completion of the KPE Transaction and will own, beneficially or of record, an aggregate of exchangeable Group Partnership units (or 79% of the total number of common units and exchangeable Group Partnership units) outstanding upon completion of the KPE Transaction. Our principals hold interests in KKR Holdings that will entitle them to directly or indirectly participate in the value of the Group Partnership units held by KKR Holdings. KKR Holdings is a limited partnership that is controlled by KKR Holdings GP Limited, its sole general partner, which has investment control over all Group Partnership units and voting control over all special voting units held by KKR Holdings. Messrs. Kravis and Roberts control KKR Holdings GP Limited and have interests in KKR Holdings and, accordingly, may be deemed to be beneficial owners of the securities held by KKR Holdings. Messrs. Janetschek and Sorkin have interests in KKR Holdings and may be deemed to be beneficial owners of the securities held by KKR Holdings. Each of Messrs. Kravis, Roberts, Janetschek and Sorkin disclaims beneficial ownership of the securities that may be deemed to be beneficially owned by him, except to the extent of his own pecuniary interest therein.

Our Managing Partner

Our Managing Partner's outstanding limited liability company interests consist of Class A shares, which are entitled to vote on the election and removal of directors and all other matters that have not been delegated to the board of directors or reserved for the vote of Class B shareholders, and Class B shares, which are entitled to vote only with respect to the manner in which our subsidiaries vote any voting interests that they hold in the general partners of our foreign funds. Henry Kravis and George Roberts will collectively hold Class A shares representing a majority of the total voting power of the Class A shares outstanding upon completion of the Transactions. In addition, notwithstanding the number of Class A shares held by Messrs. Kravis and Roberts, under our Managing Partner's limited liability company agreement, Messrs. Kravis and Roberts are deemed to represent a majority of the Class A shares then outstanding for purposes of voting on matters upon which holders of Class A shares are entitled to vote. Messrs. Kravis and Roberts may, in their discretion, designate one or more holders of Class A shares to hold such voting power and exercise all of the rights and duties of Messrs. Kravis and Roberts under our Managing Partner's limited liability company agreement. While Messrs. Kravis and Roberts historically have acted with unanimity when managing our business, they have not entered into any agreement relating to the voting of their Class A shares following the completion of the Transactions. All of our Managing Partner's other Class A shares will be held by our other senior principals, including Mr. Sorkin, upon the completion of the Transactions. Our Managing Partner's Class B shares will be divided equally among principals, each of whom will hold less than 10% of the voting power of the Class B shares. None of these shares provide these holders with economic interests in our business.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The forms of the agreements described in this section are filed as exhibits to the registration statement of which this prospectus forms a part, and the following descriptions are qualified by reference to all of the provisions of those agreements.

Reorganization Transactions

Prior to the completion of the KPE Transaction, we will undertake the Reorganization Transactions pursuant to which KKR Holdings will contribute to the Group Partnerships the interests in the entities described under "Organizational Structure—Components of Our Business Owned by the Group Partnerships" in exchange for Group Partnership units. The amount of Group Partnership units that our existing owners will receive for these interests will represent 79% of the Group Partnership units that will be outstanding upon the completion of the Transactions. In connection with the Reorganization Transactions, the Group Partnerships will make one or more cash and in-kind distributions to our principals representing substantially all of the cash-on-hand and certain personal property 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. However, the actual amount of such distributions will depend on the amount of the management company's cash-on-hand at the time of the Transactions.

The KPE Transaction

On July 27, 2008, we entered into a purchase and sale agreement with KPE, pursuant to which we will 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 issued by us. The common units will represent 21% of our outstanding limited partner interests on a fully diluted basis upon the completion of the Transactions. See "The KPE Transaction—The Purchase and Sale Agreement."

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 the managing general partner of KPE, which we refer to as the KPE general partner. The memorandum and articles of association of the KPE general partner provide that any transaction between KPE and us or our affiliates (other than certain pre-approved transactions) requires the special approval of a majority of the KPE Board's directors who are independent of KPE, KKR and their affiliates under the standards of the NYSE in order for any action to be taken with respect thereto. Messrs. Kravis and Roberts are directors of the KPE general partner but are not independent of KKR under the standards of the NYSE.

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. Completion of the KPE Transaction is subject to approval by KPE unitholders representing a majority of the outstanding KPE units (excluding KPE units whose consent rights are controlled by us or our affiliates) and other customary closing conditions.

Exchange Agreement

In connection with the Transactions, we will enter into an exchange agreement with KKR Holdings, the entity through which our existing owners, including Messrs. Kravis, Roberts, Janetschek, and Sorkin, will hold their Group Partnership units, pursuant to which KKR Holdings or certain transferees of its Group Partnership units may, up to four times each year (subject to the terms of the exchange agreement), exchange Group Partnership units held by them (together with corresponding special voting units) for our common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. At the election of the Group Partnerships, the Group Partnerships may settle exchanges of Group Partnership units with cash in an amount equal to the fair market value of the common units that would otherwise be deliverable in such exchanges. To the extent that Group Partnership units held by KKR Holdings or its transferees are exchanged for our common units, our interests in the Group Partnerships will be correspondingly increased. Any common units received upon such exchange will be subject to any restrictions that were applicable to the exchanged Group Partnership units, including any applicable transfer restrictions.

Interests in KKR Holdings that are held by our principals will be subject to significant transfer restrictions and vesting requirements that, unless waived, modified or amended will limit the ability of our principals to cause Group Partnership units to be exchanged under the exchange agreement so long as applicable vesting and transfer restrictions apply. See "Organizational Structure—KKR Holdings." 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.

Registration Rights Agreement

Prior to the completion of the Transactions, we will enter into a registration rights agreement with KKR Holdings pursuant to which we will grant KKR Holdings, its affiliates and transferees of its Group Partnership units the right, under certain circumstances and subject to certain restrictions, to require us to register under the Securities Act our common units (and other securities convertible into or exchangeable or exercisable for our common units) held or acquired by them. Under the registration rights agreement, holders of registration rights will have the right to request us to register the sale of their common units and also have the right to require us to make available shelf registration statements permitting sales of common units into the market from time to time over an extended period. In addition, holders of registration rights will have the ability to exercise certain piggyback registration rights in connection with registered offerings requested by other holders of registration rights or initiated by us.

Tax Receivable Agreement

We and our intermediate holding company, a taxable corporation for U.S. federal income tax purposes, may be required to acquire Group Partnership units from time to time pursuant to our exchange agreement with KKR Holdings. KKR Management Holdings L.P. intends to make an election under Section 754 of the Internal Revenue Code in effect for each taxable year in which an exchange of Group Partnership units for common units occurs, which may result in an increase in our intermediate holding company's share of the tax basis of the assets of the Group Partnerships at the time of an exchange of Group Partnership units. These 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 the Group Partnerships, primarily attributable to a portion of the goodwill inherent in our business, that would not otherwise have been available. This increase in tax basis may increase (for tax purposes) depreciation and amortization and therefore reduce the amount of income tax 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 is an obligation of our intermediate holding company and not of either Group Partnership. We expect our intermediate holding company to benefit from the remaining 15% of cash savings, if any, in income tax that it realizes. 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.

For purposes of the tax receivable agreement, cash savings in income tax will be computed by comparing the actual income tax liability of our subsidiary to the amount of such taxes that the intermediate holding company would have been required to pay had there been no increase to the tax basis of the tangible and intangible assets of the Group Partnerships as a result of the exchanges of Group Partnership units and had the intermediate holding company not entered into the tax receivable agreement. The term of the tax receivable agreement will commence upon the completion of the Transactions and will continue until all such tax benefits have been utilized or expired, unless the intermediate holding company exercises its right to terminate the tax receivable agreement for an amount based on the agreed payments remaining to be made under the agreement.

Estimating the amount of payments that may be made under the tax receivable agreement is by its nature imprecise, insofar as the calculation of amounts payable depends on a variety of factors. The actual increase in tax basis, as well as the amount and timing of any payments under the tax receivable agreement, will vary depending upon a number of factors, including:

- the timing of exchanges—for instance, the increase in any tax deductions will vary depending on the fair market value, which may fluctuate over time, of the Group Partnership units, which will depend on the fair market value of the depreciable or amortizable assets of the Group Partnerships at the time of the transaction;

- the price of our common units at the time of the exchange—the increase in any tax deductions, as well as the tax basis increase in other assets, of the Group Partnerships, is directly proportional to the price of our common units at the time of the exchange;

- the extent to which such exchanges are taxable—if an exchange is not taxable for any reason (for instance, in the case of a charitable contribution), increased deductions will not be available; and

- the amount of tax, if any, our intermediate holding company is required to pay aside from any tax benefit from the exchanges, and the timing of any such payment. If our intermediate holding company does not have taxable income aside from any tax benefit from the exchanges, it will not be required to make payments under the tax receivable agreement for that taxable year because no tax savings will have been actually realized.

We expect that as a result of the amount of the increases in the tax basis of the tangible and intangible assets of the Group Partnerships, assuming no material changes in the relevant tax law and that we earn sufficient taxable income to realize the full tax benefit of the increased amortization of our assets, future payments under the tax receivable agreement will be substantial. The payments under the tax receivable agreement are not conditioned upon our existing owners' continued ownership of us.

The intermediate holding company may terminate the tax receivable agreement at any time by making an early termination payment to KKR Holdings or its transferees, based upon the net present value (based upon certain assumptions in the tax receivable agreement) of all tax benefits that would be required to be paid by the intermediate holding company to KKR Holdings or its transferees. In addition, the tax receivable agreement provides that upon certain mergers, asset sales, other forms of business combinations or other changes of control, the minimum obligations of our intermediate holding company or its successor with respect to exchanged or acquired Group Partnership units (whether exchanged or acquired before or after such transaction) would be based on certain assumptions, including that our intermediate holding company would have sufficient taxable income to fully utilize the increased tax deductions and increased tax basis and other benefits related to entering into the tax receivable agreement. In these situations, our obligations under the tax receivable agreement could have a substantial negative impact on our liquidity.

Decisions made by our senior principals in the course of running our business, such as with respect to mergers, asset sales, other forms of business combinations or other changes of control, may influence the timing and amount of payments that are received by an exchanging or selling holder of partner interests in the Group Partnerships under the tax receivable agreement. For example, the earlier disposition of assets following an exchange or acquisition transaction will generally accelerate payments under the tax receivable agreement and increase the present value of such payments, and the disposition of assets before an exchange or acquisition transaction will increase an existing owner's tax liability without giving rise to any rights of an existing owner to receive payments under the tax receivable agreement.

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.

Group Partnership Agreements

As a result of the Reorganization Transactions, we will be the controlling general partner of KKR Fund Holdings L.P., and our intermediate holding company will be the sole general partner of KKR Management Holdings L.P. Accordingly, we will operate and control all of the business and affairs of the Group Partnerships and, through the Group Partnerships and their subsidiaries, conduct our business. We will have unilateral control over all of the affairs and decision making of the Group Partnerships. Furthermore, we cannot be removed as the general partner of KKR Fund Holdings L.P., and our intermediate holding company cannot be removed as the general partner of KKR Management Holdings L.P. Because our Managing Partner will operate and control our business, our Managing Partner's board of directors and our officers will be responsible for all operational and administrative decisions of the Group Partnerships and the day-to-day management of the Group Partnerships' businesses.

Pursuant to the partnership agreements of the Group Partnerships, we, as the controlling general partner of KKR Fund Holdings L.P., and our intermediate holding company, as the general partner of KKR Management Holdings L.P., will have the right to determine when distributions will be made to the holders of Group Partnership units and the amount of any such distributions. See "Distribution Policy."

The partnership agreements of the Group Partnerships will provide for tax distributions to the holders of Group Partnership units 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. Generally, these tax distributions will be computed based on our estimate of the net taxable income of the relevant partnership allocable to a holder of a Group Partnership unit multiplied by an assumed tax rate equal to the highest effective marginal combined U.S. federal, state and local income tax rate prescribed for an individual or corporate resident in New York, New York (taking into account the nondeductibility of certain expenses and the character of our income).

The Group Partnership units will include a capital contribution adjustment mechanism reflecting the terms of our CVIs. Under this capital contribution adjustment mechanism, which we refer to as the CCAM, we may be entitled to receive a variable amount of newly issued Group Partnership units or cash on the third anniversary of the issue date, or upon the earlier occurrence of certain fundamental changes with respect to our business, including certain mergers, consolidations and asset sales, in the event that the trading price of our common units over an averaging period plus the cumulative distributions paid on our common units from the issue date is less than $22.25 per common unit. KKR Holdings will have the right to determine whether the CCAM is settled with additional Group Partnership units or cash.

We will deliver any consideration that we receive pursuant to the CCAM to holders of our CVIs as follows:

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

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

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

The partnership agreements of the Group Partnerships authorize the general partners of the Group Partnerships to issue an unlimited number of additional securities of the Group Partnerships with such designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to the Group Partnerships units, and which may be exchangeable for our common units.

Firm Use of Private Aircraft

Certain of our senior principals, including Messrs. Kravis and Roberts, own aircraft that we use for business purposes in the ordinary course of our operations. They paid for the purchase of these aircraft with their personal funds and bear all operating, personnel and maintenance costs associated with their operation. The hourly rates that we pay for the use of these aircraft are based on current market rates for chartering private aircraft of the same type. We paid $ million for the use of these aircraft during the year ended December 31, 2007, of which $ million was paid to entities collectively controlled by Messrs. Kravis and Roberts.

Side-By-Side and Other Investments

As described under "Business," because fund investors typically are unwilling to invest their capital in a fund unless the fund's manager also invests its own capital in the fund's investments, our private equity fund documents generally require the general partners of our traditional private equity funds to make minimum capital commitments to the funds. The amount of these commitments, which are negotiated by fund investors, generally range from 2% to 4% of a fund's total capital commitments at final closing. When investments are made, the general partner contributes capital to the fund based on its fund commitment percentage and acquires a capital interest in the investment that is not subject to a carried interest. Historically, these capital contributions have been funded with cash from operations that otherwise would be distributed to our principals and by our principals. With respect to investments in our private equity portfolio as of March 31, 2008, Messrs. Kravis and Roberts and their investment vehicles have funded $ million of capital contributed by the general partners towards those investments.

In connection with the Reorganization Transactions, we will not acquire capital interests in investments that were funded by our principals or others involved in our business prior to the Transactions. Rather, those capital interests will be allocated to our principals or others involved in our business and will be reflected in our financial statements as a non-controlling interest in a consolidated entity to the extent that we hold the general partner interest in the fund. Following the completion of the Transactions, any capital contributions that our private equity fund general partners are required to make to a fund will be funded by us and we will be entitled to receive our allocable share of the gain thereon.

In addition, our principals and certain other qualifying employees are permitted to invest and have invested their own capital in side-by-side investments with our private equity funds. Side-by-side investments are investments made on the same terms and conditions as those available to the applicable fund, except that these side-by-side investments are not subject to management fees or a carried interest. The cash invested by our executive officers and their investment vehicles aggregated to $ million for the year ended December 31, 2007, of which $ million, $ million and $ million was invested by Messrs. Kravis, Roberts and Janetschek, respectively. No cash was invested by Mr. Sorkin for the year ended December 31, 2007. These investments are not included in the accompanying combined financial statements. Certain of these individuals also own equity interests in KFN, the KKR Strategic Capital Funds and KPE, which they hold in a personal capacity on the same terms that have been extended to unrelated third-party investors.

Indemnification of Directors, Officers and Others

Under our partnership agreement, in most circumstances we will indemnify the following persons, to the fullest extent permitted by law, from and against all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts: our Managing Partner; any departing Managing Partner; any person who is or was an affiliate of a Managing Partner or any departing Managing Partner; any person who is or was a member, partner, tax matters partner, officer, director, employee, agent, fiduciary or trustee of our partnership or our subsidiaries, the general partner or any departing general partner or any affiliate of us or our subsidiaries, our Managing Partner or any departing Managing Partner; any person who is or was serving at the request of a Managing Partner or any departing Managing Partner or any affiliate of a Managing Partner or any departing Managing Partner as an officer, director, employee, member, partner, agent, fiduciary or trustee of another person; or any person designated by our Managing Partner. We have agreed to provide this indemnification unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that these persons acted in bad faith or engaged in fraud or willful misconduct. We have also agreed to provide this indemnification for criminal proceedings. Any indemnification under these provisions will only be out of our assets. Unless it otherwise agrees, our Managing Partner will not be personally liable for, or have any obligation to contribute or loan funds or assets to us to enable us to effectuate, indemnification. We may purchase insurance against liabilities asserted against and expenses incurred by persons in connection with our activities, regardless of whether we would have the power to indemnify the person against liabilities under our partnership agreement. See "Conflicts of Interest and Fiduciary Responsibilities—Fiduciary Duties."

Guarantee of Contingent Obligations to Fund Partners; Indemnification

Our senior principals, including Messrs. Kravis and Roberts, have personally guaranteed, on a several basis and subject to a cap, the contingent obligations of the general partners of our private equity funds to repay amounts to fund limited partners pursuant to the general partners' clawback obligations. As of March 31, 2008, Messrs. Kravis and Roberts (in each case together with related investment vehicles) had personally guaranteed approximately $ million and $ million, respectively, with respect to our funds' clawback provisions. See "Business—Private Equity—Traditional Private Equity Funds—Overview." These guarantees, which are limited to the amount of the actual clawback obligation, will remain outstanding following the completion of the Transactions. However, in connection with the Transactions, we will enter into an agreement with each of our personnel who has entered into such a guarantee pursuant to which we will agree to indemnify such person for any liabilities incurred with respect to the guarantee. This indemnification will not apply with respect to the legacy funds in which we will not acquire an interest in connection with the Reorganization Transactions.

Facilities

Certain of our senior principals are partners in a real-estate based partnership that maintains an ownership interest in our Menlo Park location. Payments made from us to this partnership aggregated $ million for the year ended December 31, 2007 of which $ was allocable to each of Messrs. Kravis and Roberts and their investment vehicles.

Non-Competition, Non-Solicitation and Confidentiality Agreements

In connection with the Transactions, KKR Holdings will enter into a non-competition and non-solicitation agreement with our principals and certain other personnel. These agreements will supersede and replace any other non-competition and non-solicitation agreements with such individuals. We will not be a party to the non-competition and non-solicitation agreements to which our principals and other personnel will be subject, and these agreements can be waived, modified or amended at any time without our consent. All personnel are required to protect and only use "confidential information" in accordance with restrictions placed by us on the use and disclosure of confidential information pursuant to our firm policy and a confidentiality agreement entered into by such persons.

Statement of Policy Regarding Transactions with Related Persons

Prior to the completion of the Transactions, the board of directors of our Managing Partner will adopt a written statement of policy for our partnership regarding transactions with related persons, which we refer to as our related person policy. Our related person policy requires that a "related person" (as defined as in Item 404(a) of Regulation S-K) must promptly disclose to our Chief Financial Officer or other designated person any "related person transaction" (defined as any transaction, arrangement or relationship, or series of similar transactions, arrangements or relationships, including, without limitation, any loan, guarantee of indebtedness, transfer or lease of real estate, or use of company property) that is reportable by us under Item 404(a) of Regulation S-K in which we were or are to be a participant and the amount involved exceeds $120,000 and in which any related person had or will have a direct or indirect material interest) and all material facts with respect thereto. Those individuals will then promptly communicate that information to the board of directors of our Managing Partner. No related person transaction will be executed without the approval or ratification of the board of directors or any committee of the board consisting exclusively of at least three disinterested directors. It is our policy that directors interested in a related person transaction will recuse themselves from any vote on a related person transaction in which they have an interest.

CONFLICTS OF INTEREST AND FIDUCIARY RESPONSIBILITIES

Conflicts of Interest

Conflicts of interest exist and may arise in the future as a result of the relationships between our Managing Partner and its affiliates, including each party's respective owners, on the one hand, and our partnership and our limited partners, on the other hand. Whenever a potential conflict arises between our Managing Partner or its affiliates, on the one hand, and us or any limited partner, on the other hand, our Managing Partner will resolve that conflict. Our partnership agreement contains provisions that reduce and eliminate our Managing Partner's duties, including fiduciary duties, to our unitholders. Our partnership agreement also restricts the remedies available to unitholders for actions taken that without those limitations might constitute breaches of duty, including fiduciary duties.

Under our partnership agreement, our Managing Partner will not be in breach of its obligations under the partnership agreement or its duties to us or our unitholders if the resolution of the conflict is:

- approved by the conflicts committee, although our Managing Partner is not obligated to seek such approval;
- approved by the vote of a majority of the outstanding common units, excluding any common units owned by our Managing Partner or any of its affiliates, although our Managing Partner is not obligated to seek such approval;
- on terms no less favorable to us than those generally being provided to or available from unrelated third parties; or
- fair and reasonable to us, taking into account the totality of the relationships among the parties involved, including other transactions that may be particularly favorable or advantageous to us.

Our Managing Partner may, but is not required to, seek the approval of such resolution from the conflicts committee or our unitholders. If our Managing Partner does not seek approval from the conflicts committee or our unitholders and its board of directors determines that the resolution or course of action taken with respect to the conflict of interest satisfies either of the standards set forth in the third and fourth bullet points above, then it will be presumed that in making its decision the board of directors acted in good faith, and in any proceeding brought by or on behalf of any limited partner or us or any other person bound by our partnership agreement, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption. Unless the resolution of a conflict is specifically provided for in our partnership agreement, our Managing Partner or the conflicts committee may consider any factors it determines in good faith to consider when resolving a conflict. Our partnership agreement provides that our Managing Partner will be conclusively presumed to be acting in good faith if our Managing Partner subjectively believes that the decision made or not made is in the best interests of the partnership.

Covered Agreements

The conflicts committee will be responsible for enforcing our rights under any of the exchange agreement, the tax receivable agreement, the contingent value interests agreement, the limited partnership agreement of any Group Partnership, a lock-up agreement or our limited partnership agreement, which we refer collectively to as the covered agreements, against KKR Holdings and certain of its subsidiaries and designees, a general partner or limited partner of KKR Holdings, or a person who holds a partnership or equity interest in the foregoing entities. The conflicts committee will also be authorized to take any action pursuant to any authority or rights granted to such committee under any covered agreement or with respect to any amendment, supplement, modification or waiver to any such agreement that would purport to modify such authority or rights. In addition, the conflicts committee shall approve any amendment to any of the covered agreements that in the reasonable judgment of our Managing Partner's board of directors is or will result in a conflict of interest.

Potential Conflicts

Conflicts of interest could arise in the situations described below, among others.

Actions taken by our Managing Partner may affect the amount of cash flow from operations to our unitholders.

The amount of cash flow from operations that is available for distribution to our unitholders is affected by decisions of our Managing Partner regarding such matters as:

- the amount and timing of cash expenditures, including those relating to compensation;
- the amount and timing of investments and dispositions;
- levels of indebtedness;
- tax matters;
- levels of reserves; and
- issuances of additional partnership securities.

In addition, borrowings by our partnership and our affiliates do not constitute a breach of any duty owed by our Managing Partner to our unitholders. Our partnership agreement provides that we and our subsidiaries may borrow funds from our Managing Partner and its affiliates on terms that are fair and reasonable to us. Under our partnership agreement, those borrowings will be deemed to be fair and reasonable if: (i) they are approved in accordance with the terms of the partnership agreement; (ii) the terms are no less favorable to us than those generally being provided to or available from unrelated third parties; or (iii) the terms are fair and reasonable to us, taking into account the totality of the relationships between the parties involved, including other transactions that may be or have been particularly favorable or advantageous to us.

We will reimburse our Managing Partner and its affiliates for expenses.

We will reimburse our Managing Partner and its affiliates for costs incurred in managing and operating our partnership and our business. For example, we do not elect, appoint or employ any directors, officers or other employees. All of those persons are elected, appointed or employed by our Managing Partner on our behalf. Our partnership agreement provides that our Managing Partner will determine the expenses that are allocable to us.

Our Managing Partner intends to limit its liability regarding our obligations.

Our Managing Partner intends to limit its liability under contractual arrangements so that the other party has recourse only to our assets, and not against our Managing Partner, its assets or its owners. Our partnership agreement provides that any action taken by our Managing Partner to limit its liability or our liability is not a breach of our Managing Partner's fiduciary duties, even if we could have obtained more favorable terms without the limitation on liability.

Our unitholders will have no right to enforce obligations of our Managing Partner and its affiliates under agreements with us.

Any agreements between us on the one hand, and our Managing Partner and its affiliates on the other, will not grant our unitholders, separate and apart from us, the right to enforce the obligations of our Managing Partner and its affiliates in our favor.

Contracts between us, on the one hand, and our Managing Partner and its affiliates, on the other, will not be the result of arm's-length negotiations.

Our partnership agreement allows our Managing Partner to determine in its sole discretion any amounts to pay itself or its affiliates for any services rendered to us. Our Managing Partner may also enter into additional contractual arrangements with any of its affiliates on our behalf. Neither our partnership agreement nor any of the other agreements, contracts and arrangements between us on the one hand, and our Managing Partner and its affiliates on the other, are or will be the result of arm's-length negotiations. Our Managing Partner will determine the terms of any of these transactions entered into after the completion of the Transactions on terms that it considers are fair and reasonable to us. Our Managing Partner and its affiliates will have no obligation to permit us to use any facilities or assets of our Managing Partner and its affiliates, except as may be provided in contracts entered into specifically dealing with such use. There will not be any obligation of our Managing Partner and its affiliates to enter into any contracts of this kind.

Our common units are subject to our Managing Partner's limited call right.

Our Managing Partner may exercise its right to call and purchase common units as provided in our partnership agreement or assign this right to one of its affiliates or to us. Our Managing Partner may use its own discretion, free of fiduciary duty restrictions, in determining whether to exercise this right. As a result, a unitholder may have his common units purchased from him at an undesirable time or price. See "Description of Our Limited Partnership Agreement—Limited Call Right."

We may choose not to retain separate counsel for ourselves or for the holders of common units.

The attorneys, independent accountants and others who have performed services for us regarding the Transactions have been retained by our Managing Partner. Attorneys, independent accountants and others who will perform services for us are selected by our Managing Partner or the conflicts committee, and may perform services for our Managing Partner and its affiliates. We may retain separate counsel for ourselves or our unitholders in the event of a conflict of interest between our Managing Partner and its affiliates on the one hand, and us or our unitholders on the other, depending on the nature of the conflict, but are not required to do so.

Our Managing Partner's affiliates may compete with us.

Our partnership agreement provides that our Managing Partner will be restricted from engaging in any business activities other than activities incidental to its ownership of interests in us. Except as provided in the non-competition, non-solicitation and confidentiality agreements to which our principals will be subject, affiliates of our Managing Partner, including its owners, are not prohibited from engaging in other businesses or activities, including those that might compete directly with us.

Certain of our subsidiaries have obligations to investors in our investment funds and may have obligations to other third parties that may conflict with your interests.

Our subsidiaries that serve as the general partners of our investment funds have fiduciary and contractual obligations to the investors in those funds and some of our subsidiaries may have contractual duties to other third parties. As a result, we expect to regularly take actions with respect to the allocation of investments among our investment funds (including funds that have different fee structures), the purchase or sale of investments in our investment funds, the structuring of investment transactions for those funds, the advice we provide or otherwise that comply with these fiduciary and contractual obligations. In addition, our principals have made personal investments in a variety of our investment funds, which may result in conflicts of interest among investors in our funds or our unitholders regarding investment decisions for these funds. Some of these actions might at the same time adversely affect our near-term results of operations or cash flow.

U.S. federal income tax considerations of our principals may conflict with your interests.

Because our principals will hold their Group Partnership units directly or through entities that are not subject to corporate income taxation and we hold our units in one of the Group Partnerships through a subsidiary that is subject to taxation as a corporation in the United States, conflicts may arise between our principals and our partnership relating to the selection and structuring of investments. Our unitholders will be deemed to expressly acknowledge that our Managing Partner is under no obligation to consider the separate interests of such holders, including among other things the tax consequences to our unitholders, in deciding whether to cause us to take or decline to take any actions.

Fiduciary Duties

Our Managing Partner is accountable to us and our unitholders as a fiduciary. Fiduciary duties owed to our unitholders by our Managing Partner are prescribed by law and our partnership agreement. The Delaware Limited Partnership Act provides that Delaware limited partnerships may in their partnership agreements expand, restrict or eliminate the duties, including fiduciary duties, otherwise owed by a Managing Partner to limited partners and the partnership.

Our partnership agreement contains various provisions modifying, restricting and eliminating the duties, including fiduciary duties, that might otherwise be owed by our Managing Partner. We have adopted these restrictions to allow our Managing Partner or its affiliates to engage in transactions with us that would otherwise be prohibited by state-law fiduciary duty standards and to take into account the interests of other parties in addition to our interests when resolving conflicts of interest. Without these modifications, our Managing Partner's ability to make decisions involving conflicts of interest would be restricted. These modifications are detrimental to our unitholders because they restrict the remedies available to our unitholders for actions that without those limitations might constitute breaches of duty, including a fiduciary duty, as described below, and they permit our Managing Partner to take into account the interests of third parties in addition to our interests when resolving conflicts of interest.

The following is a summary of the material restrictions of the fiduciary duties owed by our Managing Partner to our unitholders:

State Law Fiduciary Duty Standards	Fiduciary duties are generally considered to include an obligation to act in good faith and with due care and loyalty. In the absence of a provision in a partnership agreement providing otherwise, the duty of care would generally require a general partner to act for the partnership in the same manner as a prudent person would act on his own behalf. In the absence of a provision in a partnership agreement providing otherwise, the duty of loyalty would generally prohibit a general partner of a Delaware limited partnership from taking any action or engaging in any transaction that is not in the best interests of the partnership where a conflict of interest is present.
Partnership Agreement Modified Standards	*General* Our partnership agreement contains provisions that 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 provides that when our Managing Partner, in its capacity as our Managing 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

	factors affecting us or any limited partners, including our unitholders, and will not be subject to any different standards imposed by the partnership agreement, the Delaware Limited Partnership Act or under any other law, rule or regulation or in equity. In addition, 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 obligation to us or the unitholders whatsoever. These standards reduce the obligations to which our Managing Partner would otherwise be held. In addition to the other more specific provisions limiting the obligations of our Managing Partner, our partnership agreement further provides that our Managing Partner and its officers and directors will not be liable to us, our

limited partners, including our unitholders, or assignees 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.

Special Provisions Regarding Affiliated Transactions

Our partnership agreement generally provides that affiliated transactions and resolutions of conflicts of interest not involving a vote of unitholders and that are not approved by the conflicts committee of the board of directors of our Managing Partner or by our unitholders must be:

- on terms no less favorable to us than those generally being provided to or available from unrelated third parties; or
- "fair and reasonable" to us, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to us).

If our Managing Partner does not seek approval from the conflicts committee or our unitholders and the board of directors of our Managing Partner determines that the resolution or course of action taken with respect to the conflict of interest satisfies either of the standards set forth in the bullet points above, then it will be presumed that in making its decision, the board of directors acted in good faith, and in any proceeding brought by or on behalf of any limited partner, including our unitholders, or our partnership or any other person bound by our partnership agreement, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption. These standards reduce the obligations to which our Managing Partner would otherwise be held.

Rights and Remedies of Unitholders

The Delaware Limited Partnership Act generally provides that a limited partner may institute legal action on behalf of the partnership to recover damages from a third-party where a general partner has refused to institute the action or where an effort to cause a general partner to do so is not likely to succeed. In addition, the statutory or case law of some jurisdictions may permit a limited partner to institute legal action on behalf of himself and all other similarly situated limited partners to recover damages from a general partner for violations of its fiduciary duties to the limited partners.

By holding our common units, each unitholder will automatically agree to be bound by the provisions in our partnership agreement, including the provisions described above. This is in accordance with the policy of the Delaware Limited Partnership Act favoring the principle of freedom of contract and the enforceability of partnership agreements. The failure of a unitholder to sign our partnership agreement does not render our partnership agreement unenforceable against that person.

We have agreed to indemnify our Managing Partner and any of its affiliates and any member, partner, tax matters partner, officer, director, employee, agent, fiduciary or trustee of our partnership, our Managing Partner or any of our affiliates and certain other specified persons, to the fullest extent permitted by law, against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts incurred by our Managing Partner or these other persons. We have agreed to provide this indemnification unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that these persons acted in bad faith or engaged in fraud or willful misconduct. We have also agreed to provide this indemnification for criminal proceedings. Thus, our Managing Partner could be indemnified for its negligent acts if it met the requirements set forth above. To the extent these provisions purport to include indemnification for liabilities arising under the Securities Act, in the opinion of the SEC such indemnification is contrary to public policy and therefore unenforceable. See "Description of Our Limited Partnership Agreement—Indemnification."

COMPARATIVE RIGHTS OF OUR UNITHOLDERS AND KPE UNITHOLDERS

The rights of our unitholders will be governed by the laws of the State of Delaware, including the Delaware Limited Partnership Act, and our partnership agreement. The rights of KPE unitholders are currently governed by the laws of Guernsey, including The Limited Partnerships (Guernsey) Law, 1995, as amended, which we refer to as the Guernsey Limited Partnerships Law, and KPE's limited partnership agreement, which we refer to as the KPE partnership agreement. If the KPE Transaction is completed, KPE unitholders would receive our common units and CVIs issued by us, and their rights as unitholders would accordingly be governed by Delaware law and our partnership agreement. In addition, the U.S. federal securities laws and the rules and regulations of the NYSE that will apply to our common units differ from Dutch securities laws and the rules and regulations of Euronext Amsterdam, which currently apply to the KPE units.

This section of the prospectus describes certain differences between the rights of our unitholders and the rights of KPE unitholders. It does not purport to be a complete statement of the rights of our unitholders under applicable Delaware law and our partnership agreement, or the rights KPE unitholders under applicable Guernsey law and the KPE partnership agreement.

We encourage you to read carefully the relevant provisions of the Delaware Limited Partnership Act and the Guernsey Limited Partnerships Law, as well as our partnership agreement and the KPE partnership agreement. We have included our partnership agreement in Appendix A to this prospectus. We furthermore encourage you to read the more fulsome description of our partnership agreement included under "Description of Our Limited Partnership Agreement" herein.

Capitalization

KKR	*KPE*
Upon completion of the Transactions, we will have common units and special voting units outstanding.	As of , KPE has common units outstanding.

Issuance of Additional Securities

KKR	*KPE*
Our partnership agreement provides that our Managing Partner may issue additional securities and related options, rights, warrants and appreciation rights at any time. Our Managing Partner may determine the designation, preferences, rights, powers and duties of any class or series of securities at its sole discretion.	The KPE partnership agreement provides that with the special approval of a majority of the independent members of the board of directors of KPE's general partner, which we refer to as the KPE Board, KPE's general partner may issue additional securities and related options, rights, warrants and appreciation rights at any time. KPE's general partner may determine the designation, preferences, rights, powers and duties of any class or series of securities, subject to such special approval.

Voting Rights of Unitholders

KKR	*KPE*
Our unitholders will have only limited voting and consent rights as described herein and will have no right to elect or remove our Managing Partner or its directors.	KPE unitholders are not entitled to vote on matters relating to KPE, although they are entitled to consent rights with respect to certain maters described below.

Management and Control

KKR	*KPE*
Our Managing Partner will manage all of our operations and activities. Our Managing Partner will be wholly-owned by our principals and controlled by our founders.	KPE's general partner manages all of its operations and activities. KPE's general partner is wholly-owned and controlled by our principals.
Our limited partnership agreement and the Delaware Limited Partnership Act prohibit limited partners from participating in the operation, management or control of our business.	The KPE partnership agreement and the Guernsey Limited Partnerships Law both prohibit limited partners from participating in the conduct or management of KPE's business.

Board Structure

KKR	*KPE*

The limited liability company agreement of our Managing Partner requires our Managing Partner to maintain a board of directors, not less than a majority of whom are independent pursuant to NYSE Rules relating to corporate governance matters. Our Managing Partner's board of directors is required to maintain an audit committee and a conflicts committee, each of which consists of a majority of independent directors, and an executive committee, which initially will consist solely of our founders.

A majority of the Class A shares of our Managing Partner, all of which are held by our senior principals, will have the power, in their sole discretion, to (i) determine the number of directors and their term of office, (ii) appoint directors and (iii) remove and replace directors at any time, with or without cause and for any reason or no reason. Independent directors of our Managing Partner's board of directors need not be approved by our Managing Partner's nominating and corporate governance committee. Our Managing Partner's limited partnership agreement does not provide for the classification of directors.

We expect that our Managing Partner's board of directors initially will consist of   directors, two of whom are our founders and the remainder of whom are independent.

The articles of association of KPE's general partner requires KPE's general partner to maintain the KPE Board, not less than a majority of whom must be independent pursuant to NYSE Rules relating to corporate governance matters. The KPE Board is required to maintain an audit committee that consists entirely of independent directors and a nominating and corporate governance committee that consists of a majority of non-independent directors.

Each member of the KPE board is appointed annually at a general meeting of the shareholders of KPE's general partner, and holds office until the next annual general meeting of the KPE general partner's shareholders, or his earlier death, resignation or removal. Vacancies may be filled and additional directors may be added by an ordinary resolution of shareholders or a vote of the directors then in office, subject to size, eligibility and advance notice requirements. No person may be appointed to the office of independent director unless he or she has been approved by a majority of the independent directors then in office and has been recommended by the KPE Board's nominating and corporate governance committee (a majority of whose members are our affiliates). A director may be removed from office for any reason by a written resolutions requesting resignation signed by all other directors then holding office or by an ordinary resolution of the KPE general partner's shareholders. At no time may a majority of directors be resident in the United Kingdom nor citizens or residents of the United States.

The KPE Board currently consists of five directors, three of whom are independent. Our founders are members of the KPE Board.

Withdrawal or Removal of our Managing Partner; Transfer of Managing Partner's General Partner Interest

KKR	*KPE*
Our partnership agreement provides that our Managing Partner may not be removed or expelled, with or without cause, by unitholders.	KPE unitholders do not have the right to force KPE's general partner to withdraw from KPE.
Except for the transfer by our Managing Partner of all, but not less than all, of its general partner interests in us to an affiliate of our Managing Partner, or to another entity as part of the merger or consolidation of our Managing Partner with or into another entity or the transfer by our Managing Partner of all or substantially all of its assets to another entity, our Managing Partner may not transfer all or any part of its general partner interest in us to another person prior to December 31, 2018 without the approval of the holders of at least a majority of the voting power of our outstanding voting units, excluding voting units held by our Managing Partner and its affiliates. On or after December 31, 2018, our Managing Partner may transfer all or any part of its general partner interest without first obtaining approval of any unitholder. Our Managing Partner may withdraw as the Managing Partner (i) prior to December 31, 2018 upon 90 days' advance notice, provided that holders of a majority of the voting power of our voting units (excluding voting units held by our Managing Partner and its affiliates) approves such withdrawal and our Managing Partner delivers opinions of counsel with respect to certain legal and tax matters, (ii) on or after December 31, 2018 upon 90 days' advance notice, or (iii) in accordance with the transfer provisions described above. Notwithstanding the foregoing, our Managing Partner may withdraw at any time without unitholder approval upon 90 days' advance notice to the limited partners if at least 50% of the outstanding common units are beneficially owned or owned of record or controlled by one person and its affiliates other than our Managing Partner and its affiliates.	KPE's general partner may withdraw from KPE only with the prior written consent of holders representing a majority of KPE units, except that KPE's general partner may transfer all or any part of its general partner interest, or merge, consolidate, convert or amalgamate with or into any other person, if such transfer is to KKR or an affiliate of KKR or such merger, consolidation, conversion or amalgamation is with or into KKR or an affiliate of KKR.

Upon the withdrawal of our Managing Partner under any circumstances, the holders of a majority of the voting power of our outstanding voting units may select a successor to that withdrawing Managing Partner.

Unitholder Meetings

KKR	*KPE*
We are not required to, and do not expect to, hold regular meetings of our unitholders. Our partnership agreement provides that meetings of our unitholders may be called by our Managing Partner or by limited partners owning at least 50% of the voting power of the outstanding limited partner interests of the class for which a meeting has been called.	The KPE partnership agreement requires KPE to hold an annual meeting at which KPE's general partner will present a report on KPE's investment activities. KPE unitholders are not permitted to take any action at any such annual meeting. KPE's general partner may call special meetings of partners for any purpose, but KPE unitholders have no right to call or request meetings.

Dividends

KKR	*KPE*
Our partnership agreement provides that our Managing Partner may determine the amount and timing of any distributions to our unitholders in its sole discretion.	The KPE partnership agreement provides that KPE's general partner may determine the amount and timing of distributions to the KPE unitholders in its sole discretion.

Amendment to Partnership Agreement

KKR	*KPE*
Amendments to our partnership agreement may be proposed only by our Managing Partner.	Amendments to the KPE partnership agreement may be proposed only by KPE's general partner.
No amendment may be made that would (1) enlarge the obligations of any limited partner without its consent, except that any amendment that would have a material adverse effect on the rights or preferences of any class of partner interests in relation to other classes of partner interests may be approved by at least a majority of the type or class of partner interests so affected; or (2) enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable by us to our Managing Partner or any of its affiliates without the consent of our Managing Partner, which may be given or withheld in its sole discretion. The provision in our partnership agreement preventing the amendments having the effects described in clauses (1) or (2) above may be amended with the approval of the holders of at least 90% of the outstanding voting units.	KPE's general partner may amend the KPE partnership agreement for reasons similar to those discussed under "Description of Our Limited Partnership Agreement—Amendment of the Partnership Agreement—General—No Limited Partner Approval." KPE's general partner may make any other amendment to the KPE partnership agreement, without the consent of the KPE unitholders, that is not material and adverse to KPE unitholders, provided that such amendment receives the approval of a majority of the independent directors of the KPE board. Any other amendment will be effective upon its approval by KPE's general partner and holders representing a majority of KPE's outstanding securities.
Our Managing Partner may amend our partnership agreement without the consent of our unitholders for certain legal, tax, regulatory and other reasons described under "Description of Our Limited Partnership Agreement—Amendment of the Partnership Agreement—General—No Limited Partner Approval."	
Other amendments to our partnership agreement will become effective with the consent of our Managing Partner and at least a majority of our outstanding voting units, provided that our Managing Partner has obtained an opinion of counsel that such amendments will not result in a loss of limited liability to our unitholders. In the absence of such an opinion of counsel, any amendment, other than an amendment pursuant to a merger, consolidation or other business combination, will require the approval of at least 90% of our outstanding voting units.	

Mergers and Other Business Combinations

KKR	*KPE*
We may not engage in any merger, consolidation or other business combination without the prior consent of our Managing Partner. Our partnership agreement provides that our Managing Partner will submit any merger, consolidation or other business combination to a vote of our unitholders. Such merger, consolidation or other business combination will be approved upon receiving the approval of the holders of at least a majority of the outstanding voting units. Notwithstanding the foregoing, our Managing Partner is permitted, without unitholder approval, to convert, merge or convey all of our assets to a newly formed limited liability entity with no assets, liabilities or operations if the purpose is to effect a mere change in legal form and if the unitholders and our Managing Partner retain the same rights and obligations provided in our partnership agreement.	The KPE partnership agreement provides that KPE may merge, consolidate, convert or amalgamate with or into one or more entities under the laws of such jurisdiction as KPE's general partner may in its sole discretion determine, provided that a majority of KPE Board's independent directors approve.

Indemnification of Directors and Officers

KKR

Under our partnership agreement, we will indemnify (i) our Managing Partner, (ii) any departing Managing Partner, (iii) any person who is or was an affiliate of a Managing Partner or any departing Managing Partner, (iv) any person who is or was a member, partner, tax matters partner, officer, director, employee, agent, fiduciary or trustee of us or our subsidiaries, the Managing Partner or any departing Managing Partner or any affiliate of us or our subsidiaries, the Managing Partner or any departing Managing Partner, (v) any person who is or was serving at the request of a Managing Partner or any departing Managing Partner or any affiliate of a Managing Partner or any departing Managing Partner as an officer, director, employee, member, partner, agent, fiduciary or trustee of another person, or (vi) any person designated by our Managing Partner to the fullest extent permitted by law from and against all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts. We have agreed to provide this indemnification unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that these persons acted in bad faith or engaged in fraud or willful misconduct. We have also agreed to provide this indemnification for criminal proceedings. Any indemnification under these provisions will only be out of our assets. Unless it otherwise agrees, our Managing Partner will not be personally liable for, or have any obligation to contribute or loan funds or assets to us to enable us to effectuate, indemnification. We may purchase insurance against liabilities asserted against and expenses incurred by persons in connection with our activities, regardless of whether we would have the power to indemnify the person against liabilities under our partnership agreement.

KPE

The KPE partnership agreement provides that KPE is required to indemnify to the fullest extent permitted by law KPE's general partner, KPE's service provider and any of their respective affiliates, any person who serves on a governing body of the Acquired KPE Partnership or its subsidiaries or any other holding vehicle established by KPE and any other person designated by KPE's general partner as an indemnified person, in each case, against all losses, claims, damages, liabilities, costs or expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, incurred by an indemnified party in connection with our business, investments and activities or by reason of their holding such positions, except to the extent that the claims, liabilities, losses, damages, costs or expenses are determined by a court of competent jurisdiction (in a final and non-appealable judgment) to have resulted from the indemnified party's bad faith, fraud or willful misconduct, or in the case of a criminal matter, action that the indemnified party knew to have been unlawful. The KPE partnership agreement requires KPE to advance funds to pay the expenses of an indemnified party in connection with a matter in which indemnification may be sought until it is determined that the indemnified party is not entitled to indemnification.

Limitations on Liability of Directors and Officers

KKR

Our partnership agreement provides that our Managing Partner and it affiliates are not liable to us or our unitholders for any losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising as a result of any act or omission of an indemnitee, or for any breach of contract or any breach of duties (including breach of fiduciary duties) whether arising at law, in equity or otherwise, unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that, in respect of the matter in question, the indemnitee acted in bad faith or engaged in fraud or willful misconduct.

KPE

The KPE partnership agreement provides that (i) the liability of an indemnified party has been limited to the fullest extent permitted by law, except to the extent that its conduct involves bad faith, fraud or willful misconduct, or in the case of a criminal matter, action that the indemnified party knew to have been unlawful and (ii) any matter that is approved by the independent directors will not constitute a breach of any duties stated or implied by law or equity, including fiduciary duties.

Unitholder Suits

KKR

The Delaware Limited Partnership Act generally provides that a limited partner may institute legal action on behalf of the partnership to recover damages from a third-party where a general partner has refused to institute the action or where an effort to cause a general partner to do so is not likely to succeed. In addition, the statutory or case law of some jurisdictions may permit a limited partner to institute legal action on behalf of himself and all other similarly situated limited partners to recover damages from a general partner for violations of its fiduciary duties to the limited partners.

KPE

The Guernsey Limited Partnerships Law provides that a limited partner may, with the leave of the Royal Court of Guernsey, institute proceedings on behalf of a limited partnership if (a) the general partners have, without good cause, failed to do so, and (b) the failure or refusal is oppressive to the limited partner or is prejudicial to its interests as a limited partner.

Governing Law and Jurisdiction

KKR	*KPE*
Our partnership agreement is governed by and will be construed in accordance with the laws of the State of Delaware, without regard to the principles of conflicts of laws. Our partnership agreement does not provide that our unitholders submit to the jurisdiction of particular courts in connection with disputes arising out of or relating our partnership agreement.	The KPE partnership agreement is governed by and will be construed in accordance with the laws of the Island of Guernsey. KPE unitholders generally will submit to the non-exclusive jurisdiction of any state or federal court of the State of Delaware or any court in the Island of Guernsey in any dispute, suit, action or proceeding arising out of or relating to the KPE partnership agreement.

DESCRIPTION OF OUR COMMON UNITS

Common Units

Our common units represent limited partner interests in us. Our unitholders are entitled to participate in our distributions and exercise the rights or privileges available to limited partners under our partnership agreement. We will be dependent upon the Group Partnerships to fund any distributions we may make to our unitholders, as described under "Distribution Policy." For a description of the relative rights and preferences of holders of our unitholders in and to our distributions, see "Distribution Policy." For a description of the rights and privileges of limited partners under our partnership agreement, including voting rights, see "Description of Our Limited Partnership Agreement."

Unless our Managing Partner determines otherwise, we will issue all our common units in uncertificated form.

Transfer of Common Units

By acceptance of the transfer of our common units in accordance with our partnership agreement, each transferee of our common units will be admitted as a unitholder with respect to the common units transferred when such transfer and admission is reflected in our books and records. Additionally, each transferee of our common units:

- will represent that the transferee has the capacity, power and authority to enter into our partnership agreement;
- will become bound by the terms of, and will be deemed to have agreed to be bound by, our partnership agreement; and
- will give the consents, approvals, acknowledgements and waivers set forth in our partnership agreement, such as the approval of all transactions and agreements that we are entering into in connection with the Transactions.

A transferee will become a substituted limited partner of our partnership for the transferred common units automatically upon the recording of the transfer on our books and records. Our Managing Partner will cause any transfers to be recorded on our books and records no less frequently than quarterly.

Common units are securities and are transferable according to the laws governing transfers of securities. In addition to other rights acquired upon transfer, the transferor gives the transferee the right to become a substituted limited partner in our partnership for the transferred common units.

Until a common unit has been transferred on our books, we and the transfer agent, notwithstanding any notice to the contrary, may treat the record holder of the common unit as the absolute owner for all purposes, except as otherwise required by law or stock exchange regulations. A beneficial holder's rights are limited solely to those that it has against the record holder as a result of any agreement between the beneficial owner and the record holder.

Transfer Agent and Registrar

will serve as registrar and transfer agent for our common units. You may contact the registrar and transfer agent at the following address: .

DESCRIPTION OF OUR CONTINGENT VALUE INTERESTS

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, to the mutually acceptable trustee as the CVI Trustee and to each holder of a CVI as a CVI holder. The following is a description of certain material terms of the CVI Agreement and is qualified in its entirety by reference to all of the provisions of the CVI Agreement. Because this description is only a summary of certain material terms of the CVI Agreement, it does not contain all of the information that you may find important. For additional information, you should read the CVI Agreement and "Material U.S. Federal Tax Considerations."

References to sections in the following summaries are references to sections of the CVI Agreement. Where reference is made to particular provisions of the CVI Agreement, such provisions, including the definitions of certain terms, are qualified in their entirety by such reference. The definitions of certain capitalized terms used in the following summary are set forth below under "—Certain Definitions."

Payment at Maturity Date

The CVI Agreement provides that, subject to adjustment as described under "—Adjustments" below and subject to extinguishment as described under "—Extinguishment; Determination that No Amount is Payable with Respect to the CVIs" below, we shall pay the CVI Consideration to each CVI holder on the Maturity Date. The "CVI Consideration" shall be, for each CVI held by such CVI holder, the amount, if any, as determined by us, by which the Strike Price (as defined below) exceeds the greater of (i) the Common Unit Value (as defined below) and (ii) the Floor Price (as defined below), provided that (x) if such amount equals or exceeds the CVI Consideration Cap (as defined below), the CVI Consideration shall mean the CVI Consideration Cap and (y) if the Common Unit Value equals or exceeds the Strike Price, the CVI Consideration shall be $0. Such determination by us absent manifest error shall be final and binding on the CVI holders and us. (See Section 3.01(c) of the CVI Agreement)

The CVI Consideration, if any, shall be satisfied by our delivery of a number of common units having a value equal to the CVI Consideration or in cash, if KKR Holdings so elects, by our giving notice to the CVI Trustee at least 10 days prior to the commencement of the Averaging Period (as defined below) that the Group Partnerships have committed to deliver cash to us in an amount sufficient to satisfy the CVI Consideration. (See Section 3.01(c) of the CVI Agreement). For purposes of calculating the number of our common units to be issued as CVI Consideration, any of our common units so issued will be valued at the Common Unit Value. There can be no assurance, however, that such common units, if issued, would ultimately trade in the market at a price at or above the Common Unit Value.   has been appointed as paying agent in the Borough of Manhattan, The City of New York.

Maximum Consideration

The CVI Agreement provides that, other than in respect of our obligation to deliver interest at the Default Interest Rate (as defined below) under the circumstances provided in the CVI Agreement, we shall in no event be required to deliver (i) CVI Consideration (whether in the form of our common units or cash) in excess of the CVI Consideration Cap in order to satisfy our obligations in respect of any CVI, (ii) a Default Amount (as defined below) (whether in the form of our common units or cash) in excess of the Default Amount Cap (as defined below) in order to satisfy our obligations in respect of any CVI or (iii) an aggregate number of our common units in excess of the Aggregate Unit Cap (as defined below) or cash in an aggregate amount in excess of an amount equal to the product of the Aggregate Unit Cap and the Common Unit Value (or the Default VWAP Price (as defined below) in the event a Default Payment Date (as defined below) occurs) in order to satisfy our obligations in respect of all CVIs.

Extinguishment; Determination that No Amount is Payable with Respect to the CVIs

If at any time through, but excluding, the first day of the Averaging Period, the VWAP of one common unit equals or exceeds $24.00 (subject to adjustment as discussed herein) minus the Distribution Amount for 20 consecutive trading days (subject to the exclusion of certain trading days, as provided in the CVI Agreement), then the CVIs will have no value and will be automatically extinguished and terminated without further consideration or action by us, the CVI Trustee or the CVI holders. (See Section 3.01(g) of the CVI Agreement)

In the event that we determine that no amount is payable with respect to the CVIs to the CVI holders on the Maturity Date or the Default Payment Date, as applicable, or that the CVIs have been extinguished as discussed above, we shall give to the CVI holders notice of such determination. Upon making such determination and absent manifest error, the CVIs shall terminate and become null and void and the CVI holders shall have no further rights with respect thereto. The failure to give such notice or any defect therein shall not affect the validity of such determination. (See Section 3.01(e) of the CVI Agreement)

No Interest

Notwithstanding any provision of the CVI Agreement or of the CVIs to the contrary, other than in the case of default interest on the CVI Consideration or the Default Amount, as applicable, no interest shall accrue on any amounts payable on the CVIs to the CVI holders. (See Section 3.01(d) of the CVI Agreement)

Transferability

The CVI Agreement provides that no CVI nor any beneficial interest therein may be directly or indirectly sold, assigned, pledged, encumbered or in any other manner transferred or disposed of, in whole or in part, including through the use of any derivative or similar security or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of a CVI, 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.

Events of Default

If an Event of Default (as defined below) occurs and is continuing, either the CVI Trustee or CVI holders of not less than 25% of the outstanding CVIs, by notice in writing to us (and to the CVI Trustee if given by CVI holders), may declare the CVIs due and payable immediately, and upon such declaration, we shall deliver to the CVI holders (in cash or common units, at our option) for each CVI held by the CVI holders, the Default Amount with interest at the Default Interest Rate, from the Default Payment Date through the date payment is made to the CVI Trustee. (See Section 8.01 of the CVI Agreement) The Default Amount and the related interest shall be satisfied by delivery by us of a number of common units having a value equal to the Default Amount and the related interest or, if KKR Holdings so elects, the Default Amount and the related interest shall be satisfied by delivery of cash in an amount equal to the Default Amount and the related interest. For purposes of calculating the number of our common units to be issued in respect of the Default Amount and the related interest, any of our common units so issued will be valued at the Default VWAP Price.

If, at any time after the CVIs shall have been so declared due and payable, and before any judgment or decree for the payment of the consideration due shall have been obtained or entered, we shall pay or shall deposit with the CVI Trustee an amount of cash and/or number of common units sufficient to satisfy our obligations to deliver consideration owed in respect of CVIs which shall have become due otherwise than by acceleration (with interest upon such overdue amount at the Default Interest Rate to the date of such payment or deposit) and such amount as shall be sufficient to cover reasonable compensation to the CVI Trustee, its agents, attorneys and counsel, and all other expenses and liabilities incurred and all advances made by the CVI Trustee except as a result of negligence or bad faith, and if any and all Events of Default, other than the nonpayment of the amounts which shall have become due by acceleration, shall have been cured, waived or otherwise remedied, then, and in every such case, the holders of a majority of all the CVIs then outstanding, by written notice to the issuer and to the CVI Trustee, may waive all defaults with respect to the CVIs and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereof. (See Section 8.01 of the CVI Agreement)

Certain Purchases and Sales

We shall not, and shall not permit any of our Affiliates (as defined below) to, (i) purchase any common units in open market transactions, privately negotiated transactions or otherwise or (ii) enter into any derivative or similar transaction that has the effect of providing such person with any of the economic consequences of ownership of common units or that is otherwise designed or structured for the purpose of avoiding the foregoing restriction, in each case on any day during the period commencing 10 trading days before the Averaging Period and ending on the last day of the Averaging Period, except with respect to (A) employee benefit plans and other incentive compensation arrangements, (B) transactions contemplated by the exchange agreement, (C) transactions involving the matters referred to in clauses (i) and (ii) (1) by an entity in which we or any of our Affiliates has an equity interest but no discretion over the investment decisions made by such entity and (2) transactions in broad-based indices, or managed funds or vehicles whose investment strategies require them to track such indices, that include our common units. In addition, we shall not, and shall not permit any of our Affiliates to, cause any portfolio company of any investment fund or investment vehicle that is from time-to-time managed, sponsored or otherwise advised by us and/or one or more of our Affiliates to take any action that we would be prohibited from taking pursuant to the foregoing. (See Section 7.04 of the CVI Agreement)

We expect to adopt policies and procedures (approved by the board of directors of our Managing Partner) reasonably designed to ensure compliance with the obligations set forth above prior to consummation of the KPE Transaction.

Adjustments

In the event of the (i) the payment or declaration of a dividend or other distribution by us to our unitholders in our common units, (ii) the sub-division (by stock split, stock dividend or otherwise) or combination (by reverse stock split or otherwise) of our outstanding common units or (iii) the issuance by reclassification of common units, we shall appropriately adjust the Aggregate Unit Cap, the Extinguishment Price, the Floor Price, the Unit Cap and the Strike Price (each as defined below). Whenever such an adjustment is made, we shall (i) promptly prepare a certificate setting forth such adjustment and a brief statement of the facts accounting for such adjustment, (ii) promptly file with the CVI Trustee a copy of such certificate and (iii) mail a brief summary thereof to each CVI holder. Such adjustment, absent manifest error, shall be final and binding on the CVI holders. Each outstanding CVI certificate shall thereafter be deemed to be amended to provide for the adjusted Aggregate Unit Cap, Extinguishment Price, Floor Price, Unit Cap and Strike Price. (See Section 3.01(f) of the CVI Agreement)

Consolidation, Merger and Sale of Assets; Fundamental Changes

The CVI Agreement provides that we may, without the consent of any CVI holders, consolidate with or merge into any other person or convey, transfer or lease our properties and assets substantially as an entirety to any corporation, limited liability company, statutory trust or association, real estate investment trust, unincorporated business, including a partnership or trust organized under the laws of the United States of America, any state thereof or the District of Colombia, provided that (i) the successor person assumes our obligations under the CVIs and the CVI Agreement, (ii) immediately after giving effect to the transaction, there exists no Event of Default and (iii) we deliver to the Trustee an officer's certificate regarding compliance with the foregoing. (See Section 9.01 of the CVI Agreement)

In the event of any transaction that qualifies as a Fundamental Change (as defined below), the Maturity Date with respect to the CVIs shall be advanced to the third business day following such Fundamental Change.

Certain Definitions

"Affiliate" means a person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the first mentioned person; provided that no portfolio company of any investment fund or other investment vehicle that is from time-to-time managed, sponsored or otherwise advised by us and/or one or more of our affiliates shall be deemed to be our Affiliate.

"Aggregate Unit Cap" means a number of common units equal to 6% of the sum of the number of common units outstanding upon completion of the KPE Transaction and the number of common units then issuable upon exchange (without regard to any restrictions on exchange) of Group Partnership units (any common units outstanding or issuable under an equity incentive plan shall not be considered outstanding or issuable for purposes of the foregoing calculation) (subject to adjustment as discussed above).

"Authorized Newspaper" means The Wall Street Journal (Eastern Edition), or if The Wall Street Journal (Eastern Edition) shall cease to be published, or, if the publication or general circulation of The Wall Street Journal (Eastern Edition) shall be suspended for whatever reason, such other English language newspaper as is selected by us with general circulation in The City of New York, New York.

"Averaging Period" means the 90 consecutive trading day period ending on the third trading day preceding the Maturity Date.

"Common Unit Value" means (A) if our common units are listed or admitted to trading on any securities exchange, the sum of the daily VWAPs (as defined below) of one common unit on such exchange for each of the 90 consecutive trading days during the Averaging Period, divided by 90, (B) if our common units are not then listed or admitted to trading on any securities exchange, the sum of the daily last reported sale prices (or if no sale takes place on any particular day, the average of the closing bid and asked prices on such day) as reported by a reputable quotation source designated by us for each of the 90 trading days during the Averaging Period, divided by 90 and (C) if our common units are not then listed or admitted to trading on any securities exchange and no such reported sale price or bid and asked prices are available, the average of the high bid and low asked prices on the last day on which such information was available, as reported in the Authorized Newspaper; provided that if during the Averaging Period the Ex-Date with respect to any dividend or other distribution (other than the payment of a dividend or other distribution by the Partnership to its unitholders in Partnership Common Units) shall have occurred in respect of a common unit, for purposes of calculating the Common Unit Value, the daily VWAP, the last reported sale price or the average of the closing bid and asked prices, as applicable, for any trading day in the Averaging Period preceding the Ex-Date in respect of such dividend or other distribution shall be reduced by the amount of such dividend or other distribution.

"CVI Consideration Cap" means the product of the Unit Cap and the Common Unit Value.

"Default Amount" means the amount, if any, by which the Strike Price exceeds the greater of (i) the Default VWAP Price and (ii) the Floor Price, provided that (x) if such amount equals or exceeds the Default Amount Cap, the Default Amount shall mean the Default Amount Cap and (y) if the Default VWAP Price equals or exceeds the Strike Price the Default Amount shall be $0.

"Default Amount Cap" means the product of the Unit Cap and the Default VWAP Price.

"Default Interest Rate" means 8% per annum.

"Default Payment Date" means the date upon which the CVIs are declared due and payable pursuant to Section 8.01 of the CVI Agreement.

"Default VWAP Price" means (A) if our common units are listed or admitted to trading on any securities exchange, the sum of the daily VWAPs of one common unit on such exchange for each of the 10 consecutive trading days immediately preceding the Default Payment Date, divided by 10, (B) if our common units are not then listed or admitted to trading on any securities exchange, the sum of the daily last reported sale prices (or if no sale takes place on any particular day, the average of the closing bid and asked prices on such day) as reported by a reputable quotation source designated by the us for each of the 10 consecutive trading days immediately preceding the Default Payment Date, divided by 10 and (C) if our common units are not then listed or admitted to trading on any securities exchange and no such reported sale price or bid and asked prices are available, the average of the reported high bid and low asked prices on the last day on which such information was available, as reported in the Authorized Newspaper; provided that if during such 10 consecutive trading day period the Ex-Date with respect to any dividend or other distribution (other than the payment of a dividend or other distribution by the issuer to its unitholders in common units) shall have occurred in respect of a common unit, for purposes of calculating the Default VWAP Price, the daily VWAP, the last reported sale price or the average of the closing bid and asked prices, as applicable, for any trading day in such 10 consecutive trading day period preceding the Ex-Date in respect of such dividend or other distribution shall be reduced by the amount of such dividend or other distribution.

"Distribution Amount" means the aggregate amount of any dividends or other distributions (other than the payment of a dividend or other distribution by us to our unitholders in common units) made in respect of a single common unit for which the Ex-Date occurs during the period from the date of the CVI Agreement through, and including, the last day of the Averaging Period; provided that in the case of any non-cash dividend or other distribution (other than the payment of a dividend or other distribution by the issuer to its unitholders in common units), the value of such dividend or other distribution shall be equal to the fair market value of the dividend or other distribution made in respect of a single Partnership Common Unit as determined by an Independent Financial Advisor at the time such dividend or other distribution is made.

"Event of Default" means, with respect to the CVIs, any of the following events which shall have occurred and be continuing (i) material default in the performance, or material breach, of any of our covenants or warranties relating to the CVIs (other than those regarding our delivery to the CVI Trustee of certain reports), and continuance of such material default or material breach for a period of 60 days after written notice has been given to us by the CVI Trustee, or to us and the CVI Trustee by CVI holders representing at least 25% of the CVIs; or (ii) certain events of our bankruptcy, insolvency, reorganization, or other similar events.

"Extinguishment Price" means $24 (subject to adjustment as discussed above) minus the Distribution Amount (taking into account dividends or other distributions for which the Ex-Date occurs during the period from the date of the CVI Agreement through, and including, the last day of the 20 consecutive trading days (subject to the exclusion of certain trading days, as provided in the CVI Agreement) used to determine whether an Automatic Extinguishment Event has occurred); provided that in no event shall the Extinguishment Price be less than $0.

"Ex-Date" means, when used with respect to dividends or other distributions made in respect of a common unit, the first date on which the common units trade on the NYSE (or, if the common units are not then listed on the NYSE, such other exchange on which they are then listed) without the right to receive the dividend or other distribution.

"Floor Price" means $17.3056 (subject to adjustment as described above) minus the Distribution Amount, provided that in no event shall the Floor Price be less than $0.

"Fundamental Change" means that at any time after the date of the CVI Agreement any of the following occurs: (A) consummation of any share exchange, exchange offer, tender offer, consolidation, merger or other business combination involving us pursuant to which all or substantially all of our common units are converted into cash, securities or other property, (B) any sale, lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of us and our subsidiaries, taken as a whole, to any person other than one of our subsidiaries or (C) we adopt any plan or proposal for our liquidation or dissolution; provided, however, that in respect of (A) above a Fundamental Change will not be deemed to have occurred if (x) at least 90% of the consideration received or to be received by holders of the common units, excluding cash payments for fractional units or pursuant to statutory or contractual appraisal rights, in connection with the transaction or transactions constituting the Fundamental Change consists of shares of common stock or common units that are quoted or listed for trading on a securities exchange or that will be so quoted or listed when issued or exchanged in connection with such transaction or transactions (these securities being referred to as "publicly traded securities") and as a result of this transaction or transactions we have the right to satisfy the CVI Consideration with such publicly traded securities and (y) the acquirer in any such transaction assumes our obligations relating to the CVIs, and appropriate adjustments are made to the Aggregate Unit Cap, Extinguishment Price, Floor Price, Strike Price and Unit Cap and any other defined terms that require mathematical adjustments as a result of such transaction based on, and to reflect, the number of publicly traded securities into which a common unit is converted in such transaction.

"Independent Financial Advisor" means an independent nationally recognized investment banking firm, valuation firm or appraisal firm selected by the issuer.

"Maturity Date" means the third Business Day following the earlier of (x) a Fundamental Change (as defined above) and (y) the third anniversary of the closing of the KPE Transaction.

"Strike Price" means $22.25 (subject to adjustment as discussed above) minus the Distribution Amount.

"Unit Cap" means 0.2857 (subject to adjustment as discussed above).

"VWAP" means volume weighted average price.

DESCRIPTION OF OUR LIMITED PARTNERSHIP AGREEMENT

The following is a description of the material terms of our limited partnership agreement and is qualified in its entirety by reference to all of the provisions of our limited partnership agreement, which we have included in Appendix A to this prospectus. Because this description is only a summary of the terms of our limited partnership agreement, it does not contain all of the information that you may find important. For additional information, you should read the limited partnership agreement included in Appendix A to this prospectus, "Description of Our Common Units—Transfer of Common Units" and "Material U.S. Federal Tax Considerations."

Managing Partner

Our general partner, or Managing Partner, will manage all of our operations and activities. Our Managing Partner will be authorized in general to perform all acts that it determines to be necessary or appropriate to carry out our purposes and to conduct our business. Our Managing Partner will be wholly-owned by our principals and certain of our former personnel and controlled by our founders. See "Organizational Structure." Our unitholders will have only limited voting rights relating to certain matters affecting your investment and therefore will have limited ability to influence management's decisions regarding our business.

Organization

We were formed on June 25, 2007 and have a perpetual existence.

Purpose

Under our partnership agreement we will be permitted to engage, directly or indirectly, in any business activity that is approved by our Managing Partner and that lawfully may be conducted by a limited partnership organized under Delaware law.

Power of Attorney

Each limited partner, and each person who acquires a limited partner interest in accordance with our partnership agreement, grants to our Managing Partner and, if appointed, a liquidator, a power of attorney to, among other things, execute and file documents required for our qualification, continuance, dissolution or termination. The power of attorney will also grant our Managing Partner the authority to amend, and to make consents and waivers under, our partnership agreement and certificate of limited partnership, in each case in accordance with our partnership agreement.

Capital Contributions

Our unitholders will not be obligated to make additional capital contributions, except as described below under "—Limited Liability." Our Managing Partner will not be obliged to make any capital contributions.

Limited Liability

Assuming that a limited partner does not participate in the control of our business within the meaning of the Delaware Limited Partnership Act and that he otherwise acts in conformity with the provisions of our partnership agreement, his liability under the Delaware Limited Partnership Act will be limited, subject to possible exceptions, to the amount of capital he is obligated to contribute to us for his common units plus his share of any undistributed profits and assets. If it were determined however that the right, or exercise of the right, by the limited partners as a group:

- to approve some amendments to our partnership agreement; or

- to take other action under our partnership agreement,

constituted "participation in the control" of our business for the purposes of the Delaware Limited Partnership Act, then our limited partners could be held personally liable for our obligations under the laws of Delaware to the same extent as our Managing Partner. This liability would extend to persons who transact business with us who reasonably believe that the limited partner is a general partner. Neither our partnership agreement nor the Delaware Limited Partnership Act specifically will provide for legal recourse against our Managing Partner if a limited partner were to lose limited liability through any fault of our Managing Partner. While this does not mean that a limited partner could not seek legal recourse, we know of no precedent for this type of a claim in Delaware case law.

Under the Delaware Limited Partnership Act, a limited partnership may not make a distribution to a partner if, after the distribution, all liabilities of the limited partnership, 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 the assets of the limited partnership. For the purpose of determining the fair value of the assets of a limited partnership, the Delaware Limited Partnership Act provides that the fair value of property subject to liability for which recourse of creditors is limited will be included in the assets of the limited partnership only to the extent that the fair value of that property exceeds the non-recourse liability. The Delaware Limited Partnership Act provides that a limited partner who receives a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Limited Partnership Act will be liable to the limited partnership for the amount of the distribution for three years. Under the Delaware Limited Partnership Act, a substituted limited partner of a limited partnership is liable for the obligations of his assignor to make contributions to the partnership, except that such person is not obligated for liabilities unknown to him at the time he became a limited partner and that could not be ascertained from the partnership agreement.

Moreover, if it were determined that we were conducting business in any state without compliance with the applicable limited partnership statute, or that the right or exercise of the right by the limited partners as a group to approve some amendments to our partnership agreement or to take other action under our partnership agreement constituted "participation in the control" of our business for purposes of the statutes of any relevant jurisdiction, then the limited partners could be held personally liable for our obligations under the law of that jurisdiction to the same extent as our Managing Partner. We intend to operate in a manner that our Managing Partner considers reasonable and necessary or appropriate to preserve the limited liability of the limited partners.

Issuance of Additional Securities

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 any limited partners.

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 common units.

Distributions

Distributions will be made to the partners pro rata according to the percentages of their respective partner interests. See "Distribution Policy."

Amendment of the Partnership Agreement

General

Amendments to our partnership agreement may be proposed only by our Managing Partner. To adopt a proposed amendment, other than the amendments that do not require limited partner approval discussed below, our Managing Partner must seek approval of a majority of our outstanding voting units (as defined below) in order to approve the amendment or call a meeting of the limited partners to consider and vote upon the proposed amendment. On any matter that may be submitted for a vote of our unitholders, the holders of Group Partnership units will hold special voting units in our partnership that provide them with a number of votes that is equal to the aggregate number of Group Partnership units that they then hold and entitle them to participate in the vote on the same basis as our unitholders. See "—Meetings; Voting." The Group Partnership units, other than the Group Partnership units held by us, will initially be owned by KKR Holdings, which is owned by our principals and certain of our former personnel and controlled by our founders.

Prohibited Amendments

No amendment may be made that would:

(1) enlarge the obligations of any limited partner without its consent, except that any amendment that would have a material adverse effect on the rights or preferences of any class of partner interests in relation to other classes of partner interests may be approved by at least a majority of the type or class of partner interests so affected; or

(2) enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable by us to our Managing Partner or any of its affiliates without the consent of our Managing Partner, which may be given or withheld in its sole discretion.

The provision of our partnership agreement preventing the amendments having the effects described in clauses (1) or (2) above can be amended upon the approval of the holders of at least 90% of the outstanding voting units.

No Limited Partner Approval

Our Managing Partner may generally make amendments to our partnership agreement or certificate of limited partnership without the approval of any limited partner to reflect:

(1) a change in the name of the partnership, the location of the partnership's principal place of business, the partnership's registered agent or its registered office;

(2) the admission, substitution, withdrawal or removal of partners in accordance with the partnership agreement;

(3) a change that our Managing Partner determines is necessary or appropriate for the partnership to qualify or to continue our qualification as a limited partnership or a partnership in which the limited partners have limited liability under the laws of any state or other jurisdiction or to ensure that the partnership will not be treated as an association taxable as a corporation or otherwise taxed as an entity for U.S. federal income tax purposes;

(4) an amendment that our Managing Partner determines to be necessary or appropriate to address certain changes in U.S. federal income tax regulations, legislation or interpretation;

(5) an amendment that is necessary, in the opinion of our counsel, to prevent the partnership or our Managing Partner or its directors, officers, agents or trustees, from having a material risk of being in any manner subjected to the provisions of the Investment Company Act, the Investment Advisers

Act or "plan asset" regulations adopted under ERISA, whether or not substantially similar to plan asset regulations currently applied or proposed by the U.S. Department of Labor;

(6) a change in our fiscal year or taxable year and related changes;

(7) an amendment that our Managing Partner determines in its sole discretion to be necessary or appropriate for the creation, authorization or issuance of any class or series of partnership securities or options, rights, warrants or appreciation rights relating to partnership securities;

(8) any amendment expressly permitted in our partnership agreement to be made by our Managing Partner acting alone;

(9) an amendment effected, necessitated or contemplated by an agreement of merger, consolidation or other business combination agreement that has been approved under the terms of our partnership agreement;

(10) an amendment effected, necessitated or contemplated by an amendment to any partnership agreement of the Group Partnerships that requires unitholders of any partnership of the Group Partnerships to provide a statement, certification or other proof of evidence regarding whether such unitholder is subject to U.S. federal income taxation on the income generated by the partnership of the Group Partnerships;

(11) any amendment that in the sole discretion of our Managing Partner is necessary or appropriate to reflect and account for the formation by the partnership of, or its investment in, any corporation, partnership, joint venture, limited liability company or other entity, as otherwise permitted by our partnership agreement; or

(12) a merger, conversion or conveyance to another limited liability entity that is newly formed and has no assets, liabilities or operations at the time of the merger, conversion or conveyance other than those it receives by way of the merger, conversion or conveyance;

(13) any other amendments substantially similar to any of the matters described in (1) through (12) above.

In addition, our Managing Partner may make amendments to our partnership agreement without the approval of any limited partner if those amendments, in the discretion of our Managing Partner:

(1) do not adversely affect our limited partners considered as a whole (or adversely affect any particular class of partner interests as compared to another class of partner interests) in any material respect;

(2) are necessary or appropriate to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state or non-U.S. agency or judicial authority or contained in any federal or state or non-U.S. statute (including the Delaware Limited Partnership Act);

(3) are necessary or appropriate to facilitate the trading of limited partner interests or to comply with any rule, regulation, guideline or requirement of any securities exchange on which the limited partner interests are or will be listed for trading;

(4) are necessary or appropriate for any action taken by our Managing Partner relating to splits or combinations of units under the provisions of our partnership agreement; or

(5) are required to effect the intent expressed in the registration statement of which this prospectus forms a part or the intent of the provisions of our partnership agreement or are otherwise contemplated by our partnership agreement.

Opinion of Counsel and Limited Partner Approval

Our Managing Partner will not be required to obtain an opinion of counsel that an amendment will not result in a loss of limited liability to the limited partners if one of the amendments described above under "—No Limited Partner Approval" should occur. No other amendments to our partnership agreement (other than an amendment pursuant to a merger, sale or other disposition of assets effected in accordance with the provisions described under "—Merger, Sale or Other Disposition of Assets") will become effective without the approval of holders of at least 90% of the outstanding voting units, unless we obtain an opinion of counsel to the effect that the amendment will not affect the limited liability under the Delaware Limited Partnership Act of any of our limited partners.

In addition to the above restrictions, any amendment that would have a material adverse effect on the rights or preferences of any type or class of partner interests in relation to other classes of partner interests will also require the approval of the holders of at least a majority of the outstanding partner interests of the class so affected.

In addition, any amendment that reduces the voting percentage required to take any action must be approved by the affirmative vote of limited partners whose aggregate outstanding voting units constitute not less than the voting requirement sought to be reduced.

Merger, Sale or Other Disposition of Assets

Our partnership agreement will provide that our Managing Partner may, with the approval of the holders of at least a majority of the outstanding voting units, sell, exchange or otherwise dispose of all or substantially all of our assets in a single transaction or a series of related transactions, including by way of merger, consolidation or other combination, or approve the sale, exchange or other disposition of all or substantially all of the assets of our subsidiaries. Our Managing Partner in its sole discretion may mortgage, pledge, hypothecate or grant a security interest in all or substantially all of our assets (including for the benefit of persons other than us or our subsidiaries) without the prior approval of the holders of our outstanding voting units. Our Managing Partner may also sell all or substantially all of our assets under any forced sale of any or all of our assets pursuant to the foreclosure or other realization upon those encumbrances without the prior approval of the holders of our outstanding voting units.

If conditions specified in our partnership agreement are satisfied, our Managing Partner may in its sole discretion convert or merge us or any of our subsidiaries into, or convey some or all of our assets to, a newly formed entity if the sole purpose of that merger or conveyance is to effect a mere change in our legal form into another limited liability entity. The unitholders will not be entitled to dissenters' rights of appraisal under our partnership agreement or the Delaware Limited Partnership Act in the event of a merger or consolidation, a sale of substantially all of our assets or any other similar transaction or event.

Election to be Treated as a Corporation

If our Managing Partner, in its sole discretion, determines that it is no longer in our interests to continue as a partnership for U.S. federal income tax purposes, our Managing Partner may elect to treat us as an association or as a publicly traded partnership taxable as a corporation for U.S. federal (and applicable state) income tax purposes or may chose to effect such change by merger, conversion or otherwise.

Dissolution

We will dissolve upon:

(1) the election of our Managing Partner to dissolve us, if approved by the holders of a majority of the voting power of our outstanding voting units;

(2) there being no limited partners, unless we are continued without dissolution in accordance with the Delaware Limited Partnership Act;

(3) the entry of a decree of judicial dissolution of us pursuant to the Delaware Limited Partnership Act; or

(4) the withdrawal of our Managing Partner or any other event that results in its ceasing to be our Managing Partner other than by reason of a transfer of general partner interests or withdrawal of our Managing Partner following approval and admission of a successor, in each case in accordance with our partnership agreement.

Upon a dissolution under clause (4), the holders of a majority of the voting power of our outstanding voting units may also elect, within specific time limitations, to continue our business without dissolution on the same terms and conditions described in the partnership agreement by appointing as a successor Managing Partner an individual or entity approved by the holders of a majority of the voting power of the outstanding voting units, subject to our receipt of an opinion of counsel to the effect that (i) the action would not result in the loss of limited liability of any limited partner and (ii) neither we nor any of our subsidiaries (excluding those formed or existing as corporations) would be treated as an association taxable as a corporation or otherwise be taxable as an entity for U.S. federal income tax purposes upon the exercise of that right to continue.

Liquidation and Distribution of Proceeds

Upon our dissolution, our Managing Partner shall act, or select one or more persons to act, as liquidator. Unless we are continued as a new limited partnership, the liquidator authorized to wind up our affairs will, acting with all of the powers of our Managing Partner that the liquidator deems necessary or appropriate in its judgment, liquidate our assets and apply the proceeds of the liquidation first, to discharge our liabilities as provided in the partnership agreement and by law and thereafter to the limited partners pro rata according to the percentages of their respective partner interests as of a record date selected by the liquidator. The liquidator may defer liquidation of our assets for a reasonable period of time or distribute assets to partners in kind if it determines that an immediate sale or distribution of all or some of our assets would be impractical or would cause undue loss to the partners.

Withdrawal of our Managing Partner

Except as described below, our Managing Partner will agree not to withdraw voluntarily as our Managing Partner prior to December 31, 2018 without obtaining the approval of the holders of at least a majority of the outstanding voting units, excluding voting units held by our Managing Partner and its affiliates, and furnishing an opinion of counsel regarding tax and limited liability matters. On or after December 31, 2018, our Managing Partner may withdraw as Managing Partner without first obtaining approval of any common unitholder by giving 90 days' advance notice, and that withdrawal will not constitute a violation of the partnership agreement. Notwithstanding the foregoing, our Managing Partner may withdraw at any time without unitholder approval upon 90 days' advance notice to the limited partners if at least 50% of the outstanding common units are beneficially owned or owned of record or controlled by one person and its affiliates other than our Managing Partner and its affiliates.

Upon the withdrawal of our Managing Partner under any circumstances, the holders of a majority of the voting power of our outstanding voting units may select a successor to that withdrawing Managing Partner. If a successor is not elected, or is elected but an opinion of counsel regarding limited liability and tax matters cannot be obtained, we will be dissolved, wound up and liquidated, unless within specific time limitations after that withdrawal, the holders of a majority of the voting power of our outstanding voting units agree in writing to continue our business and to appoint a successor Managing Partner. See "—Dissolution" above.

Our Managing Partner may not be removed or expelled, with or without cause, by unitholders.

In the event of withdrawal of a Managing Partner, the departing Managing Partner will have the option to require the successor Managing Partner to purchase the general partner interest of the departing Managing Partner for a cash payment equal to its fair market value. This fair market value will be determined by agreement between the departing Managing Partner and the successor Managing Partner. If no agreement is reached within 30 days of our Managing Partner's departure, an independent investment banking firm or other independent expert, which, in turn, may rely on other experts, selected by the departing Managing Partner and the successor Managing Partner will determine the fair market value. If the departing Managing Partner and the successor Managing Partner cannot agree upon an expert within 45 days of our Managing Partner's departure, then an expert chosen by agreement of the experts selected by each of them will determine the fair market value.

If the option described above is not exercised by either the departing Managing Partner or the successor Managing Partner, the departing Managing Partner's general partner interest will automatically convert into common units pursuant to a valuation of those interests as determined by an investment banking firm or other independent expert selected in the manner described in the preceding paragraph.

In addition, we will be required to reimburse the departing Managing Partner for all amounts due the departing Managing Partner, including without limitation all employee-related liabilities, including severance liabilities, incurred for the termination of any employees employed by the departing Managing Partner or its affiliates for our benefit.

Transfer of General Partner Interests

Except for transfer by our Managing Partner of all, but not less than all, of its general partner interests in us to an affiliate of our Managing Partner, or to another entity as part of the merger or consolidation of our Managing Partner with or into another entity or the transfer by our Managing Partner of all or substantially all of its assets to another entity, our Managing Partner may not transfer all or any part of its general partner interest in us to another person prior to December 31, 2018 without the approval of the holders of at least a majority of the voting power of our outstanding voting units, excluding voting units held by our Managing partner and its affiliates. On or after December 31, 2018, our Managing Partner may transfer all or any part of its general partner interest without first obtaining approval of any unitholder. As a condition of this transfer, the transferee must assume the rights and duties of our Managing Partner to whose interest that transferee has succeeded, agree to be bound by the provisions of our partnership agreement and furnish an opinion of counsel regarding limited liability matters. At any time, 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.

Limited Call Right

If at any time:

(i) less than 10% of the then issued and outstanding limited partner interests of any class (other than special voting units), including our common units, are held by persons other than our Managing Partner and its affiliates; or

(ii) we are subjected to registration under the provisions of the Investment Company Act,

our Managing Partner will have the right, which it may assign in whole or in part to any of its affiliates or to us, to acquire all, but not less than all, of the remaining limited partner interests of the class held by unaffiliated persons as of a record date to be selected by our Managing Partner, on at least ten but not more than 60 days notice. The purchase price in the event of this purchase is the greater of:

(1) the current market price as of the date three days before the date the notice is mailed; and

(2) the highest cash price paid by our Managing Partner or any of its affiliates acting in concert with us for any limited partner interests of the class purchased within the 90 days preceding the date on which our Managing Partner first mails notice of its election to purchase those limited partner interests.

As a result of our Managing Partner's right to purchase outstanding limited partner interests, a holder of limited partner interests may have his limited partner interests purchased at an undesirable time or price. The tax consequences to a unitholder of the exercise of this call right are the same as a sale by that unitholder of his common units in the market. See "Material U.S. Federal Tax Considerations—U.S. Taxes—Consequences to U.S. Holders of Common Units—Sale or Exchange of Common Units."

Sinking Fund; Preemptive Rights

We will not establish a sinking fund and we will not grant any preemptive rights with respect to our limited partner interests.

Meetings; Voting

Except as described below regarding a person or group owning 20% or more of our common units then outstanding, record holders of common units or of the special voting units to be issued to holders of Group Partnership units on the record date will be entitled to notice of, and to vote at, meetings of our limited partners and to act upon matters as to which holders of limited partner interests have the right to vote or to act.

Except as described below regarding a person or group owning 20% or more of our common units then outstanding, each record holder of a common unit of our partnership will be entitled to a number of votes equal to the number of common units held. In addition, we will issue special voting units to each holder of Group Partnership units that provide them with a number of votes that is equal to the aggregate number of Group Partnership units that they then hold and entitle them to participate in the vote on the same basis as our unitholders. We refer to our common units and our special voting units as "voting units." If the ratio at which Group Partnership units are exchangeable for our common units changes from one-for-one as described under "Certain Relationships and Related Party Transactions—Exchange Agreement," the number of votes to which the holders of the special voting units are entitled will be adjusted accordingly. Additional limited partner interests having special voting rights could also be issued. See "—Issuance of Additional Securities" above.

In the case of common units held by our Managing Partner on behalf of non-citizen assignees, our Managing Partner will distribute the votes on those common units in the same ratios as the votes of partners in respect of other limited partner interests are cast. Our Managing Partner does not anticipate that any meeting of unitholders will be called in the foreseeable future. Any action that is required or permitted to be taken by the limited partners may be taken either at a meeting of the limited partners or without a meeting, without a vote and without prior notice if consents in writing describing the action so taken are signed by limited partners owning not less than the minimum percentage of the voting power of the outstanding limited partner interests that would be necessary to authorize or take that action at a meeting. Meetings of the limited partners may be called by our Managing Partner or by limited partners owning at least 50% or more of the voting power of the outstanding limited partner interests of the class for which a meeting is proposed. Unitholders may vote either in person or by proxy at meetings. The holders of a majority of the voting power of the outstanding limited partner interests of the class for which a meeting has been called, represented in person or by proxy, will constitute a quorum unless any action by the limited partners requires approval by holders of a greater percentage of such limited partner interests, in which case the quorum will be the greater percentage.

However, if at any time any person or group (other than our Managing Partner and its affiliates, or a direct or subsequently approved transferee of our Managing Partner or its affiliates) acquires, in the aggregate, beneficial ownership of 20% or more of any class of our common units then outstanding, that person or group will lose voting rights on all of its common units and the common units may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders, calculating required votes, determining the presence of a quorum or for other similar purposes. Common units held in nominee or street name account will be voted by the broker or other nominee in accordance with the instruction of the beneficial owner unless the arrangement between the beneficial owner and his nominee provides otherwise.

Status as Limited Partner

By transfer of common units in accordance with our partnership agreement, each transferee of common units will be admitted as a limited partner with respect to the common units transferred when such transfer and admission is reflected in our books and records. Except as described under "—Limited Liability" above, in our partnership agreement or pursuant to Section 17-804 of the Delaware Limited Partnership Act (which relates to the liability of a limited partner who receives a distribution of assets upon the winding up of a limited partnership and who knew at the time of such distribution that it was in violation of this provision) the common units will be fully paid and non-assessable.

Non-Citizen Assignees; Redemption

If we are or become subject to federal, state or local laws or regulations that in the determination of our Managing Partner create a substantial risk of cancellation or forfeiture of any property in which the partnership has an interest because of the nationality, citizenship or other related status of any limited partner, we may redeem the common units held by that limited partner at their current market price. To avoid any cancellation or forfeiture, our Managing Partner may require each limited partner to furnish information about his nationality, citizenship or related status. If a limited partner fails to furnish information about his nationality, citizenship or other related status within 30 days after a request for the information or our Managing Partner determines, with the advice of counsel, after receipt of the information that the limited partner is not an eligible citizen, the limited partner may be treated as a non-citizen assignee. A non-citizen assignee does not have the right to direct the voting of his common units and may not receive distributions in kind upon our liquidation.

Indemnification

Under our partnership agreement, in most circumstances we will indemnify the following persons, to the fullest extent permitted by law, from and against all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts:

- our Managing Partner;
- any departing Managing Partner;
- any person who is or was an affiliate of a Managing Partner or any departing Managing Partner;
- any person who is or was a member, partner, tax matters partner, officer, director, employee, agent, fiduciary or trustee of us or our subsidiaries, our Managing Partner or any departing

  Managing Partner or any affiliate of us or our subsidiaries, our Managing Partner or any departing Managing Partner;
- any person who is or was serving at the request of a Managing Partner or any departing Managing Partner or any affiliate of a Managing Partner or any departing Managing Partner as an officer, director, employee, member, partner, agent, fiduciary or trustee of another person; or
- any person designated by our Managing Partner.

We will agree to provide this indemnification unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that these persons acted in bad faith or engaged in fraud or willful misconduct. We will also agree to provide this indemnification for criminal proceedings. Any indemnification under these provisions will only be out of our assets. Unless it otherwise agrees, our Managing Partner will not be personally liable for, or have any obligation to contribute or loan funds or assets to us to enable us to effectuate indemnification. We may purchase insurance against liabilities asserted against and expenses incurred by persons for our activities, regardless of whether we would have the power to indemnify the person against liabilities under our partnership agreement.

Books and Reports

Our Managing Partner is required to keep appropriate books of the partnership's business at our principal offices or any other place designated by our Managing Partner. The books will be maintained for both tax and financial reporting purposes on an accrual basis. For tax and financial reporting purposes, our year ends on December 31.

As soon as reasonably practicable after the end of each fiscal year, we will furnish to each partner tax information (including a Schedule K-1), which describes on a U.S. dollar basis such partner's share of our income, gain, loss and deduction for our preceding taxable year. 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 Schedule K-1s may be prepared for us. Consequently, 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. In addition, each partner will be required to report for all tax purposes consistently with the information provided by us. See "Material U.S. Federal Tax Considerations—U.S. Taxes—Administrative Matters—Information Returns."

Right to Inspect Our Books and Records

Our partnership agreement will provide that a limited partner can, for a purpose reasonably related to his interest as a limited partner, upon reasonable written demand and at his own expense, have furnished to him:

- promptly after becoming available, a copy of our U.S. federal, state and local income tax returns; and
- copies of our partnership agreement, the certificate of limited partnership of the partnership, related amendments and powers of attorney under which they have been executed.

Our Managing Partner may, and intends to, keep confidential from the limited partners trade secrets or other information the disclosure of which our Managing Partner believes is not in our best interests or which we are required by law or by agreements with third parties to keep confidential.

COMMON UNITS ELIGIBLE FOR FUTURE SALE

General

Prior to the Transactions, there will not have been a public market for our common units. We cannot predict the effect, if any, future sales of common units, or the availability for future sale of common units, will have on the market price of our common units prevailing from time to time. The sale of substantial amounts of our common units in the public market, or the perception that such sales could occur, could harm the prevailing market price of our common units.

Upon completion of the Transactions, we will have a total of common units outstanding. All of the common units that holders of KPE units would receive in connection with the KPE Transaction would be freely tradable without restriction or further registration under the Securities Act by persons other than our "affiliates." Under the Securities Act, an "affiliate" of a company is a person that directly or indirectly controls, is controlled by or is under common control with that company.

In addition, upon completion of the Transactions, KKR Holdings, which is owned by our principals and certain of our former personnel, will own 79% of the outstanding Group Partnership units prior to taking into account any adjustment relating 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. When a member of KKR Holdings gives the Group Partnerships notice of his intention to compel a redemption, we, with respect to interests in KKR Fund Holdings L.P., and our intermediate holding company, with respect to interests in KKR Management Holdings L.P., will have superseding rights to instead acquire Group Partnership units for cash or our common units. Any common units that we issue upon such exchanges will be "restricted securities" as defined in Rule 144 unless we register such issuances under the Securities Act and will be subject to transfer restrictions that are similar to those that were applicable to the Group Partnership units so exchanged. However, we will enter into a registration rights agreement with KKR Holdings that will require us to register under the Securities Act our issuance of these common units. See "—Registration Rights."

In connection with the Transactions, we intend to grant to our employees who do not hold interests in KKR Holdings awards under our 2008 Equity Incentive Plan. The form and amount of awards to be granted under the plan have not yet been determined. 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. We intend to file one or more registration statements on Form S-8 under the Securities Act to register common units issued or covered by our 2008 Equity Incentive Plan. Any such Form S-8 registration statements will automatically become effective upon filing. Accordingly, common units registered under such registration statements will be available for sale in the open market. We expect that the initial registration statement on Form S-8 will cover common units.

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 any limited partners. See "Description of Our Limited Partnership Agreement—Issuance of Additional Securities."

Registration Rights

We will enter into a registration rights agreement with KKR Holdings pursuant to which we will grant it, its affiliates and transferees of its Group Partnership units the right, under certain circumstances and subject to certain restrictions, to require us to register under the Securities Act our common units (and other securities convertible into or exchangeable or exercisable for our common units) held or acquired by them. Securities registered pursuant to such registration rights under any such registration statement will be available for sale in the open market unless restrictions apply. See "Certain Relationships and Related Party Transactions—Registration Rights Agreement."

Lock-Up Arrangements

KKR Holdings and certain other KKR entities have agreed that, without the prior written consent of a majority of the conflicts committee of our Managing Partner's board of directors, they will not, during the period ending 180 days after the date of the KPE Purchase:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any common units or any securities convertible into or exercisable or exchangeable for common units; or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common units;

whether any such transaction described above is to be settled by delivery of common units or such other securities, in cash or otherwise. In addition, we have agreed that, during the same 180-day period, without the prior written consent of a majority of the conflicts committee of our Managing Partner's board of directors, we will not file any registration statement with the SEC relating to the offering of any common units or any securities convertible into or exercisable or exchangeable for common units (other than any registration statement on Form S-8 to register common units issued or reserved for issuance under our 2008 Equity Incentive Plan) or publicly disclose the intention to do so.

The restrictions applicable to KKR Holdings and certain KKR entities do not apply to any of the following:

- transfers made with the prior written consent of a majority of the members of our Managing Partner's conflicts committee;
- transfers as *bona fide* gifts;
- transfers to any trust, partnership, corporation or limited liability company for the direct or indirect benefit of the unitholder, provided that the transfer is not a disposition for value;
- distributions to partners, members, stockholders or other equity holders of the unitholder, provided that the distribution is not a disposition for value; or
- transfers to a nominee or custodian of a person or entity to whom a transfer would be permitted under the lock-up agreement;

provided that in the case of transactions described in the second, third and forth clauses above, each donee or other transferee agrees to be bound in writing by the restrictions set forth above.

The restrictions applicable to our partnership do not apply to any of the following:

- transfers made with the prior consent of a majority of the members of our Managing Partner's conflicts committee;
- the issuance by us of common units pursuant to the KPE Transaction;
- the issuance by us of securities convertible into, exercisable or exchangeable for our common units pursuant to the 2008 Equity Incentive Plan; or
- the issuance by us of up to 5% of our common units outstanding after the KPE Transaction on a fully diluted basis, or securities convertible into, exercisable or exchangeable for our common units, in connection with mergers or acquisitions, joint ventures, commercial relationships or other strategic transactions, provided that the acquiree of any such securities agrees to be bound in writing by the restrictions set forth above.

We also have instituted an internal policy that prohibits all of our employees from selling short or trading in derivative securities relating to the common units.

Rule 144

In general, under Rule 144 as currently in effect, beginning 90 days after the completion of the Transactions, a person, including an affiliate of ours, who has beneficially owned common units for at least six months, is entitled to sell in any three-month period a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common units then outstanding, as shown by the most recent report or statement by us, which percentage will be approximately common units immediately after completion of the Transactions; and

- the average weekly trading volume of our common units on the NYSE during the four calendar weeks preceding (a) the date on which notice of sale is filed on Form 144 with respect to such sale or (b) if no notice of sale is required, the date of the receipt of the order or the date of execution, as applicable.

Sales under Rule 144 are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us.

In addition, a person who is not deemed to have been an affiliate of ours at any time during the three months preceding a sale and who has beneficially owned the common units proposed to be sold for at least six months would be entitled to sell an unlimited number of common units under Rule 144 provided current public information about us is available and, after one year, an unlimited number of common units without restriction.

MATERIAL U.S. FEDERAL TAX CONSIDERATIONS

U.S. Taxes

This summary discusses the material U.S. federal income tax considerations related to the KPE Transaction (and related transactions) and ownership and disposition of our common units and CVIs as of the date hereof. This summary is based on provisions of the Internal Revenue Code, on the regulations promulgated thereunder and on published administrative rulings and judicial decisions, all of which are subject to change at any time, possibly with retroactive effect. This discussion is necessarily general and may not apply to all categories of investors, some of which, such as banks, thrifts, insurance companies, persons liable for the alternative minimum tax, dealers and other investors that do not own their common units as capital assets, may be subject to special rules. Tax-exempt organizations and mutual funds are discussed separately below. The actual tax consequences of the KPE Transaction (and related transactions) and the ownership of our common units and CVIs will vary depending on your circumstances. This discussion, to the extent that it states matters of U.S. federal tax law or legal conclusions and subject to the qualifications herein, represents the opinion of Simpson Thacher & Bartlett LLP. Such opinion is based in part on facts described in this prospectus and on various other factual assumptions, representations and determinations, including representations contained in certificates provided by us. Any alteration or incorrectness of such facts, assumptions, representations or determinations could adversely affect such opinion. Moreover, opinions of counsel are not binding upon the IRS or any court, and the IRS may challenge the conclusions herein and a court may sustain such a challenge.

For purposes of this discussion, a "U.S. Holder" is for U.S. federal income tax purposes: (1) an individual citizen or resident of the United States; (2) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (4) a trust which either (A) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (B) has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person. A "non-U.S. Holder" is a holder that is not a U.S. Holder.

On June 14, 2007, legislation was introduced that would tax as corporations publicly traded partnerships that directly or indirectly derive income from investment adviser or asset management services, the effect of which would be to preclude us from being treated as a partnership for U.S. federal income tax purposes. Similar legislation was introduced on June 20, 2007. On June 22, 2007, legislation was introduced 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, which would also preclude us from qualifying for treatment as a partnership for U.S. federal income tax purposes. Similar legislation was introduced on June 17, 2008. 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."

If a partnership holds KPE units or common units following the KPE Transaction, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding KPE units, you should consult your tax advisors. This discussion does not constitute tax advice and is not intended to be a substitute for tax planning.

Holders of KPE units should consult their own tax advisors concerning the U.S. federal, state and local income tax and estate tax consequences in their particular situations of the KPE Transaction (and related transactions) and ownership and disposition of common units or CVIs, as well as any consequences under the laws of any other taxing jurisdiction.

Consequences to U.S. Holders of KPE Transaction

In general, the material U.S. federal income tax consequences to a U.S. Holder as a result of the KPE Transaction are as described below:

Receipt of Common Units for KPE Units. Subject to our being classified as a partnership (as discussed below under "—Taxation of Our Partnership and the Group Partnerships") and assuming that KPE is also classified as a partnership at the time of the KPE Transaction, we will be treated as a continuation of KPE for U.S. federal income tax purposes. As a result, the exchange of your KPE units for common units pursuant to the KPE Transaction would not result in the recognition of any gain or loss to you.

Receipt of CVIs. Although the law is not clear and there is no authority addressing instruments such as the CVIs where the issuer is a partnership, we believe for U.S. federal income tax purposes the CVIs should be treated as interests in our partnership that entitle you to share in adjustments, as discussed below, with respect to our ownership interests in the Group Partnerships. As a result, the issuance of the CVIs to you pursuant to the KPE Transaction should not result in the recognition of any gain or loss to you. The IRS, however, may disagree with this interpretation subjecting you to different, and possibly adverse, tax consequences as a result of the issuance of the CVIs.

For example, the IRS might take the position that the CVIs are not interests in our partnership and, instead, that their issuance constitutes a distribution of property to you and, possibly, a distribution of "marketable securities" for U.S. federal income tax purposes. If the CVIs are marketable securities, unless an exemption applied, the distribution of the CVIs would be treated the same as a distribution of cash by us. An exemption would be applicable if we are considered an "investment partnership" and the recipient of the CVIs is an "eligible partner" under Section 731 of the Internal Revenue Code. We believe that we should be considered an investment partnership and that all recipients of the CVIs will be considered eligible partners for purposes of Section 731 of the Internal Revenue Code.

If, however, an exemption was not applicable, then to the extent the fair market value of the CVIs exceeded your adjusted tax basis the receipt of the CVIs would be taxable to you as gain from a sale or exchange of your common units. Based on the historical trading prices of KPE and the maximum value of the CVIs, we do not believe the value of the CVIs would exceed any holder's adjusted tax basis in his or her common units.

Settlement of CVIs. Assuming hereafter that the CVIs are treated as interests in our partnership, the settlement of the CVIs by our issuance of additional common units to you should not be taxable to you. The IRS may, nonetheless, assert that the receipt of additional common units is taxable to you, in which case you could have taxable income without the receipt of cash. If the CVIs are settled in cash, you would be required to reduce your tax basis in your common units, which would include your tax basis in your CVIs (as discussed below under "—Consequences to U.S. Holders of Common Units—Basis, Holding Period"), by the amount of cash distributed and, if the cash exceeded your tax basis, the excess would be taxable to you as gain from a sale or exchange of your interest in our partnership, as described below under "—Consequences to U.S. Holders of Common Units—Sale or Exchange of Common Units." Alternatively, you would be required to include in income any gain or income attributable to the operation of the CCAM (as discussed below under "—Group Partnership Capital Contribution Adjustment").

Possible Treatment of CVIs as a Straddle. It is possible that the CVIs and common units would constitute a straddle under Section 1092 of the Internal Revenue Code. In that case, if you have not held your KPE units for at least a year when the CVIs are issued to you, your holding period in your common units would begin on the date the CVIs are settled or cancelled. Generally, if you have held your KPE units for at least a year at the time the CVIs are issued to you, your holding period in your common units would include your prior holding period in your KPE units (as discussed below under "—Consequences to U.S. Holders of Common Units—Basis, Holding Period"). In addition, loss, if any, on your common units could be disallowed or deferred if you were to dispose of your common units before the settlement of the CVIs and any gain on the settlement of the CVIs would be short-term capital gain.

Contribution of Assets to the Group Partnerships. Subject to the exceptions discussed below, no gain or loss would be recognized by us (and consequently no gain or loss would be recognized by you) on the contribution of interests in the Acquired KPE Partnership or other assets to our intermediate holding company and the Group Partnerships.

- Section 351 of the Internal Revenue Code provides that generally no gain or loss is recognized on the transfer of property to a corporation if the transferor is in control of the corporation immediately after the transfer, except to the extent the transferor receives property or money, other than stock of the corporation, pursuant to the transaction. Therefore, we would not recognize gain or loss on our contribution of interests in the Acquired KPE Partnership and other assets to our intermediate holding company except possibly with respect to any distribution we receive as a result of the capital contribution adjustment mechanism, or CCAM, under the Group Partnership agreements discussed below.

- Section 721 of the Internal Revenue Code provides that generally no gain or loss is recognized by a partnership or its partners upon the contribution of property to the partnership in exchange for interests in that partnership. Therefore, we would not recognize gain or loss on our contribution of interests in the Acquired KPE Partnership and other assets to KKR Fund Holdings L.P. in exchange for interests in KKR Fund Holdings L.P. and our intermediate holding company would not recognize gain or loss on the contribution of interests in the Acquired KPE Partnership and other assets to KKR Management Holdings L.P. in exchange for units in KKR Management Holdings L.P., except possibly with respect to the CCAM under the Group Partnership agreements discussed below.

- Although there is no direct authority on the issue, the inclusion of the CCAM mechanism in the Group Partnership agreements to adjust, as between us (or our intermediate holding company) and KKR Holdings, the relative ownership interests in the Group Partnerships in respect of the assets contributed by each of us to the Group Partnerships should not result in the recognition of gain or loss to us (or our intermediate holding company). The IRS may, nonetheless, assert that the adjustment mechanism constitutes taxable consideration to us in exchange for our contributions to the Group Partnerships, in which case we and our intermediate holding company would recognize gain or loss as if a portion of the interests in the Acquired KPE Partnership and any other assets contributed to the Group Partnerships were sold for such consideration. Any income or gain recognized by our intermediate holding company would be subject to corporate income tax. Any income or gain that we recognize in respect of the inclusion of the CCAM will be allocated to the holders of the CVIs. Similarly, any taxable distributions from our intermediate holding company attributable to the inclusion of the CCAM mechanism will be allocated to the holders of the CVIs.

- Notwithstanding the above, to the extent your indirect interest in a passive foreign investment company, or PFIC, owned by the Acquired KPE Partnership is reduced as a result of the direct or indirect contribution of the PFIC to a Group Partnership, this reduction in your interest may be deemed to be a disposal of a portion of your indirect interest in the PFIC. You would be required to recognize gain, if any, on this deemed disposal. This gain would be taxable as an "excess distribution" for purposes of the PFIC rules and taxable at ordinary income rates. You may also be subject to an interest charge for any deferred tax. If, however, you have in effect an election, referred to as a "QEF election," to treat your interest in the PFIC as a "qualified electing fund," or QEF, and you made the election in the later of (i) the first year in which the Acquired KPE Partnership held shares in such entity or (ii) the first year in which you held KPE units, then generally you will not be required to recognize any gain on the contribution of your indirect interest in the PFIC to the Group Partnerships.

Group Partnership Capital Contribution Adjustment. Any adjustment in the number of units of each Group Partnership effected pursuant to the CCAM should not result in the recognition of gain or loss by reason of section 721 of the Internal Revenue Code. The IRS may, nonetheless, assert that the adjustment constitutes taxable consideration to us and our intermediate holding company in exchange for our contributions to the Group Partnerships, in which case we and our intermediate holding company would recognize gain or loss as if a portion of the interests in the Acquired KPE Partnership and any other assets contributed to the Group Partnership were sold for such consideration. Any income or gain recognized by our intermediate holding company would be subject to corporate income tax.

If the CCAM is settled in cash the adjustment may be treated as though we, with respect to KKR Fund Holdings L.P., and our intermediate holding company, with respect to the KKR Management Holdings L.P., received this cash from the Group Partnerships with respect to the interests in the Acquired KPE Partnership and other assets contributed to the Group Partnerships. Alternatively, the cash adjustment may be treated as though the number of units of each Group Partnership was first adjusted in the manner described in the immediately preceding paragraph and then we, with respect to KKR Fund Holdings L.P., and our intermediate holding company, with respect to KKR Management Holdings L.P., sold our Group Partnership units to KKR & Co. LLC and KKR Intermediate Partnership for cash. In either case, we would be required to recognize gain or loss equal to the difference between the cash received and our allocable portion of the basis in either the assets contributed to KKR Fund Holdings L.P. or the interests in KKR Fund Holdings L.P. Similarly, our intermediate holding company generally would be required to recognize gain or loss equal to the difference between the cash received and its allocable portion of the basis in either the assets contributed to KKR Management Holdings L.P. or the interests in KKR Management Holdings L.P. and would be subject to corporate tax on any such gain. In addition, we would be required to recognize additional income on any taxable cash distribution to us by our intermediate holding company in respect of the adjustment to the extent such distribution was characterized as a dividend for U.S. federal income tax purposes.

Any income or gain that we recognize in respect of the CCAM will be allocated to the holders of the CVIs. Similarly, any dividend income arising as a result of distributions from our intermediate holding company attributable to the operation of the CCAM will be allocated to the holders of the CVIs.

Taxation of Our Partnership and the Group Partnerships

An entity that is treated as a partnership for U.S. federal income tax purposes is not a taxable entity and incurs no U.S. federal income tax liability. Instead, each partner is required to take into account its allocable share of items of income, gain, loss and deduction of the partnership in computing its U.S. federal income tax liability, regardless of whether or not cash distributions are then made. As a result of the KPE Transaction (and related transactions) you will become a limited partner of us. Distributions of cash by a partnership to a partner are generally not taxable unless the amount of cash distributed to a partner is in excess of the partner's adjusted basis in its partnership interest.

An entity that would otherwise be classified as a partnership for U.S. federal income tax purposes may nonetheless be taxable as a corporation if it is a "publicly traded partnership," unless an exception applies. An entity that would otherwise be classified as a partnership is a publicly traded partnership if (i) interests in the partnership are traded on an established securities market or (ii) interests in the partnership are readily tradable on a secondary market or the substantial equivalent thereof. We will be publicly traded. However, an exception to taxation as a corporation, referred to as the "Qualifying Income Exception," exists if at least 90% of such partnership's gross income for every taxable year consists of "qualifying income" and the partnership is not required to register under the Investment Company Act. Qualifying income includes certain interest income, dividends, real property rents, gains from the sale or other disposition of real property, and any gain from the sale or disposition of a capital asset or other property held for the production of income that otherwise constitutes qualifying income.

Our Managing Partner will adopt a set of investment policies and procedures that will govern the types of investments we can make (and income we can earn), including structuring certain investments through entities, such as our intermediate holding company, classified as corporations for U.S. federal income tax purposes (as discussed further below), to ensure that we will meet the Qualifying Income Exception in each taxable year. It is the opinion of Simpson Thacher & Bartlett LLP that we will be treated as a partnership and not as a corporation for U.S. federal income tax purposes based on certain assumption and factual statements and representations made by us, including statements and representations as to the manner in which we intend to manage our affairs, the composition of our income, and that our Managing Partner will ensure that we comply with the investment policies and procedures put in place to ensure that we meet the Qualifying Income Exception in each taxable year. However, this opinion is based solely on current law and does not take into account any proposed or potential changes in law (including the proposed legislation described in "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.") which may be enacted with retroactive effect. Moreover, opinions of counsel are not binding upon the IRS or any court, and the IRS may challenge this conclusion and a court may sustain such a challenge. The Group Partnerships will be treated as partnerships for U.S. federal income tax purposes.

If we fail to meet the Qualifying Income Exception, other than a failure that is determined by the IRS to be inadvertent and that is cured within a reasonable time after discovery, or if we are required to register under the Investment Company Act, we will be treated as if we had transferred all of our assets, subject to liabilities, to a newly formed corporation, on the first day of the year in which we fail to meet the Qualifying Income Exception, in return for stock in that corporation, and then distributed the stock to the holders of common units in liquidation of their interests in us. This contribution and liquidation should generally be tax-free to holders so long as we do not have liabilities in excess of the tax basis of our assets. Thereafter, we would be treated as a corporation for U.S. federal income tax purposes.

If we were treated as a corporation in any taxable year, either as a result of a failure to meet the Qualifying Income Exception or otherwise, our items of income, gain, loss and deduction would be reflected only on our tax return rather than being passed through to holders of common units, and we would be subject to U.S. corporate income tax on our taxable income. Distributions made to our unitholders would be treated as either taxable dividend income, which may be eligible for reduced rates of taxation, to the extent of our current or accumulated earnings and profits, or in the absence of earnings and profits, as a nontaxable return of capital, to the extent of the holder's tax basis in the common units, or as taxable capital gain, after the holder's basis is reduced to zero. In addition, in the case of non-U.S. Holders, distributions would be subject to withholding tax. Accordingly, treatment as a corporation would materially reduce a holder's after-tax return and thus could result in a reduction of the value of the common units.

If at the end of any taxable year we fail to meet the Qualifying Income Exception (assuming that we are not taxed as a corporation from our inception), we may still qualify as a partnership if we are entitled to relief under the Internal Revenue Code for an inadvertent termination of partnership status. This relief will be available if: (i) the failure is cured within a reasonable time after discovery; (ii) the failure is determined by the IRS to be inadvertent; and (iii) we agree to make such adjustments (including adjustments with respect to our partners) or to pay such amounts as are required by the IRS. It is not possible to state whether we would be entitled to this relief in any or all circumstances. It also is not clear under the Internal Revenue Code whether this relief is available for our first taxable year as a publicly traded partnership. If this relief provision is inapplicable to a particular set of circumstances involving us, we will not qualify as a partnership for federal income tax purposes. Even if this relief provision applies and we retain our partnership status, we or our unitholders (during the failure period) will be required to pay such amounts as are determined by the IRS.

The remainder of this section assumes that we and the Group Partnerships will be treated as partnerships for U.S. federal income tax purposes.

Taxation of Our Intermediate Holding Company

The income derived from our fund management services will not likely be qualifying income for purposes of the Qualifying Income Exception. Therefore, in order to meet the Qualifying Income Exception, our interests in the Group Partnership that holds our management companies will be held indirectly through our intermediate holding company. Our intermediate holding company will be subject to tax on its allocable share of income of that Group Partnership.

Our intermediate holding company is taxable as a corporation for U.S. federal income tax purposes and therefore, as the holder of our intermediate holding company's common stock, we will not be taxed directly on its earnings or the earnings of entities we hold through our intermediate holding company. Distributions of cash or other property that our intermediate holding company pays to us will constitute dividends for U.S. federal income tax purposes to the extent paid from its current or accumulated earnings and profits (as determined under U.S. federal income tax principles). If the amount of a distribution by our intermediate holding company exceeds its current and accumulated earnings and profits, such excess will be treated as a tax-free return of capital to the extent of our tax basis in our intermediate holding company's common stock, and thereafter will be treated as a capital gain. Such distributions will be qualifying income for purposes of the Qualifying Income Exception.

As general partner of KKR Management Holdings L.P., our intermediate holding company will incur U.S. federal income taxes on its proportionate share of any net taxable income of KKR Management Holdings L.P. In accordance with the applicable partnership agreement, we will cause KKR Management Holdings L.P. to distribute cash on a pro rata basis to holders of its units (that is, our intermediate holding company and KKR Holdings) in an amount at least equal to the maximum tax liabilities arising from their ownership of such units, if any.

Our intermediate holding company's liability for U.S. federal income taxes and applicable state, local and other taxes could be increased if the IRS were to successfully reallocate income or deductions of the related entities conducting our business.

If we form, for other purposes, a U.S. corporation or other entity treated as a corporation for U.S. federal income tax purposes, that corporation would be subject to U.S. federal income tax on its income.

Personal Holding Companies

Our intermediate holding company could be subject to additional U.S. federal income tax on a portion of its income if it is determined to be a personal holding company, or "PHC," for U.S. federal income tax purposes. A U.S. corporation generally will be classified as a PHC for U.S. federal income tax purposes in a given taxable year if (i) at any time during the last half of such taxable year, five or fewer individuals (without regard to their citizenship or residency and including as individuals for this purpose certain entities such as certain tax-exempt organizations and pension funds) own or are deemed to own (pursuant to certain constructive ownership rules) more than 50% of the stock of the corporation by value and (ii) at least 60% of the corporation's adjusted ordinary gross income, as determined for U.S. federal income tax purposes, for such taxable year consists of PHC income (which includes, among other things, dividends, interest, royalties, annuities and, under certain circumstances, rents). The PHC rules do not apply to non-U.S. corporations.

Due to applicable attribution rules, it is likely that five or fewer individuals or tax-exempt organizations will be treated as owning actually or constructively more than 50% of the value of units in our intermediate holding company. Consequently, our intermediate holding company could be or become a PHC, depending on whether it fails the PHC gross income test. If, as a factual matter, the income of our intermediate holding company fails the PHC gross income test, it will be a PHC. Certain aspects of the gross income test cannot be predicted with certainty. Thus, no assurance can be given that our intermediate holding company will not become a PHC following this offering or in the future.

If our intermediate holding company is or were to become a PHC in a given taxable year, it would be subject to an additional 15% PHC tax on its undistributed PHC income, which generally includes the company's taxable income, subject to certain adjustments. For taxable years beginning after December 31, 2010, the PHC tax rate on undistributed PHC income will be equal to the highest marginal rate on ordinary income applicable to individuals (currently 35%). If our intermediate holding company were to become a PHC and had significant amounts of undistributed PHC income, the amount of PHC tax could be material. However, distributions of such income reduce the PHC income subject to tax.

Certain State, Local and Non-U.S. Tax Matters

We and our subsidiaries may be subject to state, local or non-U.S. taxation in various jurisdictions, including those in which we or they transact business, own property or reside. For example, we and our subsidiaries may be subject to New York City unincorporated business tax. We may be required to file tax returns in some or all of those jurisdictions. The state, local or non-U.S. tax treatment of us and our unitholders may not conform to the U.S. federal income tax treatment discussed herein. We will pay non-U.S. taxes, and dispositions of foreign property or operations involving, or investments in, foreign property may give rise to non-U.S. income or other tax liability in amounts that could be substantial. Any non-U.S. taxes incurred by us may not pass through to unitholders as a credit against their U.S. federal income tax liability.

Consequences to U.S. Holders of Common Units

The following is a summary of the material U.S. federal income tax consequences that will apply to you as a U.S. Holder of our common units.

For U.S. federal income tax purposes, your allocable share of our items of income, gain, loss, deduction or credit, and our allocable share of those items of the Group Partnerships, will be governed by the limited partnership agreements for our partnership and the Group Partnerships if such allocations have "substantial economic effect" or are determined to be in accordance with your interest in our partnership. We believe that for U.S. federal income tax purposes, such allocations will have substantial economic effect or be in accordance with your interest in KKR & Co. L.P., and our Managing Partner intends to prepare tax returns based on such allocations. If the IRS successfully challenges the allocations made pursuant to the limited partnership agreements, the resulting allocations for U.S. federal income tax purposes might be less favorable than the allocations set forth in the limited partnership agreements.

The characterization of an item of our income, gain, loss, deduction or credit generally will be determined at our (rather than at your) level. Distributions we receive from our intermediate holding company will be taxable as dividend income to the extent of the intermediate holding company's current and accumulated earnings and profits and, to the extent allocable to individual holders of common units, they will be eligible for a reduced rate of tax of 15% through 2010, provided that certain holding period requirements are satisfied.

We may derive taxable income from an investment that is not matched by a corresponding distribution of cash. This could occur, for example, if we used cash to make an investment or to reduce debt instead of distributing profits. In addition, special provisions of the Internal Revenue Code may be applicable to certain of our investments, and may affect the timing of our income, requiring us to recognize taxable income before we receive cash attributable to such income. Accordingly, although we intend to make tax distributions (see "Distribution Policy") it is possible that the U.S. federal income tax liability of a holder with respect to its allocable share of our income for a particular taxable year could exceed the cash distribution to the holder for the year, thus giving rise to an out-of-pocket tax liability for the holder.

Basis, Holding Period

You will have an initial tax basis in your common units and CVIs equal to your adjusted basis in your KPE units at the time of the KPE Transaction. That basis will be increased by your share of our income and by increases in your share of our liabilities, if any. That basis will be decreased, but not below zero, by distributions from us, by your share of our losses and by any decrease in your share of our liabilities.

If you acquire common units in separate transactions you must combine the basis of those units and maintain a single adjusted tax basis for all those units. Upon a sale or other disposition of less than all of the common units, a portion of that tax basis must be allocated to the common units sold. If you dispose of your common units prior to the settlement of the CVIs, a portion of your tax basis in your common units must be allocated to the CVIs based on the relative fair market value of your common units and CVIs at the time of the disposal.

Subject to the application of the straddle rules (as discussed above under "—Consequences to U.S. Holders of KPE Transaction"), your holding period in your common units should generally include your prior holding period in your KPE units.

Limits on Deductions for Losses and Expenses

Your deduction of your share of our losses will be limited to your tax basis in your common units and, if you are an individual or a corporate holder that is subject to the "at risk" rules, to the amount for which you are considered to be "at risk" with respect to our activities, if that is less than your tax basis. In general, you will be at risk to the extent of your tax basis in your common units, reduced by (1) the portion of that basis attributable to your share of our liabilities for which you will not be personally liable and (2) any amount of money you borrow to acquire or hold your common units, if the lender of those borrowed funds owns an interest in us, is related to you or can look only to the common units for repayment. Your at risk amount will generally increase by your allocable share of our income and gain and decrease by cash distributions to you and your allocable share of losses and deductions. You must recapture losses deducted in previous years to the extent that distributions cause your at risk amount to be less than zero at the end of any taxable year. Losses disallowed or recaptured as a result of these limitations will carry forward and will be allowable to the extent that your tax basis or at risk amount, whichever is the limiting factor, subsequently increases. Any excess loss above that gain previously suspended by the at risk or basis limitations may no longer be used.

We will not generate income or losses from "passive activities" for purposes of Section 469 of the Internal Revenue Code. Accordingly, income allocated by us to a holder may not be offset by the Section 469 passive losses of such holder and losses allocated to a holder generally may not be used to offset Section 469 passive income of such holder. In addition, other provisions of the Internal Revenue Code may limit or disallow any deduction for losses by a holder of our common units or deductions associated with certain assets of the partnership in certain cases. Holders should consult with their tax advisors regarding their limitations on the deductibility of losses under applicable sections of the Internal Revenue Code.

Limitations on Deductibility of Organizational Expenses and Syndication Fees

In general, neither we nor any U.S. Holder may deduct organizational or syndication expenses. Syndication fees (which would include any sales or placement fees or commissions or underwriting discount payable to third parties) must be capitalized and cannot be amortized or otherwise deducted.

Limitations on Interest Deductions

Your share of our interest expense is likely to be treated as "investment interest" expense. If you are a non-corporate U.S. Holder, the deductibility of "investment interest" expense is generally limited to the amount of your "net investment income." Your share of our dividend and interest income will be treated as investment income, although "qualified dividend income" subject to reduced rates of tax in the hands of an individual will only be treated as investment income if you elect to treat such dividend as ordinary income not subject to reduced rates of tax. In addition, state and local tax laws may disallow deductions for your share of our interest expense.

The computation of your investment interest expense will take into account interest on any margin account borrowing or other loan incurred to purchase a common unit. Net investment income includes gross income from property held for investment and amounts treated as portfolio income under the passive loss rules less deductible expenses, other than interest, directly connected with the production of investment income, but generally does not include gains attributable to the disposition of property held for investment. For this purpose, any long-term capital gain or qualifying dividend income that is taxable at long-term capital gain rates is excluded from net investment income, unless the U.S. holder elects to pay tax on such gain or dividend income at ordinary income rates.

Deductibility of Partnership Investment Expenditures by Individual Partners and by Trusts and Estates

Subject to certain exceptions, all miscellaneous itemized deductions of an individual taxpayer, and certain of such deductions of an estate or trust, are deductible only to the extent that such deductions exceed 2% of the taxpayer's adjusted gross income. Moreover, the otherwise allowable itemized deductions of individuals whose gross income exceeds an applicable threshold amount are subject to reduction by an amount equal to the product of $^{2}/_{3}$ and the lesser of (1) 3% of the excess of the individual's adjusted gross income over the threshold amount, or (2) 80% of the amount of the itemized deductions. Such reductions are being reduced on a phased basis through 2009. The operating expenses of KKR Fund Holdings L.P., including any management fees paid, may be treated as miscellaneous itemized deductions subject to the foregoing rule. Alternatively, it is possible that we will be required to capitalize the management fees. Accordingly, if you are a non-corporate U.S. Holder, you should consult your tax advisors with respect to the application of these limitations.

Treatment of Distributions

Distributions of cash by us generally will not be taxable to you to the extent of your adjusted tax basis (described above) in your common units. Any cash distributions in excess of your adjusted tax basis generally will be considered to be gain from the sale or exchange of your common units (as described below). Under current laws, such gain would generally be treated as capital gain and would be long-term capital gain if your holding period for your common units exceeds one year. A reduction in your allocable share of our liabilities, and certain distributions of marketable securities by us, are treated similar to cash distributions for U.S. federal income tax purposes.

Sale or Exchange of Common Units

You will recognize gain or loss on a sale of common units equal to the difference, if any, between the amount realized and your adjusted tax basis in the common units sold. Your amount realized will be measured by the sum of the cash or the fair market value of other property received plus your share of our liabilities, if any.

Gain or loss recognized by you on the sale or exchange of a common unit will generally be taxable as capital gain or loss and will be long-term capital gain or loss if your holding period in your common units (as discussed above under "—Basis, Holding Period") is greater than one year on the date of such sale or exchange. Assuming we have not made a qualifying electing fund election, referred to as a "QEF election," to treat our interest in a PFIC as a QEF, gain attributable to such an interest would be taxable as ordinary income and would be subject to an interest charge. In addition, certain gain attributable to our investment in a controlled foreign corporation, CFC, may be ordinary income and certain gain attributable to "unrealized receivables" or "inventory items" would be characterized as ordinary income rather than capital gain. For example, if we hold debt acquired at a market discount, accrued market discount on such debt would be treated as "unrealized receivables." The deductibility of capital losses is subject to limitations.

Holders who acquire units at different times and intend to sell all or a portion of the units within a year of their most recent purchase are urged to consult their tax advisors regarding the application of certain "split holding period" rules to them and the treatment of any gain or loss as long-term or short-term capital gain or loss.

Foreign Tax Credit Limitations

You will generally be entitled to a foreign tax credit with respect to your allocable share of creditable foreign taxes paid on our income and gains (other than the income and gains of our intermediate holding company). Complex rules may, depending on your particular circumstances, limit the availability or use of foreign tax credits. Gains from the sale of our foreign investments may be treated as U.S. source gains.

Consequently, you may not be able to use the foreign tax credit arising from any foreign taxes imposed on such gains unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources. Certain losses that we incur may be treated as foreign source losses, which could reduce the amount of foreign tax credits otherwise available.

Section 754 Election

Because we will be a continuation of KPE, KPE's election pursuant to Section 754 of the Internal Revenue Code will apply to us. The election is irrevocable without the consent of the IRS, and will generally require us to adjust the tax basis in our assets, or "inside basis," attributable to a transferee of common units under Section 743(b) of the Internal Revenue Code to reflect the purchase price of the common units paid by the transferee. In addition, KKR Management Holdings L.P. will make a Section 754 election. Therefore, similar adjustments will be made upon the transfer of interests in KKR Management Holdings L.P. For purposes of this discussion, a transferee's inside basis in our assets will be considered to have two components: (1) the transferee's share of our tax basis in our assets, or "common basis;" and (2) the Section 743 (b) adjustment to that basis.

Even though we will have a Section 754 election in effect, because we will not make an election for KKR Fund Holdings L.P., it is unlikely that the election will provide any substantial benefit or detriment to a transferee of common units.

The calculations involved in the Section 754 election are complex. We will make them on the basis of assumptions as to the value of our assets and other matters.

Foreign Currency Gain or Loss

Our functional currency will be the U.S. dollar, and our income or loss will be calculated in U.S. dollars. It is likely that we will recognize "foreign currency" gain or loss with respect to transactions involving non-U.S. dollar currencies. In general, foreign currency gain or loss is treated as ordinary income or loss. You should consult your tax advisor with respect to the tax treatment of foreign currency gain or loss.

Passive Foreign Investment Companies

You may be subject to special rules applicable to indirect investments in foreign corporations, including an investment in a PFIC.

A PFIC is defined as any foreign corporation with respect to which either (1) 75% or more of the gross income for a taxable year is "passive income" or (2) 50% or more of its assets in any taxable year (generally based on the quarterly average of the value of its assets) produce "passive income." There are no minimum stock ownership requirements for shareholders in PFICs. Once a corporation qualifies as a PFIC it is, subject to certain exceptions, always treated as a PFIC, regardless of whether it satisfies either of the qualification tests in subsequent years. Any gain on disposition of stock of a PFIC, as well as income realized on certain "excess distributions" by the PFIC, is treated as though realized ratably over the shorter of your holding period of common units or our holding period for the PFIC. Such gain or income is taxable as ordinary income and, as discussed above, dividends paid by a PFIC to an individual will not be eligible for the reduced rates of taxation that are available for certain qualifying dividends. In addition, an interest charge would be imposed on you based on the tax deferred from prior years.

Although in the past you were responsible for making QEF elections because KPE was a foreign partnership, in the future, we will have to make such elections. Although it may not always be possible, we expect to make a QEF election where possible with respect to each entity treated as a PFIC to treat such non-U.S. entity as a QEF in the first year we hold shares in such entity. A QEF election is effective for our taxable year for which the election is made and all subsequent taxable years and may not be revoked without the consent of the IRS. If we make a QEF election under the Internal Revenue Code with respect to our interest in a PFIC, in lieu of the foregoing treatment, we would be required to include in income each year a portion of the ordinary earnings and net capital gains of the QEF called "QEF Inclusions," even if not distributed to us. Thus, holders may be required to report taxable income as a result of QEF Inclusions without corresponding receipts of cash. However, a holder may elect to defer, until the occurrence of certain events, payment of the U.S. federal income tax attributable to QEF Inclusions for which no current distributions are received, but will be required to pay interest on the deferred tax computed by using the statutory rate of interest applicable to an extension of time for payment of tax. Our tax basis in the shares of such non-U.S. entities, and a holder's basis in our common units, will be increased to reflect QEF Inclusions. No portion of the QEF Inclusion attributable to ordinary income will be eligible for reduced rates of taxation. Amounts included as QEF Inclusions with respect to direct and indirect investments generally will not be taxed again when actually distributed. You should consult your tax advisors as to the manner in which QEF Inclusions affect your allocable share of our income and your basis in your common units.

Alternatively, in the case of a PFIC that is a publicly-traded foreign portfolio company, we may make an election to "mark to market" the stock of such foreign portfolio company on an annual basis. Pursuant to such an election, you would include in each year as ordinary income the excess, if any, of the fair market value of such stock over its adjusted basis at the end of the taxable year. You may treat as ordinary loss any excess of the adjusted basis of the stock over its fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the election in prior years.

We may make certain investments, including for instance investments in specialized investment funds or investments in funds of funds through non-U.S. corporate subsidiaries of the Group Partnerships or through other non-U.S. corporations. Such an entity may be a PFIC for U.S. federal income tax purposes. In addition, certain of our investments could be in PFICs. Thus, we can make no assurance that some of our investments will not be treated as held through a PFIC or as interests in PFICs or that such PFICs will be eligible for the "mark to market" election, or that as to any such PFICs we will be able to make QEF elections.

If we do not make a QEF election with respect to a PFIC, Section 1291 of the Internal Revenue Code will treat all gain on a disposition by us of shares of such entity, gain on the disposition of common units by a holder at a time when we own shares of such entity, as well as certain other defined "excess distributions," as if the gain or excess distribution were ordinary income earned ratably over the shorter of the period during which the holder held its common units or the period during which we held our shares in such entity. For gain and excess distributions allocated to prior years, (i) the tax rate will be the highest in effect for that taxable year and (ii) the tax will be payable generally without regard to offsets from deductions, losses and expenses. Holders will also be subject to an interest charge for any deferred tax. No portion of this ordinary income will be eligible for the favorable tax rate applicable to "qualified dividend income" for individual U.S. persons.

Controlled Foreign Corporations

A non-U.S. entity will be treated as a controlled foreign corporation, or CFC, if it is treated as a corporation for U.S. federal income tax purposes and if more than 50% of (i) the total combined voting power of all classes of stock of the non-U.S. entity entitled to vote or (ii) the total value of the stock of the non-U.S. entity is owned by U.S. Shareholders on any day during the taxable year of such non-U.S. entity. For purposes of this discussion, a "U.S. Shareholder" with respect to a non-U.S. entity means a U.S. person that owns 10% or more of the total combined voting power of all classes of stock of the non-U.S. entity entitled to vote.

When making investment or other decisions, we will consider whether an investment will be a CFC and the consequences related thereto. If we are a U.S. Shareholder in a non-U.S. entity that is treated as a CFC, each common unitholder may be required to include in income its allocable share of the CFC's "Subpart F" income reported by us. Subpart F income generally includes dividends, interest, net gain from the sale or disposition of securities, non-actively managed rents and certain other generally passive types of income. The aggregate Subpart F income inclusions in any taxable year relating to a particular CFC are limited to such entity's current earnings and profits. These inclusions are treated as ordinary income (whether or not such inclusions are attributable to net capital gains). Thus, an investor may be required to report as ordinary income its allocable share of the CFC's Subpart F income reported by us without corresponding receipts of cash and may not benefit from capital gain treatment with respect to the portion of our earnings (if any) attributable to net capital gains of the CFC.

The tax basis of our common units of such non-U.S. entity, and a holder's tax basis in our common units, will be increased to reflect any required Subpart F income inclusions. Such income will be treated as income from sources within the United States, for certain foreign tax credit purposes, to the extent derived by the CFC from U.S. sources. Such income will not be eligible for the reduced rate of tax applicable to "qualified dividend income" for individual U.S. persons. See "—Limitations on Interest Deductions." Amounts included as such income with respect to direct and indirect investments generally will not be taxable again when actually distributed.

Regardless of whether any CFC has Subpart F income, any gain allocated to a unitholder from our disposition of stock in a CFC will be treated as ordinary income to the extent of the holder's allocable share of the current and/or accumulated earnings and profits of the CFC. In this regard, earnings would not include any amounts previously taxed pursuant to the CFC rules. However, net losses (if any) of a non-U.S. entity owned by us that is treated as a CFC will not pass through to our holders. Moreover, a portion of a U.S. Holder's gain from the sale or exchange of common units may be treated as ordinary income. Any portion of any gain from the sale or exchange of a common unit that is attributable to a CFC may be treated as an "unrealized receivable." See "—Sale or Exchange of Common Units."

If a non-U.S. entity held by us is classified as both a CFC and a PFIC during the time we are a U.S. Shareholder of such non-U.S. entity, a holder will be required to include amounts in income with respect to such non-U.S. entity pursuant to this subheading, and the consequences described under the subheading "—Passive Foreign Investment Companies" above will not apply. If our ownership percentage in a non-U.S. entity changes such that we are not a U.S. Shareholder with respect to such non-U.S. entity, then unitholders may be subject to the PFIC rules. The interaction of these rules is complex, and prospective holders are urged to consult their tax advisors in this regard.

Investment Structure

To manage our affairs so as to meet the "qualifying income" exception for the publicly traded partnership rules (discussed above) and comply with certain requirements in our Limited Partnership Agreement, we may need to structure certain investments through an entity classified as a corporation for U.S. federal income tax purposes. Such investment structures will be entered into as determined in the sole discretion of our Managing Partner in order to create a tax structure that generally is efficient for our unitholders. However, because our unitholders will be located in numerous taxing jurisdictions, no assurances can be given that any such investment structure will be beneficial to all our unitholders to the same extent, and may even impose additional tax burdens on some of our unitholders. As discussed above, if the entity were a non-U.S. corporation it may be considered a CFC or PFIC. If the entity were a U.S. corporation, it would be subject to U.S. federal income tax on its operating income, including any gain recognized on its disposal of its investments. In addition, if the investment involves U.S. real estate, gain recognized on disposition would generally be subject to U.S. federal income tax, whether the corporation is a U.S. or a non-U.S. corporation.

Taxes in Other State, Local, and Non-U.S. Jurisdictions

In addition to U.S. federal income tax consequences, you may be subject to potential U.S. state and local taxes because of an investment in us in the U.S. state or locality in which you are a resident for tax purposes or in which we have investments or activities. You may also be subject to tax return filing obligations and income, franchise or other taxes, including withholding taxes, in state, local or non-U.S. jurisdictions in which we invest, or in which entities in which we own interests conduct activities or derive income. Income or gains from investments held by us may be subject to withholding or other taxes in jurisdictions outside the United States, subject to the possibility of reduction under applicable income tax treaties. If you wish to claim the benefit of an applicable income tax treaty, you may be required to submit information to tax authorities in such jurisdictions. You should consult your own tax advisors regarding the U.S. state, local and non-U.S. tax consequences of an investment in us.

Transferor/Transferee Allocations

In general, our taxable income and losses will be determined and apportioned among investors using conventions we regard as consistent with applicable law. As a result, if you transfer your common units, you may be allocated income, gain, loss and deduction realized by us after the date of transfer.

Although Section 706 of the Internal Revenue Code generally provides guidelines for allocations of items of partnership income and deductions between transferors and transferees of partner interests, it is not clear that our allocation method complies with its requirements. If our convention were not permitted, the IRS might contend that our taxable income or losses must be reallocated among the investors. If such a contention were sustained, your respective tax liabilities would be adjusted to your possible detriment. Our Managing Partner is authorized to revise our method of allocation between transferors and transferees (as well as among investors whose interests otherwise vary during a taxable period).

U.S. Federal Estate Taxes

If common units are included in the gross estate of a U.S. citizen or resident for U.S. federal estate tax purposes, then a U.S. federal estate tax might be payable in connection with the death of such person. Prospective individual U.S. Holders should consult their own tax advisors concerning the potential U.S. federal estate tax consequences with respect to our common units.

U.S. Taxation of Tax-Exempt U.S. Holders of Common Units

A holder of common units that is a tax-exempt organization for U.S. federal income tax purposes and therefore generally exempt from U.S. federal income taxation, will nevertheless be subject to "unrelated business taxable income," or UBTI, to the extent, if any, that its allocable share of our income consists of UBTI. A tax-exempt partner of a partnership that regularly engages in a trade or business which is unrelated to the exempt function of the tax-exempt partner must include in computing its UBTI its pro rata share (whether or not distributed) of such partnership's gross income and deductions derived from such unrelated trade or business. Moreover, a tax-exempt partner of a partnership will be treated as earning UBTI to the extent that such partnership derives income from "debt-financed property," or if the partner interest itself is debt financed. Debt-financed property means property held to produce income with respect to which there is "acquisition indebtedness" (that is, indebtedness incurred in acquiring or holding property).

In light of our investment activities, we will likely derive income that constitutes UBTI, because we will likely incur acquisition-related indebtedness. Because we are under no obligation to minimize UBTI, tax-exempt U.S. Holders of common units should consult their own tax advisors regarding all aspects of UBTI.

Investments by U.S. Mutual Funds

U.S. mutual funds that are treated as regulated investment companies, or RICs, for U.S. federal income tax purposes are required, among other things, to meet an annual 90% gross income and a quarterly 50% asset value test under Section 851(b) of the Internal Revenue Code to maintain their favorable U.S. federal income tax status. The 90% gross income test generally requires that, for a corporation to qualify as a RIC, at least 90 percent of such corporation's annual income must be "qualifying income," which is generally limited to investment income of various types. The 50% asset value test generally requires that, for a corporation to qualify as a RIC, at the close of each quarter of the taxable year, at least 50 percent of the value of such corporation's total assets must be represented by cash and cash items (including receivables), Government securities, securities of other RICs, and other securities generally limited in respect of any one issuer to an amount not greater in value than 5 percent of the value of the total assets of the corporation and to not more than 10 percent of the outstanding voting securities of such issuer.

The treatment of an investment by a RIC in common units for purposes of these tests will depend on whether we are treated as a "qualifying publicly traded partnership." If our partnership is so treated, then the common units themselves are the relevant assets for purposes of the 50% asset value test and the net income from the common units is the relevant gross income for purposes of the 90% gross income test. RICs may not invest greater than 25 percent of their assets in one or more qualifying publicly traded partnerships. All income derived from a qualifying publicly traded partnership is considered qualifying income for purposes of the RIC 90% gross income test above. However, if we are not treated as a qualifying publicly traded partnership for purposes of the RIC rules, then the relevant assets for the RIC asset test will be the RIC's allocable share of the underlying assets held by us and the relevant gross income for the RIC income test will be the RIC's allocable share of the underlying gross income earned by us. Whether we will qualify as a "qualifying publicly traded partnership" depends on the exact nature of our future investments, but it is likely that we will not be treated as a "qualifying publicly traded partnership." In addition, as discussed above under "—Consequences to U.S. Holders of Common Units," we may derive taxable income from an investment that is not matched by a corresponding cash distribution. Accordingly, a RIC investing in our common units may recognize income for U.S. federal income tax purposes without receiving cash with which to make distributions in amounts necessary to satisfy the distribution requirements under Sections 852 and 4982 of the Internal Revenue Code for avoiding income and excise tax. RICs should consult their own tax advisors about the U.S. tax consequences of an investment in common units.

Consequences to Non-U.S. Holders of Common Units and CVIs

U.S. Income Tax Consequences

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 our 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." If a non-U.S. Holder were treated as being engaged in a U.S. trade or business in any year because of an investment in our common units in such year, such non-U.S. Holder generally would be: (1) subject to withholding by us on such non-U.S. Holder's distributions of income; (2) required to file a U.S. federal income tax return for such year reporting its allocable share, if any, of income or loss effectively connected with such trade or business, including certain income from U.S. sources not related to KKR & Co. L.P.; and (3) required to pay U.S. federal income tax at regular U.S. federal income tax rates on any such income. Moreover, a corporate non-U.S. Holder might be subject to a U.S. branch profits tax on its allocable share of its ECI. Any amount so withheld would be creditable against such non-U.S. Holder's U.S. federal income tax liability, and such non-U.S. Holder could claim a refund to the extent that the amount withheld exceeded such non-U.S. Holder's U.S. federal income tax liability for the taxable year. Finally, if we were treated as being engaged in a U.S. trade or business, a portion of any gain recognized by a holder who is a non-U.S. Holder on the sale or exchange of its common units or upon receipt of amounts pursuant to the CVIs, could be treated for U.S. federal income tax purposes as ECI, and hence such non-U.S. Holder could be subject to U.S. federal income tax on the sale or exchange.

Although each non-U.S. Holder is required to provide an IRS Form W-8, we may not be able to provide complete information related to the tax status of our investors to the Group Partnerships for purposes of obtaining reduced rates of withholding on behalf of our investors. Accordingly, if such information is not provided, to the extent we receive dividends from a U.S. corporation including the intermediate holding company through the Group Partnerships and its investment vehicles, your allocable share of distributions of such dividend income will be subject to U.S. withholding tax at a rate of 30%. Distributions to you may also be subject to withholding to the extent they are attributable to the sale of a U.S. real property interest or if the distribution is otherwise considered fixed or determinable annual or periodic income under the Internal Revenue Code. You may need to take additional steps to receive a credit or refund of any excess withholding tax paid on your account, which may include the filing of a non-resident U.S. income tax return with the IRS. Among other limitations, if you reside in a treaty jurisdiction which does not treat our partnership as a pass-through entity, you may not be eligible to receive a refund or credit of excess U.S. withholding taxes paid on your account. You should consult your tax advisors regarding the treatment of U.S. withholding taxes.

Special rules may apply in the case of a non-U.S. Holder that: (1) has an office or fixed place of business in the United States; (2) is present in the United States for 183 days or more in a taxable year; or (3) is a former citizen of the United States, a foreign insurance company that is treated as holding a partner interest in us in connection with their U.S. business, a PFIC or a corporation that accumulates earnings to avoid U.S. federal income tax. You should consult your tax advisors regarding the application of these special rules.

U.S. Federal Estate Tax Consequences

The U.S. federal estate tax treatment of our common units with regards to the estate of a non-citizen who is not a resident of the United States is not entirely clear. If our common units are includable in the U.S. gross estate of such person, then a U.S. federal estate tax might be payable in connection with the death of such person. Prospective individual non-U.S. Holders who are non-citizens and not residents of the United States should consult their own tax advisors concerning the potential U.S. federal estate tax consequences with regard to our common units.

Administrative Matters

Taxable Year

We currently intend to use the calendar year as our taxable year for U.S. federal income tax purposes. Under certain circumstances which we currently believe are unlikely to apply, a taxable year other than the calendar year may be required for such purposes.

Tax Matters Partner

Our Managing Partner will act as our "tax matters partner." As the tax matters partner, our Managing Partner will have the authority, subject to certain restrictions, to act on our behalf in connection with any administrative or judicial review of our items of income, gain, loss, deduction or credit.

Information Returns

We have agreed to furnish to you, as soon as reasonably practicable after the close of each calendar year, tax information (including Schedule K-1), which describes on a U.S. dollar basis your share of our income, gain, loss and deduction for our preceding taxable year. 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. Consequently, 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. In addition, each partner will be required to report for all tax purposes consistently with the information provided by us for the taxable year.

In preparing this information, we will use various accounting and reporting conventions, some of which have been mentioned in the previous discussion, to determine your share of income, gain, loss and deduction. The IRS may successfully contend that certain of these reporting conventions are impermissible, which could result in an adjustment to your income or loss.

We may be audited by the IRS. Adjustments resulting from an IRS audit may require you to adjust a prior year's tax liability and possibly may result in an audit of your own tax return. Any audit of your tax return could result in adjustments not related to our tax returns as well as those related to our tax returns.

Tax Shelter Regulations

If we were to engage in a "reportable transaction," we (and possibly you and others) would be required to make a detailed disclosure of the transaction to the IRS in accordance with recently issued regulations governing tax shelters and other potentially tax-motivated transactions. A transaction may be a reportable transaction based upon any of several factors, including the fact that it is a type of tax avoidance transaction publicly identified by the IRS as a "listed transaction" or that it produces certain kinds of losses in excess of $2 million. An investment in us may be considered a "reportable transaction" if, for example, we recognize certain significant losses in the future. In certain circumstances, a unitholder who disposes of an interest in a transaction resulting in the recognition by such holder of significant losses in excess of certain threshold amounts may be obligated to disclose its participation in such transaction. Our participation in a reportable transaction also could increase the likelihood that our U.S. federal income tax information return (and possibly your tax return) would be audited by the IRS. Certain of these rules are currently unclear and it is possible that they may be applicable in situations other than significant loss transactions.

Moreover, if we were to participate in a reportable transaction with a significant purpose to avoid or evade tax, or in any listed transaction, you may be subject to: (i) significant accuracy-related penalties with a broad scope; (ii) for those persons otherwise entitled to deduct interest on federal tax deficiencies, nondeductibility of interest on any resulting tax liability; and (iii) in the case of a listed transaction, an extended statute of limitations.

Unitholders should consult their tax advisors concerning any possible disclosure obligation under the regulations governing tax shelters with respect to the dispositions of their interests in us.

Constructive Termination

Unless we were eligible to, and did, elect to be treated under certain rules that apply to large partnerships, 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.

Our termination would result in the close of our taxable year for all holders of common units. In the case of a holder reporting on a taxable year other than a fiscal year ending on our year-end, the closing of our taxable year may result in more than 12 months of our taxable income or loss being includable in the holder's taxable income for the year of termination. We would be required to make new tax elections after a termination. A termination could also result in penalties if we were unable to determine that the termination had occurred. Moreover, a termination might either accelerate the application of, or subject us to, any tax legislation enacted before the termination.

Withholding and Backup Withholding

For each calendar year, we will report to you and the IRS the amount of distributions we made to you and the amount of U.S. federal income tax (if any) that we withheld on those distributions. The proper application to us of rules for withholding under Section 1441 of the Internal Revenue Code (applicable to certain dividends, interest and similar items) is unclear. Because the documentation we receive may not properly reflect the identities of partners at any particular time (in light of possible sales of common units), we may over-withhold or under-withhold with respect to a particular holder of common units. For example, we may impose withholding, remit that amount to the IRS and thus reduce the amount of a distribution paid to a non-U.S. Holder. It may turn out, however, the corresponding amount of our income was not properly allocable to such holder, and the withholding should have been less than the actual withholding. Such holder would be entitled to a credit against the holder's U.S. federal income tax liability for all withholding, including any such excess withholding, but if the withholding exceeded the holder's U.S. federal income tax liability, the holder would have to apply for a refund to obtain the benefit of the excess withholding. Similarly, we may fail to withhold on a distribution, and it may turn out the corresponding income was properly allocable to a non-U.S. Holder and withholding should have been imposed. In that event, we intend to pay the underwithheld amount to the IRS, and we may treat such under-withholding as an expense that will be borne by all partners on a pro rata basis (since we may be unable to allocate any such excess withholding tax cost to the relevant non-U.S. holder).

Under the backup withholding rules, you may be subject to backup withholding tax (at the applicable rate, currently 28%) with respect to distributions paid unless: (1) you are a corporation or come within another exempt category and demonstrate this fact when required; or (2) you provide a taxpayer identification number, certify as to no loss of exemption from backup withholding tax and otherwise comply with the applicable requirements of the backup withholding tax rules. If you are an exempt holder, you should indicate your exempt status on a properly completed IRS Form W-9. A non-U.S. Holder may qualify as an exempt recipient by submitting a properly completed IRS Form W-8BEN. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to you will be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund.

If you do not timely provide us (or the clearing agent or other intermediary, as appropriate) with IRS Form W-8 or W-9, as applicable, or such form is not properly completed, you may become subject to U.S. backup withholding taxes in excess of what would have been imposed had we received certifications from all investors. Such excess U.S. backup withholding taxes may be treated by us as an expense that will be borne by all investors on a pro rata basis (since we may be unable to allocate any such excess withholding tax cost to the holders that failed to timely provide the proper U.S. tax certifications).

Nominee Reporting

Persons who hold an interest in our partnership as a nominee for another person are required to furnish to us:

(1) the name, address and taxpayer identification number of the beneficial owner and the nominee;

(2) whether the beneficial owner is: (i) a person that is not a U.S. person; (ii) a foreign government, an international organization or any wholly-owned agency or instrumentality of either of the foregoing; or (iii) a tax-exempt entity;

(3) the amount and description of common units held, acquired or transferred for the beneficial owner; and

(4) specific information including the dates of acquisitions and transfers, means of acquisitions and transfers and acquisition cost for purchases, as well as the amount of net proceeds from sales.

Brokers and financial institutions are required to furnish additional information, including whether they are U.S. persons and specific information on common units they acquire, hold or transfer for their own account. A penalty of $50 per failure, up to a maximum of $100,000 per calendar year, is imposed by the Internal Revenue Code for failure to report that information to us. The nominee is required to supply the beneficial owner of the common units with the information furnished to us.

New Legislation or Administrative or Judicial Action

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process, the 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. No assurance can be given as to whether, or in what form, any proposals affecting us or our unitholders will be enacted. 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 income 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. See "Risk Factors—Risks Related to Our Business—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." We and our unitholders could be adversely affected by any such change in, or any new, tax law, regulation or interpretation. Our organizational documents and agreements permit the board of directors to modify the amended and restated operating agreement from time to time, without the consent of the unitholders, in order 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 of our unitholders.

THE FOREGOING DISCUSSION IS NOT INTENDED AS A SUBSTITUTE FOR CAREFUL TAX PLANNING. THE TAX MATTERS RELATING TO KKR AND ITS UNITHOLDERS ARE COMPLEX AND ARE SUBJECT TO VARYING INTERPRETATIONS. MOREOVER, THE MEANING AND IMPACT OF TAX LAWS AND OF PROPOSED CHANGES WILL VARY WITH THE PARTICULAR CIRCUMSTANCES OF EACH UNITHOLDER. UNITHOLDERS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES OF THE KPE TRANSACTION (AND RELATED TRANSACTIONS) AND OWNING COMMON UNITS AND CVIS.

PLAN OF DISTRIBUTION

We have 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 CVIs. If unitholders representing 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, the KPE Transaction will be completed as soon as reasonably practicable thereafter.

As promptly as practicable following 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.

Prior to the KPE Transaction, there will have been no public market for our common units. We intend to apply to list the common units on the NYSE under the symbol "KKR."

Lock-Up Arrangements

KKR Holdings and certain other KKR entities have agreed that, without the prior written consent of a majority of the conflicts committee of our Managing Partner's board of directors, they will not, during the period ending 180 days after the date of the KPE Purchase:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any common units or any securities convertible into or exercisable or exchangeable for common units; or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common units;

whether any such transaction described above is to be settled by delivery of common units or such other securities, in cash or otherwise. In addition, we have agreed that, during the same 180-day period, without the prior written consent of a majority of the conflicts committee of our Managing Partner's board of directors, we will not file any registration statement with the SEC relating to the offering of any common units or any securities convertible into or exercisable or exchangeable for common units (other than any registration statement on Form S-8 to register common units issued or reserved for issuance under our 2008 Equity Incentive Plan) or publicly disclose the intention to do so.

These restrictions do not apply to certain sales, issuances, distributions and transfers. See "Common Units Eligible for Future Sale—Lock-Up Arrangements."

We also have instituted an internal policy that prohibits all of our employees from selling short or trading in derivative securities relating to the common units.

LEGAL MATTERS

The validity of the common units will be passed upon for us by Simpson Thacher & Bartlett LLP, New York, New York, and Simpson Thacher & Bartlett LLP has opined as to certain U.S. federal income tax matters with respect to us. Certain partners of Simpson Thacher & Bartlett LLP, members of their families and related persons have an interest representing less than 1% of the capital commitments of investment funds that we manage.

EXPERTS

The statement of financial condition of KKR & Co. L.P. as of March 31, 2008 and December 31, 2007, included in this prospectus has been audited by Deloitte & Touche LLP, independent registered public accounting firm, as stated in their report appearing elsewhere herein, and is included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The statement of financial condition of KKR Management LLC as of March 31, 2008 and December 31, 2007, included in this prospectus has been audited by Deloitte & Touche LLP, independent registered public accounting firm, as stated in their report appearing elsewhere herein, and is included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The combined financial statements of KKR Group as of December 31, 2007 and 2006, and for each of the three years in the period ended December 31, 2007, included in this prospectus have been audited by Deloitte & Touche LLP, independent registered public accounting firm, as stated in their report appearing elsewhere herein (which report expresses an unqualified opinion and includes an explanatory paragraph relating to investments without a readily determinable fair market value), and is included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Forms S-1 and S-4 under the Securities Act with respect to the common units and CVIs issued in this prospectus. This prospectus, filed as part of the registration statement, does not contain all of the information set forth in the registration statement and its exhibits and schedules, portions of which have been omitted as permitted by the rules and regulations of the SEC. For further information about us and our common units and CVIs, we refer you to the registration statement and to its exhibits and schedules. Statements in this prospectus about the contents of any contract, agreement or other document are not necessarily complete and, in each instance, we refer you to the copy of such contract, agreement or document filed as an exhibit to the registration statement.

Anyone may inspect the registration statement and its exhibits and schedules without charge at the public reference facilities the SEC maintains at 100 F Street, N.E., Washington, D.C. 20549. You may obtain copies of all or any part of these materials from the SEC upon the payment of certain fees prescribed by the SEC. You may obtain further information about the operation of the SEC's Public Reference Room by calling the SEC at 1-800-SEC-0330. You may also inspect these reports and other information without charge at a website maintained by the SEC. The address of this website is http://www.sec.gov.

Upon completion of the Transactions, we will become subject to the informational requirements of the Exchange Act and will be required to file reports and other information with the SEC. You will be able to inspect and copy these reports and other information at the public reference facilities maintained by the SEC at the address noted above. You also will be able to obtain copies of this material from the Public Reference Room of the SEC as described above, or inspect them without charge at the SEC's website. We intend to furnish our unitholders with annual reports containing consolidated financial statements audited by our independent registered public accounting firm.

INDEX TO FINANCIAL STATEMENTS

* The combined financial statements reflect the historical results of operations and financial position of the KKR Group for all periods presented. Accordingly, the historical financial statements do not reflect what the results of operations and financial position of the KKR Group would have been had the KKR Group been a stand-alone, public company for the periods presented.

The KKR Group has operated in the U.S. through various limited liability companies and partnerships. As a result, the KKR Group's income has generally not been subject to U.S. federal income taxes. Taxes related to income earned by partnerships represent obligations of the individual partners. Income taxes shown on the KKR Group's historical combined statements of income are attributable to taxes incurred in non-U.S. entities and to New York City unincorporated business tax attributable to the KKR Group's operations apportioned to New York City. Unaudited pro forma taxes based on the Reorganization Transactions are provided within the Unaudited Pro Forma Financial Information section of this prospectus.

The KKR Group's business is presently conducted through a large number of entities which are under the common control of our senior principals and the common ownership of our existing owners, and for which there is no single holding entity. Accordingly, the KKR Group has not presented historical earnings per unit of the combined entities. Unaudited pro forma earnings per unit, based on the Reorganization Transactions, are provided within the Unaudited Pro Forma Financial Information section of this prospectus.

Report of Independent Registered Public Accounting Firm

To the Partners of KKR & Co. L.P.:

We have audited the accompanying statement of financial condition of KKR & Co. L.P. (the "Partnership") as of March 31, 2008 and December 31, 2007. This financial statement is the responsibility of the Partnership's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. The Partnership is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statement presents fairly, in all material respects, the financial position of KKR & Co. L.P. as of March 31, 2008 and December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

New York, New York
August 11, 2008

KKR & CO. L.P.

Statement of Financial Condition
As of March 31, 2008 and December 31, 2007

	March 31, 2008	December 31, 2007
Assets		
Cash	$ 1,029	$ 1,020
Partners' Capital		
Partners' Capital	$ 1,029	$ 1,020

Notes to Statement of Financial Condition

1. ORGANIZATION

KKR & Co. L.P. (the "Partnership") was formed as a Delaware limited partnership on June 25, 2007. Pursuant to a series of transactions, the Partnership will become a holding partnership and its sole assets are expected to consist of controlling equity interests in KKR Management Holdings Corp. and KKR Fund Holdings L.P. Through those equity interests, the Partnership will operate and control all of the businesses and affairs of those entities and their subsidiaries. KKR Management LLC is the general partner of the Partnership.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting —The accompanying Statement of Financial Condition has been prepared in accordance with accounting principles generally accepted in the United States of America. Separate Statements of Income, Changes in Partners' Capital and Cash Flows have not been presented because there have been no business activities of the Partnership.

3. PARTNERS' CAPITAL

An organizational limited partner of the Partnership contributed $1,000 to the Partnership in connection with the Partnership's formation.

Report of Independent Registered Public Accounting Firm

To the Members of KKR Management LLC:

We have audited the accompanying statement of financial condition of KKR Management LLC (the "Company") as of March 31, 2008 and December 31, 2007. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statement presents fairly, in all material respects, the financial position of KKR Management LLC as of March 31, 2008 and December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

New York, New York
August 11, 2008

KKR MANAGEMENT LLC

Statement of Financial Condition
As of March 31, 2008 and December 31, 2007

	March 31, 2008	December 31, 2007
Assets		
Cash	$ 1,029	$ 1,020
Members' Capital		
Members' Capital	$ 1,029	$ 1,020

Notes to Statement of Financial Condition

1. ORGANIZATION

KKR Management LLC (the "Company") was formed as a Delaware limited liability company on June 25, 2007. The Company has been established to serve, pursuant to a series of future transactions, as the general partner of KKR & Co. L.P.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting —The accompanying Statement of Financial Condition has been prepared in accordance with accounting principles generally accepted in the United States of America. Separate Statements of Income, Changes in Members' Capital and Cash Flows have not been presented because there have been no business activities of the Company.

3. MEMBERS' CAPITAL

Organizational members of the Company contributed $1,000 to the Company in connection with its formation.

Report of Independent Registered Public Accounting Firm

To the Partners of the KKR Group:

We have audited the accompanying combined statements of financial condition of the KKR Group (the "Company") as of December 31, 2007 and 2006, and the related combined statements of income, changes in partners' capital and cash flows for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such combined financial statements present fairly, in all material respects, the combined financial position of the KKR Group as of December 31, 2007 and 2006, and the combined results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 2 to the combined financial statements, the financial statements include investments valued at $24.4 billion (approximately 67% of total assets) and $15.2 billion (approximately 73% of total assets) as of December 31, 2007 and 2006, respectively, whose values have been estimated by the Company's management in the absence of readily determinable fair market values. Management's estimates are based on the factors described in Note 2.

/s/ Deloitte & Touche LLP

New York, New York
July 25, 2008
(August 11, 2008, as to Notes 11 and 13)

KKR GROUP

Combined Statements of Financial Condition

As of December 31, 2007 and 2006

(Dollars in Thousands)

	2007	2006
Assets		
Cash and Cash Equivalents	$ 272,045	$ 92,991
Cash and Cash Equivalents Held at Consolidated Entities	413,747	2,299,650
Restricted Cash and Cash Equivalents	45,918	108,295
Investments, at Fair Value	31,818,332	20,538,247
Due from Affiliates	43,969	115,561
Other Assets	248,785	138,039
Total Assets	$ 32,842,796	$ 23,292,783
Liabilities and Partners' Capital		
Debt Obligations	$ 2,020,328	$ 948,803
Accounts Payable, Accrued Expenses and Other Liabilities	555,308	333,120
Total Liabilities	2,575,636	1,281,923
Commitments and Contingencies		
Non-Controlling Interests in Consolidated Entities	28,749,814	20,318,440
Partners' Capital		
Partners' Capital	1,507,694	1,684,794
Accumulated Other Comprehensive Income	9,652	7,626
Total Partners' Capital	1,517,346	1,692,420
Total Liabilities and Partners' Capital	$ 32,842,796	$ 23,292,783

See notes to combined financial statements.

KKR GROUP

Combined Statements of Income

For the Years ended December 31, 2007, 2006 and 2005

(Dollars in Thousands)

	2007	2006	2005
Revenues			
Fee Income	$ 862,265	$ 410,329	$ 232,945
Expenses			
Employee Compensation and Benefits	212,766	131,667	79,643
Occupancy and Related Charges	20,068	19,295	13,534
General, Administrative and Other	128,036	78,154	54,336
Fund Expenses	80,040	38,350	20,778
Total Expenses	440,910	267,466	168,291
Investment Income			
Net Gains from Investment Activities	1,111,572	3,105,523	2,984,504
Dividend Income	747,544	714,069	729,926
Interest Income	218,920	210,872	27,166
Interest Expense	(86,253)	(29,542)	(697)
Total Investment Income	1,991,783	4,000,922	3,740,899
Income before Non-Controlling Interests in Income of Consolidated Entities and Income Taxes	2,413,138	4,143,785	3,805,553
Non-Controlling Interests in Income of Consolidated Entities	1,598,310	3,039,677	2,870,035
Income Before Taxes	814,828	1,104,108	935,518
Income Taxes	12,064	4,163	2,900
Net Income	$ 802,764	$ 1,099,945	$ 932,618

See notes to combined financial statements.

KKR GROUP

Combined Statements of Changes in Partners' Capital

For the Years ended December 31, 2007, 2006 and 2005

(Dollars in Thousands)

	Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Total Partners' Capital
Balance at January 1, 2005	$ 1,028,300	$ 7,164	$ 1,035,464
Comprehensive Income:			
Net Income	932,618		932,618
Other Comprehensive Income—			
Currency Translation Adjustment		(1,030)	(1,030)
Total Comprehensive Income			931,588
Capital Contributions	146,344		146,344
Capital Distributions	(680,775)		(680,775)
Balance at December 31, 2005	1,426,487	6,134	1,432,621
Comprehensive Income:			
Net Income	1,099,945		1,099,945
Other Comprehensive Income:			
Currency Translation Adjustment		1,489	1,489
Net Change in Unrealized Gain on Securities Available for Sale		3	3
Total Comprehensive Income			1,101,437
Capital Contributions	267,117		267,117
Capital Distributions	(1,108,755)		(1,108,755)
Balance at December 31, 2006	1,684,794	7,626	1,692,420
Comprehensive Income:			
Net Income	802,764		802,764
Other Comprehensive Income—			
Currency Translation Adjustment		2,026	2,026
Total Comprehensive Income			804,790
Capital Contributions	308,201		308,201
Capital Distributions	(1,288,065)		(1,288,065)
Balance at December 31, 2007	$ 1,507,694	$ 9,652	$ 1,517,346

See notes to combined financial statements.

KKR GROUP

Combined Statements of Cash Flows

For the Years ended December 31, 2007, 2006 and 2005

(Dollars in Thousands)

	2007	2006	2005
Cash Flows from Operating Activities			
Net Income	$ 802,764	$ 1,099,945	$ 932,618
Adjustments to Reconcile Net Income to Net Cash Used in Operating Activities:			
Non-Controlling Interests in Income of Consolidated Entities	1,598,310	3,039,677	2,870,035
Net Realized Gains on Investments	(1,557,101)	(3,244,931)	(1,567,312)
Change in Unrealized Losses (Gains) on Investments Allocable to KKR Group	65,249	(3,835)	(274,712)
Change in Unrealized Losses (Gains) on Investments Allocable to Non-Controlling Interests	380,280	143,243	(1,142,480)
Other Non-Cash Amounts Included in Net Income	(10,886)	(16,063)	(7,023)
Cash Flows Due to Changes in Operating Assets and Liabilities			
Change in Cash and Cash Equivalents Held at Consolidated Entities	1,895,148	(2,105,942)	(143,941)
Change in Due from Affiliates	70,728	(65,474)	(22,284)
Change in Other Assets	(108,712)	(68,718)	(18,022)
Change in Accounts Payable, Accrued Expenses and Other Liabilities	99,260	60,189	30,026
Investments Purchased	(17,847,606)	(9,555,635)	(3,399,748)
Cash Proceeds from Sale of Investments	6,090,065	5,186,400	2,636,395
Net Cash Used In Operating Activities	(8,522,501)	(5,531,144)	(106,448)
Cash Flows from Investing Activities			
Change in Restricted Cash and Cash Equivalents	(95,406)	(108,295)	—
Purchase of Furniture, Equipment and Leasehold Improvements	(17,063)	(21,815)	(5,052)
Net Cash Used in Investing Activities	(112,469)	(130,110)	(5,052)
Cash Flows from Financing Activities			
Distributions to Non-Controlling Interests in Consolidated Entities	(5,467,241)	(5,675,567)	(3,333,371)
Contributions from Non-Controlling Interests in Consolidated Entities	12,589,477	11,430,568	3,633,699
Distributions to Partners	(1,170,568)	(1,063,530)	(561,840)
Contributions from Partners	308,201	267,117	146,344
Proceeds from Debt Obligations	2,602,360	3,722,379	273,841
Repayment of Debt Obligations	(43,800)	(3,023,015)	(24,402)
Deferred Financing Costs Incurred	(4,405)	—	—
Net Cash Provided By Financing Activities	8,814,024	5,657,952	134,271

(Continued on next page)

Net Change in Cash and Cash Equivalents	$ 179,054	$ (3,302)	$ 22,771
Cash and Cash Equivalents, Beginning of Year	$ 92,991	$ 96,293	$ 73,522
Cash and Cash Equivalents, End of Year	$ 272,045	$ 92,991	$ 96,293
Supplemental Disclosures of Cash Flow Information			
Payments for Interest	$ 21,112	$ 16,962	$ 114
Payments for Income Taxes	$ 14,255	$ 5,939	$ 2,527
Supplemental Disclosure of Non-Cash Activities			
Non-Cash Distributions to Non-Controlling Interest Holders in Consolidated Entities	$ 10,671	$ 10,060	$ 4,705
Non-Cash Contributions from Non-Controlling Interest Holders in Consolidated Entities	$ 15,081	$ —	$ —
Non-Cash Distributions to Partners	$ 117,497	$ 45,225	$ 118,935
Restricted stock grant from affiliate	$ —	$ —	$ 45,656
Non-Cash Debt Financing / Purchase of Investments	$ 521,428	$ —	$ —
Deconsolidation of Subsidiary of KKR Financial LLC:			
Investments, at fair value	$ 2,162,402	$ —	$ —
Debt Obligations	$ 2,011,453	$ —	$ —
Non-Controlling Interests in Consolidated Entities	$ 303,888	$ —	$ —
Restricted Cash	$ 157,783	$ —	$ —
Accounts Payable, Accrued Expenses and Other Liabilities	$ 40,605	$ —	$ —
Other Assets	$ 24,952	$ —	$ —
Accumulated Other Comprehensive Income—Non-Controlling Interests	$ 10,306	$ —	$ —

See notes to combined financial statements.

1. ORGANIZATION AND BASIS OF PRESENTATION

The KKR Group (the "Company") is a global alternative asset manager with principal executive offices in New York and Menlo Park, California. The Company's alternative asset management business involves sponsoring and managing investment funds that make investments worldwide in private equity and debt transactions on behalf of third-party investors and the Company's owners ("Principals"), including its founders. In connection with these activities, the Company also manages investments in public equity and is engaged in capital markets activities. With respect to certain funds that it sponsors, the Company commits to contribute a specified amount of equity as the general partner of the fund (ranging from approximately 2% to 4% of the funds' total capital commitments) to fund a portion of the acquisition price for the fund's investments.

The accompanying combined financial statements of the Company include the results of seven of the Company's private equity funds and two of the Company's fixed income funds (the "KKR Funds") and the general partners and management companies of those funds. The Company operates as a single professional services firm and carries out its investment activities under the "KKR" brand name. The entities comprising the Company are under the common control of its senior Principals (the "Senior Principals"). The Senior Principals are actively involved in the Company's operations and management.

The accompanying combined financial statements include the accounts of the management companies, specifically Kohlberg Kravis Roberts & Co. L.P., KKR Financial Advisors LLC and KKR Strategic Capital Management, L.L.C., as well as the general partners of the private equity funds (collectively, the "Common Control Entities") and their respective consolidated funds: KKR 1996 Fund, KKR European Fund, KKR Millennium Fund, KKR European Fund II, KKR 2006 Fund, KKR Asian Fund, KKR Private Equity Investors ("KPE") and certain of the KKR Strategic Capital Funds. KPE consists of an upper-tier limited partnership, which is referred to as the feeder fund, that makes all of its investments through a lower-tier limited partnership which is referred to as the master fund, of which the feeder fund is the sole limited partner. The accompanying combined financial statements include the general partner of the KKR Private Equity Investors master fund. In addition, the general partner of an unconsolidated fund, KKR IFI GP L.P., has been included in the accompanying combined financial statements.

KKR Financial Holdings LLC ("KFN") is a publicly traded fixed income fund whose limited liability company interests are listed on the New York Stock Exchange under the symbol "KFN." KFN is managed by the Company but is not under the common control of the Senior Principals or otherwise consolidated by the Company as control is maintained by third-party investors. KFN was organized in August 2004 and completed its initial public offering on June 24, 2005. As of December 31, 2007 and 2006, KFN had consolidated assets of $19.0 billion and $17.6 billion, respectively, and shareholders' equity of $1.6 billion and $1.7 billion at December 31, 2007 and 2006, respectively. Shares of KFN held by the Company are accounted for as trading securities (see Note 2, "Summary of Significant Accounting Policies—Statement of Operations Measurements—Fee Income—Management fees received from consolidated and unconsolidated funds") and represented approximately 0.6% and 2.0% of KFN's outstanding shares as of December 31, 2007 and 2006, respectively. If the Company were to exercise all of its outstanding vested and unvested options, the Company's ownership interest in KFN would be approximately 1.1% and 4.3% of KFN's outstanding shares as of December 31, 2007 and 2006, respectively.

During May 2007, one of the structured finance vehicles managed by the Company and its underlying net assets were redeemed at fair value and transferred to a special-purpose entity. KFN is the primary beneficiary of this special-purpose entity and, accordingly, consolidates its assets and liabilities. These assets and liabilities were previously consolidated by the Company as of December 31, 2006.

For management reporting purposes, the Company operates through two reportable business segments:

- **Private Equity** —The Company's private equity segment involves sponsoring and managing a group of funds that make primarily control-oriented investments in connection with leveraged buyouts and other similar investment opportunities. These funds are managed by Kohlberg Kravis Roberts & Co. L.P. and currently consist of a number of private equity funds that have a finite life and investment period ("Traditional Private Equity Funds") and KPE, a private equity-oriented permanent capital fund that has a perpetual existence and investment period.

- **Fixed Income** —The Company's fixed income segment involves sponsoring and managing a group of private and publicly traded investment funds that invests primarily in corporate debt ("Fixed Income Funds") and managing five structured finance vehicles which were established to complete secured financing transactions. The Fixed Income Funds are managed by subsidiaries of KKR Financial LLC, specifically KKR Financial Advisors LLC and KKR Strategic Capital Management, L.L.C., and currently consist of KFN and the KKR Strategic Capital Funds ("SCF"), which are comprised of three side-by-side private fixed income funds. Two of the three side-by-side funds in SCF have been consolidated in the accompanying combined financial statements of the Company. The third side-by-side fund is not consolidated by the KKR Group, because this fund is owned and controlled by third-party investors and the KKR Group holds no economic or voting interests. The KKR Group receives management and incentive fees for managing the assets held by this fund. See Note 2, "Summary of Significant Accounting Policies," to the combined financial statements for the Company's accounting policy regarding Fee Income. As of December 31, 2007, all four of the structured finance vehicles are not consolidated by the KKR Group as KFN holds the majority of the

  economic and voting interests. Accordingly, these structured finance vehicles are consolidated by KFN. The KKR Group holds no economic or voting interests in these structured finance vehicles.

The instruments governing the Traditional Private Equity Funds provide that the funds will continue in existence for a varying term (generally up to 18 years from the date of initial funding), unless the funds are terminated by the Principals or through an event of dissolution, as defined in the applicable governing instruments. The instruments governing KPE and the Fixed Income Funds generally provide that those funds will continue in existence indefinitely, unless the funds are terminated earlier as provided in the applicable governing instruments.

The Company has three primary sources of income: (i) fee income (consisting primarily of management, advisory and incentive fees); (ii) amounts received from the Company's funds in the form of a carried interest or other distributions that entitle the Company to a disproportionate share of the gains generated by the funds; and (iii) investment income generated through the investment of the Company's own capital in its funds and other proprietary investments.

The KKR Funds are consolidated by the Company pursuant to accounting principles generally accepted in the United States of America ("GAAP") as described in Note 2 "Summary of Significant Accounting Policies," notwithstanding the fact that the Company has only a minority economic interest in those funds. Specifically, the general partners of the KKR Funds consolidate their respective funds and certain of their respective entities in accordance with either Emerging Issues Task Force ("EITF") No. 04-5, "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights" or Financial Accounting Standards Board ("FASB") Interpretation No. 46 (revised December 2003) "Consolidation of Variable Interest Entities—an Interpretation of ARB 51 ("FIN 46R")." Consequently, the Company's combined financial statements reflect the assets, liabilities, revenues, expenses, investment income and cash flows of the consolidated KKR Funds on a gross basis, and the majority of the economic interests in those funds, which are held by third-party investors, are reflected as non-controlling interests in consolidated entities in the accompanying combined financial statements. Substantially all of the management fees and certain other amounts earned by the Company from those funds are eliminated in combination. However, because the eliminated amounts are earned from, and funded by, non-controlling interest holders, the Company's allocable share of the net income from those funds is increased by the amounts eliminated. Accordingly, the elimination in combination of such amounts has no net effect on the Company's net income or partners' capital. See Note 2, "Summary of Significant Accounting Policies."

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Basis of Accounting —The accompanying combined financial statements are prepared in accordance with GAAP.

Principles of Consolidation —The Company's policy is to consolidate those entities in which it, through the Senior Principals, has control, as well as those entities in which it is the primary beneficiary of a variable interest entity ("VIE"). Hereinafter, all entities that are included in the accompanying combined financial statements are referred to as consolidated entities.

The majority of the consolidated entities are under the common control of the Senior Principals and are comprised of: (i) those entities in which the Company, directly or through the Senior Principals, has majority ownership and has control over significant operating, financial and investing decisions; and (ii) the consolidated KKR Funds, which are those entities in which the Company, through the Senior Principals, holds substantive, controlling general partner or managing member interests. With respect to the consolidated KKR Funds, the Company generally has operational discretion and control, and fund investors have no substantive rights to impact ongoing governance and operating activities of the fund.

The KKR Funds do not consolidate their majority-owned and controlled investments in portfolio companies ("Portfolio Companies"). Rather, those investments are accounted for as investments and carried at fair value as described below.

VIEs are defined as entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional financial support from other parties. A VIE must be consolidated only by its primary beneficiary, which is defined as the party who, along with its affiliates and agents, will absorb a majority of the VIE's expected losses or receive a majority of the expected residual returns as a result of holding variable interests.

As of December 31, 2006, the Company held a variable interest in Capstone Consulting LLC ("Capstone") and determined that it was the primary beneficiary as a result of its obligation to absorb the majority of Capstone's losses, if any. Accordingly, Capstone was consolidated as of December 31, 2006. Capstone's statement of financial condition and statements of income are immaterial to the KKR Group. As of January 1, 2007, the Company was no longer obligated to absorb the majority of Capstone's losses. Accordingly, the Company no longer held any variable interests in Capstone, and Capstone is no longer included in the Company's combined financial statements as of December 31, 2007.

Intercompany transactions and balances have been eliminated.

Non-Controlling Interests in Consolidated Entities —Non-controlling interests in consolidated entities represent the ownership interests in consolidated entities, including consolidated KKR Funds, held by entities or persons other than the Principals. Non-controlling interest holders in the Company have a substantial ownership position in the Company's combined total assets (approximately 88% as of December 31, 2007).

Allocation of income to non-controlling interests in consolidated KKR Funds is based on the respective funds' governing instruments.

In the case of the Traditional Private Equity Funds, profits on capital invested on behalf of limited partners are allocated to the limited partners in an amount equal to 80% of the ratio of their capital contributions to the total capital contributed by all partners with respect to each investment. The general partners of the funds receive the remaining portion of the profits in the form of a carried interest. Losses on a fund's investments are first applied to the excess of any prior income over such losses. Any remaining fund losses are applied to the equity accounts of the partners in proportion to their capital contributed with respect to each individual investment, until the partners' equity accounts have been reduced to zero. Any remaining fund losses are allocated to the fund's general partner.

In the case of KPE, one of the fund's general partners holds an economic interest in the fund that will entitle it to a disproportionate share of the gains generated by the fund's direct investments once the fund's capitalization costs (the "Creditable Amount") have been recouped as described below. This economic interest consists of:

- a carried interest that generally will allocate to the general partner 20% of the gain that is realized on direct private equity investments that are made with fund investors' capital after any realized losses on other direct private equity investments have been recovered; and

- a distribution right that generally will allocate to the general partner 20% of the annual increase in the net asset value of all other direct investments that are made with fund investors' capital above the highest net asset value at which an incentive amount was previously made.

The general partner is not entitled to a carried interest or incentive distribution right with respect to the fund's indirect investments, which consist of investments made through other funds that the Company sponsors. However, if the fund acquires a partner interest in one of the Company's other funds from a third party, the amount of distributions that the general partner receives pursuant to its distribution right may be adjusted to reflect realized gains or losses relating to the value of the acquired partner interest. As noted above, the general partner of KPE has agreed to forego receiving a carried interest or distribution until the profits on investments with respect to which it would be entitled to receive a carried interest or distribution equal the Creditable Amount. As of December 31, 2007, the Creditable Amount had a remaining balance of $199,238.

On May 30, 2008, the Company entered into an agreement to purchase the remaining outstanding interests in KKR Financial LLC, the ("KFI Transaction"), which had previously been included within non-controlling interests in the accompanying combined financial statements. The KFI Transaction was completed upon the execution of such agreement. As a result of the KFI Transaction, the Company owns all of the equity interests in the parent of the management companies for its fixed income funds and is entitled to all of the net income and cash flows generated by the management companies.

Use of Estimates —The preparation of the combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues, expenses and investment income during the reporting periods. Such estimates include but are not limited to the valuation of Portfolio Companies owned by the KKR Funds, financial instruments owned and other matters that affect reported amounts of assets and liabilities. Actual results could differ from those estimates and such differences could be material to the combined financial statements.

Statement of Operations Measurements

Fee Income —Fee income is comprised of: (i) transaction fees received from Portfolio Companies; (ii) monitoring fees received from Portfolio Companies; (iii) management fees received from unconsolidated funds; and (iv) incentive fees received from unconsolidated funds. Such fees are based upon the contractual terms of fund management and related agreements and are recognized in the period during which the related services are performed and the amounts have been contractually earned.

For the years ended December 31, 2007, 2006 and 2005, fee income consisted of the following:

	2007	2006	2005
Advisory Fees Received from Portfolio Companies	$ 776,585	$ 340,007	$ 193,495
Management Fees Received from Unconsolidated Funds	63,568	55,756	39,450
Incentive Fees Received from Unconsolidated Funds	22,112	14,566	—
Total Fee Income	$ 862,265	$ 410,329	$ 232,945

Management fees received from consolidated and unconsolidated funds —For the Traditional Private Equity Funds, gross management fees generally range from 1% to 1.5% of committed capital during the fund's investment period and approximately 0.75% of invested capital after the expiration of the fund's investment period. Typically, an investment period is defined as a period of up to six years. The actual length of the period may be shorter based on the timing and use of committed capital.

For KPE, management fees are determined quarterly based on 25% of the sum of (i) that fund's equity up to and including $3 billion multiplied by 1.25% plus (ii) that fund's equity in excess of $3 billion multiplied by 1%. For purposes of calculating the management fee, equity is an amount defined in the management agreement. Until the Creditable Amount is reached, the Company has generally agreed to reduce the amount of management fees payable by the fund in any period by any carried interest or incentive distributions that the Company or its affiliates receive during the period pursuant to a carried interest in a private equity fund in which KPE invests.

Management fees received from consolidated KKR Funds are eliminated in consolidation. However, because these amounts are funded by, and earned from, non-controlling interest holders, the Company's allocated share of the net income from consolidated KKR Funds is increased by the amount of fees that are eliminated. Accordingly, the elimination of the fees does not have a net effect on the Company's net income or partners' capital.

With respect to its Traditional Private Equity Funds, the Company has elected to waive the receipt of certain management fees. The waived fees are collected from the funds' investors and are initially included as a component of Cash and Cash Equivalents Held at Consolidated Entities. In lieu of making direct cash capital contributions, these waived management fees are used to satisfy a portion of the capital commitments to which the Company would otherwise be subject to as the general partner of the fund. Recognition of income related to the waived management fee is contingent upon the recognition of investment gains by the fund and is recorded by the Company when earned.

The Company's management agreement with KFN provides, among other things, that KFN is responsible for paying to the Company certain fees and reimbursements, consisting of a base management fee, an incentive fee and reimbursement for out-of-pocket and certain other costs and expenses incurred by the Company on behalf of KFN. The Company earns an annual base management fee, computed monthly in arrears, in an amount equal to adjusted equity multiplied by 1.75%. For purposes of calculating the base management fee, adjusted equity is an amount defined in the management agreement.

The Company's management agreement with KFN will automatically be renewed for successive one-year terms following December 31, 2007 unless the agreement is terminated in accordance with its terms. The management agreement provides that the fund may terminate the agreement only if:

- the termination is approved at least 180 days prior to the expiration date by at least two-thirds of the fund's independent directors or by the holders of a majority of the outstanding shares of the fund's common stock and the termination is based upon (i) a determination that the Company's performance has been unsatisfactory and materially detrimental to the fund or (ii) a determination that the management and incentive fees payable to the Company are not fair (subject to the Company's right to prevent a termination by reaching an agreement to reduce the Company's management and incentive fees), in which case a termination fee is payable to the Company; or

- the Company subsidiary that manages the fund experiences a "change of control" or the Company materially breaches the provisions of the agreement, engages in certain acts of willful misconduct or gross negligence, becomes bankrupt or insolvent or is dissolved, in which case a termination fee is not payable to the Company.

None of the aforementioned events have occurred as of December 31, 2007 and the management agreement was renewed on January 1, 2008.

The Company has received restricted common stock and common stock options from KFN as a component of compensation for management services to that fund. The restricted common stock and stock options vest ratably over applicable vesting periods and are initially recorded as deferred revenue at their estimated fair values at the date of grant. Subsequently, the Company re-measures the restricted common stock and stock options to the extent that they are unvested, with a corresponding adjustment to deferred revenue. Income from restricted common stock and common stock options is recognized ratably over the vesting period as a component of fee income and amounted to $15,011, $24,667 and $18,468 for the years ended December 31, 2007, 2006 and 2005, respectively.

The Company has entered into management agreements with the side-by-side funds comprising the KKR Strategic Capital Funds pursuant to which it has agreed to provide them with management and other services. Under the management agreement and, in some cases, other documents governing the individual funds, the Company is entitled to receive:

- with respect to investors who have agreed to a 25-month lock-up period, a monthly management fee that is equal to 0.1667% (or 2.0% annualized) of the net asset value of the individual fund that is allocable to those investors; and

- with respect to investors who have agreed to a 60-month lock-up period, a monthly management fee that is equal to 0.1250% (or 1.5% annualized) of the net asset value of the primary fund that is allocable to those investors.

Vested common stock that is received as a component of compensation for management services is carried as trading securities, because the Company generally intends to distribute the common stock subsequent to vesting. Vested common stock is recorded at estimated fair value with changes in fair value recognized in Net Gains from Investment Activities.

Vested stock options received as a component of compensation for management services meet the characteristics of derivative investments. Subsequent to vesting, these options continue to be measured at estimated fair value with changes in fair value recognized in Net Gains from Investment Activities. Both vested and unvested common stock options are valued using a Black-Scholes pricing model as of the end of each period.

Incentive fees received from KFN —The Company's management agreement with KFN provides that KFN is responsible for paying a quarterly incentive fee when the return on assets under management exceeds certain benchmark returns or other performance targets. This incentive fee is accrued quarterly, after all contingencies have been removed, based on performance to date versus the performance benchmark stated in the management agreement. Once earned, there are no provisions for clawbacks of incentive fees received from KFN.

Incentive fees received from KKR Strategic Capital Funds —As part of the Company's management agreements with the side-by-side funds comprising the KKR Strategic Capital Funds, certain of which are consolidated, the Company is entitled to receive incentive fees as follows:

- with respect to investors who have agreed to a 25-month lock-up period, an annual incentive fee equal to 20% of the increase in the net asset

  value of the individual fund that is allocable to those investors above the highest net asset value at which an incentive fee has previously been received; and

- with respect to investors who have agreed to a 60-month lock-up period, an annual incentive fee equal to 15% of the increase in the net asset value of the individual fund that is allocable to those investors above the highest net asset value at which an incentive fee has previously been received.

These incentive fees are accrued annually, after all contingencies have been removed, based on performance to date versus the performance benchmark stated in the management agreement. Since performance can fluctuate during interim periods, no incentive fees are recognized on a quarterly basis. Once earned, there are no provisions for clawbacks of incentive fees received from the side-by-side funds comprising the KKR Strategic Capital Funds. Incentive fees received from consolidated KKR Strategic Capital Funds have been eliminated. However, because these amounts are funded by, and earned from, non-controlling interest holders, the Company's allocated share of the net income from consolidated KKR Funds is increased by the amount of fees that are eliminated. Accordingly, the elimination of the fees does not have a net effect on the Company's net income or partners' capital.

Transaction fees received from Portfolio Companies— Transaction fees are earned by the Company primarily in connection with successful acquisitions of Portfolio Companies by private equity funds and with respect to certain other negotiated investments. Transaction fees are recorded in fee income upon closing of the transaction. Fees are typically paid by Portfolio Companies on or around the closing date and generally approximate 1% of the total transaction value to which the Company is entitled to its proportionate share. Transaction-related expenses associated with successful Portfolio Company investments are deferred and recorded in Other Assets until the transaction is consummated. See description under "Reimbursement of Transaction-Related Expenses" below. Transaction-related expenses associated with investigating Portfolio Company investments that are not consummated are recorded in fund expenses when facts and circumstances indicate that the transactions are unlikely to be consummated.

Monitoring fees received from Portfolio Companies —Monitoring fees are earned by the Company for services provided to Portfolio Companies and are recognized in Fee Income as services are rendered. These fees are paid based on a fixed periodic schedule by the Portfolio Companies either in advance or in arrears and are separately negotiated for each Portfolio Company.

Reimbursement of Transaction-Related Expenses —In connection with pursuing successful Portfolio Company investments the Company receives reimbursement for certain transaction-related expenses. Transaction-related expenses, which are billable to third parties, are deferred until the transaction is consummated and are recorded in other assets on the date the expense is incurred. The costs of successfully completed transactions are borne by the KKR Funds and included as a component of the investment's cost basis. Subsequent to closing, investments are recorded at fair value each reporting period as described in the section below titled Investments, at Fair Value. Upon reimbursement, the cash receipt is recorded and the deferred amounts are relieved. No fee income or expense is recorded for these reimbursements.

Reimbursement of Monitoring Costs —In connection with the monitoring of Portfolio Companies, KFN and the KKR Strategic Capital Funds, the Company receives reimbursement for certain expenses incurred on behalf of these entities. Billable monitoring expenses are recognized as revenue in accordance with EITF 01-14, "Income Statement Characterization of Reimbursement Received for Out-of-Pocket Expenses Incurred." Monitoring costs are classified as fund expenses or general, administrative and other expenses and reimbursements of such costs are classified as monitoring fee income. These reimbursements amounted to $24,731, $14,799 and $10,037 for the years ended December 31, 2007, 2006 and 2005, respectively.

Investment Income —Investment income consists primarily of unrealized and realized gains and losses on private equity investments as well as dividends and interest received primarily from Portfolio

Companies, after giving effect to interest expense incurred primarily by the Company's Fixed Income Funds and foreign exchange gains and losses relating to mark-to-market activity on foreign exchange forward contracts. The amount of investment income retained in net income, after allocation to non-controlling interests in consolidated entities, represents investment income allocable to the Company resulting from earnings on its investments and its carried interest and similar distribution rights. Carried interests and similar distribution rights generally entitle the Company to a percentage of the profits generated by a fund as described below. Unrealized gains or losses result from changes in fair value of investments during the period, and are included in Net Gains from Investment Activities. Upon disposition of an investment, previously recognized unrealized gains or losses are reversed and a realized gain or loss is recognized. Net Gains from Investment Activities earned by the consolidated KKR Funds amounted to $1,098,173, $3,041,318 and $2,889,835 for the years ended December 31, 2007, 2006 and 2005, respectively.

Carried interests entitle the general partner of a fund to a greater allocable share of these fund's earnings from investments relative to the capital contributed by the general partner and correspondingly reduce non-controlling interests' allocable share of those earnings. Amounts earned pursuant to carried interests in Traditional Private Equity Funds are included as investment income in net gains from investment activities and are earned by the general partner of those funds to the extent that investment returns are positive. If these investment returns decrease or turn negative in subsequent periods, recognized carried interest will be reduced and reflected as investment losses. Recognized carried interest amounted to approximately $306 million, $719 million and $701 million for the years ended December 31, 2007, 2006 and 2005, respectively. In the case of a Traditional Private Equity Fund, a carried interest is calculated as a percentage of the gains of the fund, subject to the achievement by the fund of positive investment returns, which, if not achieved, subjects previously distributed carried interest to a contingent repayment. A carried interest that is subject to contingent repayment may be paid to a fund's general partner as particular investments made by the fund are sold or otherwise realized. However, if upon liquidation of the fund, the aggregate amount paid to the general partner pursuant to a carried interest exceeds the amount actually due to the general partner based upon the aggregate performance of the applicable fund, the excess is required to be repaid by the general partner (a "clawback") to the fund. Carried interest subject to contingent repayment is recognized as earned based on the contractual formula set forth in the instruments governing the fund as if the fund was terminated at the reporting date with the then estimated fair values of the investments realized. Due to the extended durations of the Traditional Private Equity Funds, management believes that this approach results in income recognition that best reflects the periodic performance of the Company in the management of those funds. As of December 31, 2007, approximately $993.2 million of carried interest has been paid to certain of the general partners of the KKR Funds that is subject to contingent repayment. See Note 11, "Commitments and Contingencies."

Dividend income is recognized by the Company on the ex-dividend date, or in the absence of a formal declaration, on the date it is received. For the year ended December 31, 2007, dividends earned by the consolidated KKR Funds amounted to $746,798 out of the $747,544 of total dividends earned by the Company. For the years ended December 31, 2006 and 2005, all dividends were earned by consolidated KKR Funds.

Interest income is recognized as earned. Interest income earned by the consolidated KKR Funds amounted to $201,970, $198,632 and $18,238 for the years ended December 31, 2007, 2006 and 2005, respectively.

Profit Sharing —The Company has various profit sharing arrangements which provide for a sharing of the income earned on its investments and carried interests in the KKR Funds. Amounts payable under such arrangements are charged to compensation expense or professional fees expense when payment is probable and amounts owed are reasonably estimable.

Statement of Financial Condition Measurements

Cash and Cash Equivalents —The Company considers all highly liquid short-term investments with original maturities of 90 days or less when purchased to be cash equivalents.

Cash and Cash Equivalents Held at Consolidated Entities —Cash and cash equivalents held at consolidated entities represents cash that, although not legally restricted, is not available to fund general liquidity needs of the Company as the use of such funds is generally limited to the investment activities of the KKR Funds.

Restricted Cash and Cash Equivalents —Restricted cash and cash equivalents represent amounts that are held by third parties under certain of the Company's financing and derivative transactions.

Investments, at Fair Value —The Company's investments consist primarily of private equity investments, debt investments and other investments. See Note 3, "Investments," for information relating to the Company's investments.

Private Equity Investments —Private equity investments consist of investments in Portfolio Companies of consolidated KKR Funds that are, for GAAP purposes, investment companies under the AICPA Audit and Accounting Guide "Investment Companies." The KKR Funds reflect investments at their estimated fair values, with unrealized gains or losses resulting from changes in fair value reflected as a component of Net Gains from Investment Activities in the combined statements of income. Fair value is the amount at which the investments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Company has retained the specialized accounting of these investments pursuant to EITF No. 85-12, "Retention of Specialized Accounting for Investments in Consolidation."

Private equity investments that have readily observable market prices (such as those traded on a securities exchange) are stated at the last reported sales price on the statement of financial condition date.

As of December 31, 2007, approximately 83% of the Company's private equity investments have been valued by the Company in the absence of readily observable market prices. The determination of fair value may differ materially from the values that would have resulted if a ready market had existed. For these investments, the Company generally uses a market approach and an income (discounted cash flow) approach when determining fair value. Management considers various internal and external factors when applying these approaches, including the price at which the investment was acquired, the nature of the investment, current market conditions, recent public market and private transactions for comparable securities, and financing transactions subsequent to the acquisition of the investment. The fair value recorded for a particular investment will generally be within the range suggested by the two approaches.

Investments denominated in currencies other than the U.S. dollar are valued based on the spot rate of the respective currency at the end of the respective reporting period with changes related to exchange rate movements reflected as a component of Net Gains from Investment Activities.

Corporate Securities —Corporate securities consist of fixed income securities and are carried as available-for-sale as the Company may sell them prior to maturity and does not hold them principally for the purpose of selling them in the near term. These investments are carried at estimated fair value, with unrealized gains and losses reported in accumulated other comprehensive income.

Estimated fair values are based on quoted market prices, when available, or on estimates provided by independent pricing sources or dealers who make markets in such securities. Upon the sale of a security, the realized net gain or loss is computed on a specific identification basis. Substantially all unrealized gains and losses associated with available-for-sale securities are reflected in non-controlling interests in consolidated entities in the accompanying statement of financial condition.

The Company monitors its available-for-sale securities portfolio for impairments. A loss is recognized when it is determined that a decline in the estimated fair value of a security below its amortized cost is other-than-temporary. The Company considers many factors in determining whether the impairment of a security is deemed to be other-than-temporary, including but not limited to, the length of time the security has had a decline in estimated fair value below its amortized cost, the amount of the unrealized loss, the intent and ability of the Company to hold the security for a period of time sufficient for a recovery in value, recent events specific to the issuer or industry, and external credit ratings and changes therein.

Fixed Income Securities —Fixed income securities that are listed on a securities exchange are classified as trading securities and are valued at their last quoted sales price. Securities that are not listed on an exchange and traded over the counter are valued at the mean of bid and ask quotations. Investments in corporate debt, including syndicated bank loans, high-yield securities and other fixed income securities, are valued at the mean of the "bid" and "ask" prices obtained from third-party pricing services. In the event that third-party pricing service quotations are unavailable, values are obtained from dealers or market makers. Investments where third-party values are not available are valued by the Company and the Company may engage a third-party valuation firm to assist in such valuations.

Corporate Loans —The Company invests in corporate loans held for investment and the Company initially records such loans at their purchase prices. The Company subsequently accounts for corporate loans based on their outstanding principal plus or minus unaccreted purchase discounts and unamortized purchase premiums (amortized cost). In certain instances, where the credit fundamentals underlying a particular corporate loan have materially changed in such a manner that the Company's expected return may decrease, the Company may elect to sell a corporate loan held for investment. If the Company determines that it will no longer hold the corporate loan for investment, the Company accounts for the corporate loan at the lower of amortized cost or estimated fair value. All of the Company's corporate loans are unsecuritized.

Interest income on corporate loans includes interest at stated coupon rates adjusted for accretion of purchase discounts and the amortization of purchase premiums. Unamortized premiums and discounts are recognized in interest income over the contractual life of the loans, adjusted for actual prepayments, using the effective interest method.

The Company's investments in corporate loans are not homogeneous and the Company individually reviews each corporate loan for impairment using relevant information in its analysis, including current estimated fair values, current valuation multiples, estimated fair values and quality of collateral, projected operating cash flows and projected liquidation cash flows. The Company considers a corporate loan to be impaired when, based on current information and events, the Company believes it is probable that it will be unable to collect all amounts due based on the contractual terms of the loan. When a corporate loan is impaired, an allowance for loan losses is created in an amount equal to the excess of the loan's amortized cost basis over its estimated fair value. Increases in the allowance for loan losses are recognized currently in the Company's results of operations. When the Company makes a determination that some or all of a corporate loan is uncollectible, the Company charges off or writes down the loan through a reduction in the allowance for loan losses. As of December 31, 2007 and 2006, there were no corporate loans requiring an allowance for loan losses.

An impaired corporate loan may be left on accrual status during the period the Company is pursuing repayment of the loan; however, the loan is placed on non-accrual status when: (i) management believes that scheduled debt service payments may not be paid when contractually due; (ii) the loan becomes 90 days delinquent; (iii) management determines the borrower is incapable of, or has ceased efforts toward, curing the cause of the impairment; or (iv) the net realizable value of the underlying collateral securing the loan decreases below the Company's carrying value of such loan. While on non-accrual status, previously recognized accrued interest is reversed and interest income is recognized only upon actual receipt. As of December 31, 2007 and 2006, there were no corporate loans on non-accrual status.

Derivatives —The Company invests in derivative financial instruments, including total rate of return swaps and credit default swaps. In a total rate of return swap, the Company receives the sum of all interest, fees and any positive economic change in fair value amounts from a reference asset with a specified notional amount and pays interest on the referenced notional amount plus any negative change in fair value amounts from such asset. Credit default swaps, when purchasing protection, involve the payment of a fixed rate premium for protection against the loss in value of an underlying debt instrument in the event of a defined credit event, such as payment default or bankruptcy. Under a credit default swap, one party acts as a guarantor by receiving the fixed periodic payment in exchange for the commitment to purchase the underlying security at par if a credit event occurs. Derivative contracts, including total rate of return swap contracts and credit default swap contracts, are recorded at estimated fair value with changes in fair value recorded as unrealized gains or losses in Net Gains from Investment Activities in the accompanying combined statements of income.

Time Deposits —As of December 31, 2006, the Company maintained a $1 billion time deposit, which related to a short-term deposit with an original maturity of greater than 90 days. As of December 31, 2007, this investment has matured.

Opportunistic Investments in Publicly Traded Securities —The Company's opportunistic investments in publicly traded securities represent equity securities, which are classified as trading securities and carried at fair market value. Changes in the fair market value of trading securities are reported within Net Gains from Investment Activities in the accompanying Combined Statements of Income. These investments represent investments by KPE other than debt, investments in governmental bonds and other similar investments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due from and Due to Affiliates —For purposes of classifying amounts, the Company considers its Principals, employees, non-consolidated funds and the Portfolio Companies of its funds to be affiliates. Receivables from and payables to affiliates are recorded at their current settlement amount.

Foreign Exchange Derivatives and Hedging Activities —The Company enters into derivative financial instruments primarily to manage foreign exchange risk arising from certain assets and liabilities. All derivatives are recognized as either assets or liabilities in the combined statements of financial condition and measured at fair value with changes in fair value recorded in Net Gains from Investment Activities in the accompanying combined statements of income. The Company does not apply "hedge accounting" under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities ("SFAS 133"). The Company's derivative financial instruments contain credit risk to the extent that its bank counterparties may be unable to meet the terms of the agreements. The Company minimizes this risk by limiting its counterparties to major financial institutions with strong credit ratings.

Fixed Assets, Depreciation and Amortization —Fixed assets consist primarily of leasehold improvements, furniture, fixtures and equipment, and computer hardware and software. Such amounts are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method over the assets' estimated useful lives, which are the life of the related lease for leasehold improvements, and three to seven years for other fixed assets.

Repurchase Agreements and Warehouse Facilities —The majority of the Company's debt obligations consist of borrowing arrangements entered into by the Fixed Income Funds in order to finance the acquisition of investments, primarily through the use of secured borrowings in the form of repurchase agreements and warehouse facilities. The Company recognizes interest expense on all borrowings on an accrual basis.

Capital Distributions —Capital distributions to Principals are generally in proportion to their equity interests and take the form of cash distributions and, in certain cases, non-cash distributions. Non-cash distributions consist primarily of shares in Portfolio Companies which have been exited as well as vested common stock and common stock options of KFN. Payments for services rendered by the Principals historically have been accounted for as distributions from partner's capital rather than as compensation and benefits expense as a result of the Company operating as a partnership. As a result, the Company's net income historically has not reflected payments for services rendered by its Principals.

Comprehensive Income —Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances, excluding those resulting from contributions and distributions to owners. For the Company's purposes, comprehensive income represents Net Income, as presented in the accompanying combined statements of income, net foreign currency translation adjustments, and unrealized gains and losses on securities available for sale.

Foreign Currency —Foreign currency denominated assets, liabilities and operations are primarily held through the KKR Funds. Assets and liabilities relating to foreign investments are translated using the exchange rates prevailing at the end of each reporting period. Results of foreign operations are translated at the weighted average exchange rate for each reporting period. Translation adjustments are included in current income to the extent that unrealized gains and losses on the related investment are included in income, otherwise they are included as a component of accumulated other comprehensive income until realized. Foreign currency gains or losses resulting from transactions outside of the functional currency of a consolidated entity are recorded in income as incurred and were not material during the years ended December 31, 2007, 2006 and 2005.

Income Taxes —No federal income taxes have been provided for by the Company in the accompanying combined financial statements as each existing partner is individually responsible for paying federal income taxes on their respective share of the reported income or loss of an entity's income and expenses as reported for income tax purposes. However, certain consolidated entities of the Company are subject to either New York City unincorporated business tax on their trade and business activities conducted in New York City or other foreign, state or local income taxes. Current income tax expense is recorded as income is earned. Deferred taxes are provided for the tax effects of differences between the financial reporting and tax bases of the Company's assets and liabilities at the enacted tax rates in effect for the years in which the differences are expected to reverse. The Company evaluates the recoverability of the deferred tax assets and establishes a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Recent Accounting Pronouncements —In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments" ("SFAS 155"). Key provisions of SFAS No. 155 include: (1) a broad fair value measurement option for certain hybrid financial instruments that contain an embedded derivative that would otherwise require bifurcation; (2) clarification that only the simplest separations of interest payments and principal payments qualify for the exception afforded to interest-only strips and principal-only strips from derivative accounting under paragraph 14 of SFAS 133, thereby narrowing such exception; (3) a requirement that beneficial interests in securitized financial assets be analyzed to determine whether they are freestanding derivatives or whether they are hybrid instruments that contain embedded derivatives requiring bifurcation; (4) clarification that concentrations of credit risk in the form of subordination are not embedded derivatives; and (5) elimination of the prohibition on a qualifying special purpose entity holding passive derivative financial instruments that pertain to beneficial interests that are or contain a derivative financial instrument. In general, these changes will reduce the operational complexity associated with bifurcating embedded derivatives, and increase the number of beneficial interests in securitization transactions, including interest-only strips and principal-only strips, required to be accounted for in accordance with SFAS 133. SFAS 155 is effective for all financial instruments acquired, issued or subject to remeasurement after the beginning of an entity's first fiscal year that begins after September 15, 2006. The adoption of SFAS 155 did not have a material impact on the Company's combined financial statements.

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 requires companies to recognize the tax benefits of uncertain tax positions only where the position is "more likely than not" to be sustained assuming examination by tax authorities. The tax benefit recognized is the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of FIN 48 did not have a material impact on the Company's combined financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 applies to reporting periods beginning after November 15, 2007.

The adoption of SFAS 157 on January 1, 2008 did not have a material impact on the Company's combined financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value, with changes in fair value recognized in earnings. SFAS 159 applies to reporting periods beginning after November 15, 2007. The adoption of SFAS 159 on January 1, 2008 did not have a material impact on the combined financial statements.

In June 2007, the AICPA issued Statement of Position No. 07-1, "Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies" ("SOP 07-1"). SOP 07-1 addresses whether the accounting principles of the AICPA Audit and Accounting Guide Investment Companies may be applied to an entity by clarifying the definition of an investment company and whether those accounting principles may be retained by a parent company in consolidation or by an investor in the application of the equity method of accounting. Generally, in order for an entity to retain investment company accounting for a subsidiary or equity method investee: (i) the subsidiary or equity method investee should meet the definition of an investment company pursuant to the guidance in SOP 07-1; (ii) the entity should follow established policies that effectively distinguish the nature and type of investments made by the investment company from the nature and type of investments made by other entities within the consolidated group that are not investment companies; and (iii) the entity (through the investment company) should be investing for current income, capital appreciation, or both, rather than for strategic operating purposes. On October 17, 2007, the FASB voted to defer indefinitely the adoption date of SOP 07-1.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), "Business Combinations" ("SFAS 141(R)"). SFAS 141(R) replaces SFAS No. 141, "Business Combinations." SFAS 141(R) expands the scope of business combinations to include all transactions and other events in which one entity obtains control over one or more other businesses. SFAS 141 applied only to business combinations in which control was obtained by transferring consideration. Key provisions of SFAS 141(R) require that: (1) the acquirer recognize the assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at their fair values on the acquisition date; (2) the acquirer in a business combination achieved in stages (sometimes referred to as a step acquisition) recognize the identifiable assets and liabilities, as well as the non-controlling interest in the acquiree, at the full amounts of their fair values (or other amounts determined in accordance with SFAS 141(R)); (3) the acquirer recognize contingent consideration at fair value on the acquisition date; and (4) acquisition-related costs be recognized separately from the cost of the acquisition. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company is currently assessing the impact of adopting SFAS 141(R) on the combined financial statements.

In December 2007, the FASB issued SFAS 160, "Non-controlling Interests in Consolidated Financial Statements" ("SFAS 160"). SFAS 160 amends Accounting Research Bulletin No. 51 "Consolidated Financial Statements" ("ARB 51"). Key provisions of SFAS 160 include: (1) a requirement that non-controlling interests are to be treated as a separate component of equity, rather than a liability or other item outside of equity; (2) clear presentation of the amount of consolidated net income attributable to non-controlling interests on the face of the consolidated statement of operations; and (3) enhanced disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling-interest holders. SFAS 160 is effective for periods beginning on or after December 15, 2008. The Company is currently assessing the impact of adopting SFAS 160 on the combined financial statements.

In March 2008, the FASB issued SFAS No. 161, " Disclosures about Derivative Instruments and Hedging Activities" ("SFAS No. 161"). SFAS No. 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company is currently assessing the impact of adopting SFAS No. 161 on the combined financial statements.

In March 2008, the EITF reached a consensus on Issue No. 07-4, "Application of the Two-Class Method under FASB Statement No. 128, Earnings Per Share, to Master Limited Partnerships" ("EITF 07-4"). EITF 07-4 applies to master limited partnerships that make incentive equity distributions. EITF 07-4 is to be applied retrospectively beginning with financial statements issued in the interim periods of fiscal years beginning after December 15, 2008. The Company is currently assessing the impact that EITF 07-4 may have on the combined financial statements.

In April 2008, the FASB issued Staff Position No. FAS 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP No. 142-3"). FSP No. 142-3 amends the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under SFAS No. 142, "Goodwill and Other Intangible Assets." FSP No. 142-3 affects entities with recognized intangible assets and is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The new guidance applies prospectively to (1) intangible assets that are acquired individually or with a group of other assets and (2) both intangible assets acquired in business combinations and asset acquisitions.

3. INVESTMENTS

Investments, at fair value consist of the following:

	Fair Value	
	December 31,	
	2007	2006
Private Equity Investments	$ 30,743,120	$ 17,862,535
Debt Investments	563,579	1,230,202
Other Investments	511,633	1,445,510
	$ 31,818,332	$ 20,538,247

Investments, at fair value held by the consolidated KKR Funds amounted to $31,435,621 and $20,247,113 as of December 31, 2007 and 2006, respectively.

As of December 31, 2007, Investments, at fair value totaling $3,400,376 were pledged as collateral against various financing arrangements. In addition, KPE holds limited partnership interests in our Traditional Private Equity funds with a fair value of $1,847,887 as of December 31, 2007 that are pledged as collateral.

(All Dollars Are in Thousands Except Where Otherwise Noted)

3. INVESTMENTS (Continued)

Private Equity Investments

The following table presents information concerning private equity investments held by the consolidated KKR Funds:

	Fair Value		Fair Value as a Percentage of Total	
	December 31,		December 31,	
	2007	2006	2007	2006
Private Equity Investments, at Fair Value				
North America				
Financial Services	$ 3,369,354	$ 833,986	11.0%	4.7%
Healthcare	3,148,948	1,995,361	10.2%	11.2%
Retail	2,886,448	520,823	9.4%	2.9%
Energy	2,042,250	300,471	6.6%	1.7%
Media	1,320,477	1,106,489	4.3%	6.2%
Technology	1,232,040	469,909	4.0%	2.6%
Chemicals	986,915	942,868	3.2%	5.3%
Consumer Products	841,578	677,030	2.7%	3.8%
Education	383,225	—	1.2%	0.0%
Manufacturing	418,679	514,505	1.4%	2.9%
Telecom	50,036	37,237	0.2%	0.2%
Hotels/Leisure	27,150	198,425	0.1%	1.1%
North America Total (Cost: December 31, 2007, $15,861,018; December 31, 2006, $6,588,226)	**16,707,100**	**7,597,104**	**54.3%**	**42.6%**
Europe				
Manufacturing	4,244,510	3,422,896	13.8%	19.2%
Healthcare	2,500,052	—	8.1%	0.0%
Media	1,583,525	1,648,566	5.2%	9.2%
Technology	1,301,249	1,289,394	4.2%	7.2%
Telecom	672,061	537,348	2.2%	3.0%
Transportation	539,269	—	1.8%	0.0%
Retail	472,681	1,401,455	1.5%	7.8%
Recycling	426,091	287,338	1.4%	1.6%
Europe Total (Cost: December 31, 2007, $9,319,196; December 31, 2006, $5,703,658)	**11,739,438**	**8,586,997**	**38.2%**	**48.0%**
Australia, Bermuda, Singapore and Other Locations				
Technology	1,313,052	767,881	4.3%	4.3%
Media	590,654	531,158	1.9%	3.0%
Financial Services	198,729	109,074	0.6%	0.6%
Manufacturing	113,579	—	0.4%	0.0%
Recycling	80,568	270,321	0.3%	1.5%
Australia, Bermuda, Singapore and Other Locations, Total (Cost: December 31, 2007, $1,980,800; December 31, 2006, $1,821,350)	**2,296,582**	**1,678,434**	**7.5%**	**9.4%**

Private Equity Investments, at Fair Value	**$ 30,743,120**	**$ 17,862,535**	**100.0%**	**100.0%**

The classifications of the private equity investments included in the table above are based primarily on the primary business and the domiciled location of the business.

As of December 31, 2007, investments which represented greater than 5% of the net assets of consolidated private equity funds included: (i) Legrand S.A. valued at $2,682,863; (ii) First Data valued at $2,524,977; (iii) Alliance Boots valued at $2,500,052; and (iv) Energy Future Holdings valued at $2,042,250. As of December 31, 2006, investments which represented greater than 5% of the net assets of consolidated private equity funds consisted of investments in: (i) Legrand S.A. valued at $2,268,249; (ii) NXP valued at $1,289,394; (iii) HCA Inc. valued at $1,145,750; and (iv) Rockwood Holdings, Inc. valued at $942,868.

Substantially all of the securities underlying the Company's private equity investments represent equity securities. As of December 31, 2007 and 2006, the aggregate amount of investments that were other than equity securities was less than 5% of the net assets of consolidated private equity funds.

Net Gains from Investment Activities in the combined statements of income include net realized gains or (losses) from sales of investments and the net change in unrealized gains or (losses) resulting from changes in fair value of the KKR Funds' investments (including foreign exchange gains and losses attributable to foreign-denominated investments). The following table presents the Company's realized and net change in unrealized gains or (losses) relating to its private equity investments:

	Year Ended December 31,		
	2007	2006	2005
Realized Gains	$ 1,500,283	$ 3,240,050	$ 1,518,656
Net Change in Unrealized (Losses) Gains	(166,516)	(23,535)	1,248,221
	$ 1,333,767	$ 3,216,515	$ 2,766,877

Debt Investments

The following table presents the Company's debt investments held by the consolidated KKR Funds:

	December 31,	
	2007	2006
Debt Investments, carried at fair value:		
Strategic Capital Master Fund(a)	$ 402,536	$ —
Fixed Income Securities(b)	147,643	123,040
Restricted Stock(b)	8,960	44,149
Derivatives	2,535	8,435
Vested Options	1,905	8,617
Unvested Options	—	1,685
Corporate Securities of Portfolio Companies	—	294,488
Corporate Loans	—	749,788
Total Debt Investments (Cost: December 31, 2007 $585,299; December 31, 2006, $1,201,464)	$ 563,579	$ 1,230,202

(a) Represents an investment in a master investment partnership resulting from a June 2007 reorganization of the SCF whereby each side-by-side fund contributed a significant portion of their loans, fixed income and corporate securities investments for an ownership interest in a master investment partnership that pools the contributed assets for the benefit of each side-by-side fund. The KKR Group, through the two consolidated SCF side-by-side funds, accounts for the investment in the master fund at fair value.

(b) Net trading losses relating to these investments amounted to $16,465 and net trading gains were $4,538 for the years ended December 31, 2007 and 2006, respectively. There were no trading gains or losses relating to these investments for the year ended December 31, 2005.

Net Gains from Investment Activities in the combined statements of income include net realized gains or (losses) from sales of investments and the net change in unrealized gains or (losses) resulting from changes in fair value of the KKR Funds' debt investments. The following table presents the Company's realized and net change in unrealized gains or (losses) relating to its debt investments:

	Year Ended December 31,		
	2007	2006	2005
Realized Gains	$ 25,616	$ 71	$ —
Net Change in Unrealized (Losses) Gains	(45,428)	17,330	—
	$ (19,812)	$ 17,401	$ —

Other Investments

The following table presents the Company's other investments at fair value:

	December 31,	
	2007	2006
Opportunistic Investments in Publicly Traded Securities(a)	$ 327,497	$ 158,462
Government and Government Agency Bonds	92,889	88,466
Corporate Bonds	55,066	10,341
Municipal Bonds	19,699	38,112
Time Deposits(b)	—	1,000,000
Bonds and Other Debt Instruments held at Private Equity Funds	—	95,542
Other	16,482	54,587
Total (Cost: December 31, 2007, $555,585; December 31, 2006, $1,438,021)	$ 511,633	$ 1,445,510

(a) Net trading losses relating to these investments amounted to $43,341 and net trading gains were $3,988 for the year ended December 31, 2007 and 2006, respectively. There were no trading gains or losses relating to these investments for the year ended December 31, 2005.

(b) Represents a short-term deposit with an original maturity of greater than 90 days which earned interest at an annual rate of approximately 5.4% during the year ended December 31, 2007. As of December 31, 2007, this investment has matured.

Net Gains from Investment Activities in the combined statements of income include net realized gains or (losses) from sales of investments and the net change in unrealized gains or (losses) resulting from changes in fair value of the Company's other investments. The following table presents the Company's realized and net change in unrealized gains or (losses) relating to its other investments:

	Year Ended December 31,		
	2007	2006	2005
Realized Gains	$ 31,202	$ 4,810	$ 48,656
Net Change in Unrealized (Losses) Gains	(43,453)	12,121	(40,101)
	$ (12,251)	$ 16,931	$ 8,555

4. OTHER ASSETS, ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

Other assets consist of the following:

	December 31,	
	2007	2006
Escrow Receivable	$ 113,848	$ —
Leasehold Improvements (a)	36,390	23,206
Foreign Currency Options (b)	31,384	—
Furniture and Fixtures (a)	28,894	27,284
Deferred Transaction Related Expenses	9,671	7,970
Interest Receivable	7,377	51,857
Prepaid Expense	3,311	2,001
Other Assets	17,910	25,721
	$ 248,785	$ 138,039

(a) Net of accumulated depreciation and amortization of $35,003 and $30,525 as of December 31, 2007 and 2006, respectively. Depreciation and amortization expense totaled $4,542, $3,044 and $1,951 for the years ended December 31, 2007, 2006 and 2005, respectively.

(b) Represents a hedging instrument used to manage foreign exchange risk. The instrument is measured at fair value with changes in fair value recorded in Net Gains from Investment Activities in the accompanying combined statements of income. The net change in fair value associated with this instrument was a net unrealized gain of $10,754 for the year ended December 31, 2007.

Accounts Payable, Accrued Expenses and Other Liabilities consist of the following:

	December 31,	
	2007	2006
Unrealized Losses on Foreign Exchange Forward Contracts(a)	$ 405,661	$ 202,750
Accounts Payable	70,103	31,076
Interest Payable	37,756	12,292
Accrued Benefits and Compensation	22,159	20,547
Deferred Revenue	6,542	35,747
Other Liabilities(b)	13,087	30,708
	$ 555,308	$ 333,120

(a) Represent derivative financial instruments used to manage foreign exchange risk arising from certain assets and liabilities. Such instruments are measured at fair value with changes in fair value recorded in Net Gains from Investment Activities in the accompanying combined statements of income. The net change in fair value associated with these instruments was a net unrealized loss of $202,911 and $145,324 for the years ended December 31, 2007 and 2006, respectively, and an unrealized gain of $209,072 for the year ended December 31, 2005. See Note 2, "Summary of Significant Accounting Policies" and Note 5, "Fair Value of Financial Instruments."

(b) As of December 31, 2007, included in Other Liabilities, premiums received with respect to call options written of $7,290 were recorded net of a $2,025 unrealized gain, for a fair value of $5,265.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

SFAS No. 107, "Disclosures About Fair Value of Financial Instruments," requires the disclosure of the estimated fair value of financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale.

The Company's financial instruments are carried at fair value or at amounts whose carrying value approximates fair value. See valuation policy described in Note 2 for Investments. Due to the inherent uncertainty of valuations of investments which are illiquid and/or without a public market, which constitute a substantial portion of the Company's investments, the estimates of fair value may differ from the values that are ultimately realized by the Company, and those differences could be material.

The carrying amounts of cash and cash equivalents, restricted cash and cash equivalents, due from affiliates, and accounts payable, accrued expenses and other liabilities approximate fair value due to their short-term maturities. All investments are carried at fair value, with the exception of corporate loans, which are carried at amortized cost. The Company's debt obligations bear interest at floating rates and therefore the fair value approximates carrying value.

The carrying amounts and estimated fair values of the Company's financial instruments other than those noted in the preceding paragraph as of December 31, 2007 and 2006 are as follows:

	Carrying Value		Estimated Fair Value	
	2007	2006	2007	2006
Assets				
Corporate Loans	$ —	$ 749,788	$ —	$ 759,339
Foreign Exchange Options	31,384	—	31,384	—
Liabilities				
Unrealized Loss on Foreign Exchange Contracts	$ 405,661	$ 202,750	$ 405,661	$ 202,750
Debt Obligations	2,020,328	948,803	2,020,328	948,803

6. DEBT OBLIGATIONS

Debt obligations consist of the following:

	December 31, 2007	December 31, 2006
Revolving Credit Agreement	$ 1,002,240	$ —
Other Financing Arrangements	684,483	—
Short-term Loans	333,605	44,682
Repurchase Agreements	—	52,385
Warehouse Facilities	—	851,736
	$ 2,020,328	$ 948,803

The Company maintains a $25 million line of credit (the "Line") with a major financial institution that is subject to annual renewal. The Line is available for general corporate purposes and the Company may draw on amounts under the Line from time to time prior to its expiration or earlier termination. Outstanding amounts under the Line bear interest at the "prime rate" as defined in the agreement. There are no fees associated with the Line. As of December 31, 2007 and 2006, no amounts were outstanding under the Line. The line was renewed in February 2008 under the same terms.

From time to time, the Company may borrow amounts to satisfy general short-term needs of the business by opening short-term lines of credit with established financial institutions. These amounts may be incremental to, or in lieu of, borrowings made under the Line, and are generally repaid within 30 days, at which time the line of credit is closed. Amounts outstanding under short-term lines of credit amounted to $333,605 and $44,682 as of December 31, 2007 and 2006, respectively. The short-term lines of credit bore interest at 6.5% as of December 31, 2007.

In June 2007, the Company entered into a revolving Credit Agreement (the "Credit Agreement") with a syndicate of financial institutions. The Credit Agreement provides for up to $1.0 billion of senior secured credit, subject to availability under a borrowing base determined by the value of certain investments of the Company pledged as collateral security for its obligations under the Credit Agreement. The borrowing base is subject to certain investment concentration limitations and the value of the investments constituting the borrowing base is subject to certain advance rates based on type of investment.

Pursuant to the terms of the Credit Agreement, the Company has an option to seek an increase of the commitments available under the Credit Agreement up to a maximum amount of $2.0 billion, subject to the satisfaction of certain customary conditions.

The interest rates applicable to loans under the Credit Agreement are generally based on either (i) the greater of the administrative agent's base rate or U.S. federal funds rate plus a specified margin of 0.5% or (ii) the Eurodollar rate plus a specified margin ranging from 0.75% to 1.0%, depending on the relevant assets constituting the borrowing base. As of December 31, 2007, the interest rates on borrowings under the credit arrangement ranged from 5.88% to 7.13%. In addition, the Company must pay an annual commitment fee of 0.2% on the undrawn commitments under the Credit Agreement. During the year ended December 31, 2007, interest expense related to borrowings under the Credit Agreement, including commitment fees and the amortization of debt financing costs, was $26.8 million.

Pursuant to covenants in the Credit Agreement, the Company must maintain a ratio of senior secured debt to total assets of 50% or less. In addition, the Credit Agreement contains certain other customary covenants as well as certain customary events of default. As of December 31, 2007, the Company was in compliance with all covenants.

The Credit Agreement will expire on June 11, 2012, unless earlier terminated upon an event of default. Borrowings under the Credit Agreement may be used for general business purposes of the Company, including the acquisition and funding of investments. As of December 31, 2007, the Company had $1,002.2 million of borrowings outstanding, which included $999.2 million of borrowings and $3.0 million of foreign currency adjustments (an unrealized loss of $6.2 million and an unrealized gain of $3.2 million related to borrowings denominated in Canadian dollars and British pounds sterling, respectively). If total borrowings outstanding exceed 105% of the $1.0 billion available under the Credit Agreement due to fluctuations in foreign exchange rates, the Company may be required to make prepayments on outstanding borrowings. As of December 31, 2007, the Company was not subject to such prepayment requirements.

During the year ended December 31, 2007, the Company entered into various financing arrangements with major financial institutions with respect to certain of its private equity investments with a cost of $684.5 million.

Of the $684.5 million of financing arrangements, $521.4 million was structured through the use of total return swaps. Pursuant to the terms of the financing arrangements, equity convertible notes with a face value of $521.4 million that are directly held by the Company have been pledged to the financial institutions as collateral (the "Pledged Notes") and an additional $521.4 million of the convertible notes are directly held by the financial institutions (the "Swap Notes"). Pursuant to the security agreements with respect to the Pledged Notes, the Company has the right to vote the Pledged Notes and the financial institutions are obligated to vote consistent with the Company, subject to certain exceptions, so long as default does not exist under the security agreements or the underlying swap agreements. The Company is also restricted from transferring the Pledged Notes without the consent of the financial institutions.

At settlement, the Company will be entitled to receive payment equal to any appreciation on the value of the Swap Notes and the Company will be obligated to pay to the financial institutions any depreciation on the value of the Swap Notes. In addition, the financial institutions are obligated to pay the Company interest earned by a holder of the Swap Notes. The per annum rates of interest payable by the Company for the financings range from the three-month London Interbank Offered Rate ("LIBOR") plus 0.90% to three-month LIBOR plus 1.35% (rates ranging from 6.11% to 6.35% at December 31, 2007). Interest payable accrues during the term of the financing and is payable at settlement. The financings provide for early settlement upon the occurrence of certain events, including an event based on the value of the collateral and other events of default. During the year ended December 31, 2007, interest expense related to the Company's total return swap financings was $22.6 million.

The remaining $163.1 million of financing was structured through the use of a syndicated term and a revolving credit facility (the "Term Facility"). Pursuant to the terms of the Term Facility, equity convertible notes with a face value of $227.7 million and common stock with a fair value of $35.5 million (cost of $34.9 million) that are directly held by the Company have been pledged as collateral. The per annum rate of interest for each borrowing under the Term Facility is equal to the Bloomberg United States Dollar Interest Rate Swap Ask Rate plus 1.75% at the time of each borrowing under the term facility (rates range from 7.2% to 8.2% at December 31, 2007) for the first five years of the loan. Commencing on the fifth anniversary of the Term Facility, the per annum rate of interest will equal the one year LIBOR rate plus 1.75%. Interest accrues during the term of the financing and is payable annually, in arrears, on the anniversary date of the Term Facility (August 31). The Term Facility matures on August 31, 2014 and is due in full with unpaid interest on the maturity date but provides for early settlement upon the occurrence of certain events, including an event based on the value of the collateral and other events of default.

The Company's Fixed Income Funds may leverage their portfolios of securities and loans through the use of short-term borrowings in the form of warehouse facilities and repurchase agreements. These borrowings used by the Company generally bear interest at floating rates based on a spread above LIBOR.

The following table presents summarized information with respect to borrowings in the Company's consolidated Fixed Income Funds as of December 31, 2006:

	Outstanding Borrowings	Weighted Average Borrowing Rate	Weighted Average Remaining Maturity (in days)	Estimated Fair Value of Collateral(1)
Warehouse facilities	$ 851,736	5.82%	7	$ 1,050,374
Repurchase agreements	52,385	5.63%	5	63,472
Total	$ 904,121			$ 1,113,846

(1) Collateral for borrowings consists of fixed income securities, corporate securities and corporate loans (see Note 3).

As of December 31, 2006, the Company had repurchase agreements with the following counterparties:

Counterparty(a)	Amount At Risk(b)	Weighted Average Maturity (Days)	Weighted Average Interest Rate
Morgan Stanley & Co. Inc.	$ 84,307	2	5.83%
Citigroup Global Markets Ltd.	70,956	2	5.85%
J.P. Morgan Chase Bank, N.A.	50,368	29	5.85%
Credit Suisse First Boston LLC	4,787	2	5.55%
Bank of America Securities LLC	1,149	8	5.55%
Total	$ 211,567		

(a) Includes subsidiaries and affiliates of each counterparty listed.

(b) Computed as an amount equal to the estimated fair value of securities or loans sold, plus accrued interest income, minus the sum of repurchase agreement liabilities plus interest expense.

(All Dollars Are in Thousands Except Where Otherwise Noted)

6. DEBT OBLIGATIONS (Continued)

The three special purpose entities formed by the Company during 2006 to complete secured financing transactions are KKR Financial CLO 2007-1, Ltd. ("CLO 2007-1"), KKR Financial CLO 2007-2, Ltd. ("CLO 2007-2"), and KKR Financial CLO 2007-3 ("CLO 2007-3"). During August 2006, CLO 2007-1, CLO 2007-2 and CLO 2007-3 each entered into separate warehouse facilities, with a maximum commitment amount of $600.0 million, $500.0 million and $600.0 million, respectively. Each of these facilities bears interest at a rate of one-month LIBOR plus 0.50%. The aggregate amount of borrowings outstanding under these facilities is $851.7 million as of December 31, 2006.

Scheduled maturities of debt obligations for the five years subsequent to December 31, 2007 are as follows:

Years Ending December 31,	Amount
2008	$ 333,605
2009	—
2010	—
2011	—
2012	1,348,668
Thereafter	338,055
Total	$ 2,020,328

7. INCOME TAXES

The Company has provided for New York City unincorporated business tax for certain entities based on a statutory rate of 4%. Certain consolidated entities of the Company are subject to income tax of the foreign countries in which they conduct business. The Company's effective income tax rate was approximately 1.48%, 0.38% and 0.31% for the years ended December 31, 2007, 2006 and 2005, respectively.

	Years Ended December 31,		
	2007	2006	2005
Current			
Foreign Income Tax	$ 7,042	$ 3,206	$ 2,132
State and Local Income Tax	9,754	700	710
Subtotal	16,796	3,906	2,842
Deferred			
Foreign Income Tax	107	257	58
State and Local Income Tax	(4,839)	—	—
Subtotal	(4,732)	257	58
Total Income Taxes	$ 12,064	$ 4,163	$ 2,900

Income taxes are provided at the applicable statutory rates. The tax effects of the changes in the temporary differences in the areas listed below resulted in deferred tax assets and liabilities:

	December 31,	
	2007	2006
Deferred Tax Assets		
Revenue Recognition	$ 3,711	$ —
Accrued Expenses	1,154	—
Asset Retirement Obligations	166	186
Other	81	74
Total Deferred Tax Assets	$ 5,112	$ 260
Deferred Tax Liabilities		
Depreciation	$ 1,258	$ 1,315
Other	49	—
Total Deferred Tax Liabilities	$ 1,307	$ 1,315

A deferred tax asset has been recognized for certain foreign timing differences with a full valuation allowance as it is more likely that the asset will not be recognized. As of December 31, 2007 and 2006 the amount of the asset and valuation allowance not recognized is approximately $7.9 million and $6.0 million, respectively.

The Company's Deferred Tax Assets and Deferred Tax Liabilities are included in the combined financial statements within Other Assets and Accounts Payable, Accrued Expenses and Other Liabilities, respectively. The following table reconciles the provision for income taxes to the US federal statutory tax rate:

	Years Ended December 31,		
	2007	2006	2005
Statutory U.S. Federal Income Tax Rate	35.00%	35.00%	35.00%
Income Passed Through to Partners	(35.00)	(35.00)	(35.00)
Foreign Income Taxes	0.90	0.31	0.23
State and Local Income Taxes	0.58	0.07	0.08
Effective Income Tax Rate	1.48%	0.38%	0.31%

As discussed in Note 2, the Company adopted FIN 48 on January 1, 2007. The Company analyzed its tax filing positions in all of the federal, state and foreign tax jurisdictions where it is required to file income tax returns, as well as for all open tax years in these jurisdictions. Based on this review, no reserves for uncertain tax positions were required to have been recorded pursuant to FIN 48. In addition, the Company determined that it did not need to record a cumulative effect adjustment related to the adoption of FIN 48.

8. RELATED PARTY TRANSACTIONS

As of December 31, 2007 and 2006, Due from Affiliates was comprised of the following:

	2007	2006
Due from Unconsolidated Funds	$ 16,051	$ 14,259
Due from Portfolio Companies	15,684	47,442
Due from Related Entities	12,234	13,790
Due from Principals	—	34,969
Loans to Principals	—	5,101
	$ 43,969	$ 115,561

Discretionary Investments

Certain of the Company's investment professionals, including its Principals and other qualifying employees, are permitted to invest and have invested their own capital in side-by-side investments with its Traditional Private Equity Funds. Side-by-side investments are investments in Portfolio Companies that are made on the same terms and conditions as those acquired by the applicable fund, except that the side-by-side investments are not subject to management fees or a carried interest. The cash invested by these individuals aggregated $174 million, $110 million and $63 million for the years ended December 31, 2007, 2006 and 2005, respectively. These investments are not included in the accompanying combined financial statements.

Loans to Principals

From time-to-time and as conditions warrant, the Company lends amounts to its Principals to fund short-term liquidity needs. These loans earn interest at floating rates that approximate market rates and such interest aggregated $311, $678 and $263 for the years ended December 31, 2007, 2006 and 2005, respectively.

Aircraft and Other Services

Certain of the Senior Principals own aircraft that the Company uses for business purposes in the ordinary course of its operations. These Senior Principals paid for the purchase of these aircraft with their personal funds and bear all operating, personnel and maintenance costs associated with their operation. The hourly rates that the Company pays for the use of these aircraft are based on current market rates for chartering private aircraft of the same type. The Company paid $6,339, $6,518 and $5,764 for the use of these aircraft during the years ended December 31, 2007, 2006 and 2005, respectively.

Facilities

Certain of the Senior Principals are partners in a real-estate based partnership that maintains an ownership interest in the Company's Menlo Park location. Payments made to this partnership aggregated $2,073, $1,821 and $1,683 for the years ended December 31, 2007, 2006 and 2005, respectively.

9. SEGMENT REPORTING

The Company operates through two reportable business segments. These segments, which are differentiated primarily by their investment focuses and strategies, consist of the following:

- **Private Equity** —The Company's private equity segment involves sponsoring and managing a group of funds that make primarily control-oriented investments in connection with leveraged buyouts and other similar investment opportunities. These funds are managed by Kohlberg Kravis Roberts & Co. L.P. and currently consist of Traditional Private Equity Funds and KPE.

- **Fixed Income** —The Company's fixed income segment involves sponsoring and managing a group of private and publicly traded Fixed Income Funds. These funds are managed by subsidiaries of KKR Financial LLC, specifically KKR Financial Advisors LLC and KKR Strategic Capital Management, L.L.C., and currently consist of KFN and the SCF, which is comprised of three side-by-side private fixed income funds. Two of the three side-by-side funds in the SCF have been consolidated in the accompanying combined financial statements of the Company.

Economic Net Income ("ENI") and Fee Related Earnings ("FRE") are key performance measures used by management. ENI is a measure of profitability for the Company's reportable segments and represents income before taxes. FRE represents income before taxes adjusted to: (i) exclude the expenses of consolidated funds; (ii) include management fees earned from consolidated funds that were eliminated in consolidation; (iii) exclude investment income; and (iv) exclude non-controlling interests in income of consolidated entities. These measures are used by management for the Company's segments in making resource deployment and other operational decisions.

Management makes operating decisions and assesses the performance of each of the Company's business segments based on financial and operating metrics and data that is presented excluding the impact of any of the KKR Funds that are consolidated into the combined financial statements. Consequently, all segment data excludes the assets, liabilities and operating results related to the KKR Funds.

The following table presents the financial data for the Company's reportable segments as of and for the year ended December 31, 2007:

	December 31, 2007		
	Private Equity	**Fixed Income**	**Total Reportable Segments**
Fee Income			
Management Fees	$ 231,527	$ 68,194	$ 299,721
Advisory Fees	537,126	11,421	548,547
Incentive Fees	—	23,335	23,335
Total Fee Income	768,653	102,950	871,603
Expenses			
Employee Compensation and Benefits	187,540	24,507	212,047
Other Operating Expenses	209,700	16,349	226,049
Total Expenses	397,240	40,856	438,096
Fee Related Earnings	371,413	62,094	433,507
Investment Income	403,601	984	404,585
Income before Non-Controlling Interests in Income of Consolidated Entities and Income Taxes	775,014	63,078	838,092
Non-Controlling Interests in Income of Consolidated Entities	—	(23,264)	(23,264)
Economic Net Income	$ 775,014	$ 39,814	$ 814,828
Total Assets	$ 1,933,741	$ 30,961	$ 1,964,702

(All Dollars Are in Thousands Except Where Otherwise Noted)

9. SEGMENT REPORTING (Continued)

The following table reconciles the Company's total reportable segments to the combined financial statements as of and for the year ended December 31, 2007:

	December 31, 2007		
	Total Reportable Segments	Combination Adjustments	Combined
Fee Income (a)	$ 871,603	$ (9,338)	$ 862,265
Expenses (b)	$ 438,096	$ 2,814	$ 440,910
Investment Income (c)	$ 404,585	$ 1,587,198	$ 1,991,783
Income before Non-Controlling Interests in Income of Consolidated Entities and Income Taxes	$ 838,092	$ 1,575,046	$ 2,413,138
Non-Controlling Interests in Income of Consolidated Entities	$ (23,264)	$ (1,575,046)	$ (1,598,310)
Economic Net Income	$ 814,828	$ —	$ 814,828
Total Assets (d)	$ 1,964,702	$ 30,878,094	$ 32,842,796

(a) The Fee Income adjustment represents the elimination of intercompany transactions upon consolidation of the KKR Funds and other adjustments necessary to reconcile from segment reporting measures to consolidated financial results. In periods where the amount of fee income attributable to our consolidated funds exceeds the amount of management fees earned from our consolidated funds, a positive adjustment will be required to eliminate this intercompany transaction and reconcile to our combined fee income.

(b) The Expenses adjustment primarily represents the inclusion of certain operating expenses upon consolidation of the KKR Funds.

(c) The Investment Income adjustment primarily represents the inclusion of investment income allocable to non-controlling interests in consolidated entities upon consolidation of the KKR Funds.

(d) The Total Assets adjustment primarily represents the inclusion of private equity and credit investments that are allocable to non-controlling interests in consolidated entities upon consolidation of the KKR Funds.

The following table presents the financial data for the Company's reportable segments as of and for the year ended December 31, 2006:

	December 31, 2006		
	Private Equity	Fixed Income	Total Reportable Segments
Fee Income			
Management Fees	$ 181,371	$ 55,994	$ 237,365
Advisory Fees	172,950	9,119	182,069
Incentive Fees	—	15,613	15,613
Total Fee Income	354,321	80,726	435,047
Expenses			
Employee Compensation and Benefits	92,950	18,662	111,612
Other Operating Expenses	121,327	12,193	133,520
Total Expenses	214,277	30,855	245,132
Fee Related Earnings	140,044	49,871	189,915
Investment Income	929,518	10,103	939,621
Income before Non-Controlling Interests in Income of Consolidated Entities and Income Taxes	1,069,562	59,974	1,129,536
Non-Controlling Interests in Income of Consolidated Entities	—	(25,428)	(25,428)
Economic Net Income	$ 1,069,562	$ 34,546	$ 1,104,108
Total Assets	$ 1,687,205	$ 72,034	$ 1,759,239

The following table reconciles the Company's total reportable segments to the combined financial statements as of and for the year ended December 31, 2006:

	December 31, 2006		
	Total Reportable Segments	Combination Adjustments	Combined
Fee Income (a)	$ 435,047	$ (24,718)	$ 410,329
Expenses (b)	$ 245,132	$ 22,334	$ 267,466
Investment Income (c)	$ 939,621	$ 3,061,301	$ 4,000,922
Income before Non-Controlling Interests in Income of Consolidated Entities and Income Taxes	$ 1,129,536	$ 3,014,249	$ 4,143,785
Non-Controlling Interests in Income of Consolidated Entities	$ (25,428)	$ (3,014,249)	$ (3,039,677)
Economic Net Income	$ 1,104,108	$ —	$ 1,104,108
Total Assets (d)	$ 1,759,239	$ 21,533,544	$ 23,292,783

(a) The Fee Income adjustment represents the elimination of intercompany transactions upon consolidation of the KKR Funds and other adjustments necessary to reconcile from segment reporting measures to consolidated financial results. In periods where the amount of fee income attributable to our consolidated funds exceeds the amount of management fees earned from our consolidated funds, a positive adjustment will be required to eliminate this intercompany transaction and reconcile to our combined fee income.

(b) The Expenses adjustment primarily represents the inclusion of certain operating expenses upon consolidation of the KKR Funds.

(c) The Investment Income adjustment primarily represents the inclusion of investment income allocable to non-controlling interests in consolidated entities upon consolidation of the KKR Funds.

(d) The Total Assets adjustment primarily represents the inclusion of private equity and credit investments that are allocable to non-controlling interests in consolidated entities upon consolidation of the KKR Funds.

The following table presents the financial data for the Company's reportable segments as of and for the year ended December 31, 2005:

	December 31, 2005		
	Private Equity	**Fixed Income**	**Total Reportable Segments**
Fee Income			
Management Fees	$ 94,197	$ 39,450	$ 133,647
Advisory Fees	101,896	5,034	106,930
Incentive Fees	—	—	—
Total Fee Income	196,093	44,484	240,577
Expenses			
Employee Compensation and Benefits	57,905	12,252	70,157
Other Operating Expenses	81,193	5,629	86,822
Total Expenses	139,098	17,881	156,979
Fee Related Earnings	56,995	26,603	83,598
Investment Income	861,976	3,268	865,244
Income before Non-Controlling Interests in Income of Consolidated Entities and Income Taxes	918,971	29,871	948,842
Non-Controlling Interests in Income of Consolidated Entities	—	(13,324)	(13,324)
Economic Net Income	$ 918,971	$ 16,547	$ 935,518
Total Assets	$ 1,638,377	$ 74,362	$ 1,712,739

The following table reconciles the Company's total reportable segments to the combined financial statements as of and for the year ended December 31, 2005:

	December 31, 2005		
	Total Reportable Segments	Combination Adjustments	Combined
Fee Income (a)	$ 240,577	$ (7,632)	$ 232,945
Expenses (b)	$ 156,979	$ 11,312	$ 168,291
Investment Income (c)	$ 865,244	$ 2,875,655	$ 3,740,899
Income before Non-Controlling Interests in Income of Consolidated Entities and Income Taxes	$ 948,842	$ 2,856,711	$ 3,805,553
Non-Controlling Interests in Income of Consolidated Entities	$ (13,324)	$ (2,856,711)	$ (2,870,035)
Economic Net Income	$ 935,518	$ —	$ 935,518
Total Assets (d)	$ 1,712,739	$ 11,656,673	$ 13,369,412

(a) The Fee Income adjustment represents the elimination of intercompany transactions upon consolidation of the KKR Funds and other adjustments necessary to reconcile from segment reporting measures to consolidated financial results. In periods where the amount of fee income attributable to our consolidated funds exceeds the amount of management fees earned from our consolidated funds, a positive adjustment will be required to eliminate this intercompany transaction and reconcile to our combined fee income.

(b) The Expenses adjustment primarily represents the inclusion of certain operating expenses upon consolidation of the KKR Funds.

(c) The Investment Income adjustment primarily represents the inclusion of investment income allocable to non-controlling interests in consolidated entities upon consolidation of the KKR Funds.

(d) The Total Assets adjustment primarily represents the inclusion of private equity and credit investments that are allocable to non-controlling interests in consolidated entities upon consolidation of the KKR Funds.

10. CREDIT AND MARKET RISK

In the normal course of business, the Company primarily encounters two significant types of economic risk: credit and market. Credit risk is the risk of default on the Company's investments in debt securities, loans, leases and derivatives that results from a borrower's, lessee's or derivative counterparty's inability or unwillingness to make required or expected payments. Market risk reflects changes in the value of investments in loans, securities, portfolio companies or derivatives, as applicable, due to changes in interest rates, credit spreads or other market factors, including the value of the collateral underlying loans and the valuation of equity and debt securities. Management believes that the carrying values of its investments are reasonable taking into consideration these risks along with estimated collateral values, payment histories, and other borrower information.

The Company makes investments outside of the United States. The Company's non-U.S. investments are subject to the same risks associated with its U.S. investments as well as additional risks, such as fluctuations in foreign currency exchange rates, unexpected changes in regulatory requirements, heightened risk of political and economic instability, difficulties in managing non-U.S. investments, potentially adverse tax consequences and the burden of complying with a wide variety of foreign laws.

The Company is exposed to economic risk concentrations insofar as it is dependent on the ability of the KKR Funds to compensate it for the services which the Company provides to these funds. Further, the carried interest and incentive income component of this compensation is based on the ability of the KKR Funds to generate adequate returns on their investments. In addition, substantially all of the Company's net assets, after deducting the portion attributable to non-controlling interests, are comprised of capital investments in these funds.

Furthermore, the Company is exposed to economic risk concentrations related to certain large investments as well as concentrations of investments in certain industries and geographic locations, as disclosed in Note 3.

11. COMMITMENTS AND CONTINGENCIES

Debt Covenants

Borrowings of the Company contain various customary loan covenants. These covenants do not, in management's opinion, materially restrict KKR's investment or financing strategy. The Company is in compliance with all of its loan covenants as of December 31, 2007.

Investment Commitments

As of December 31, 2007 certain of the KKR Funds had committed approximately £411 million, or $816 million, and €80 million, or $117 million, to two separate private equity investments, none of which is expected to exceed 5% of the net assets of consolidated private equity investments. The first investment described above has since closed.

The general partners of the Traditional Private Equity Funds had unfunded general partner capital commitments to such funds of approximately $245 million as of December 31, 2007.

Contingent Repayment Guarantee

Certain Company personnel who have received carried interest distributions with respect to Traditional Private Equity Funds have personally guaranteed, on a several basis and subject to a cap, the contingent obligations of the general partners of the Traditional Private Equity Funds to repay amounts to fund limited partners pursuant to the general partners' equity clawback obligations, if any. As of December 31, 2007, approximately $993.2 million of carried interest has been paid to certain of the general partners of the KKR Funds that is subject to contingent repayment.

Indemnifications

In the normal course of business, the Company and its subsidiaries enter into contracts that contain a variety of representations and warranties and provide general indemnifications. The Company's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Company's that have not yet occurred. However, based on experience, the Company expects the risk of material loss to be remote.

Litigation

From time to time, the Company is involved in various legal proceedings, lawsuits and claims incidental to the conduct of our business. The Company believes that the ultimate liability arising from such proceedings, lawsuits and claims, if any, will not have a material effect on our business, results of operations, cash flows or financial condition.

In August 2008, KFN, its directors and executive officers, including certain of the Company's investment professionals, were named as defendants in a purported class action complaint by KFN shareholders under federal securities laws. The suit alleges that the registration statement utilized by KFN to effectuate its restructuring plan in May 2007 was false and misleading in that it misrepresented and/or omitted material facts, including carrying value and allowance for loan losses, relating to the portfolio of mortgage loans held at such time by its REIT subsidiary, KKR Financial Corp.

In December 2007, the Company, along with 15 other defendants were named in a purported class action complaint by shareholders in certain public companies recently acquired by private equity firms. In July 2008, the Company, along with 16 other defendants were named in a purported amended class action complaint. The suits allege that the defendant firms engaged in certain cooperative behavior during the bidding process in certain going-private transactions in violation of antitrust laws and that this purported behavior suppressed the price paid by the private equity firms for the plaintiffs' shares in the acquired companies below that which would otherwise have been paid in the absence of such behavior.

In 2005, the Company and certain of the Company's investment professionals were named as defendants in now-consolidated shareholder derivative actions relating to one of our portfolio companies. These actions claim that the board of directors of the portfolio company breached its fiduciary duty of loyalty in connection with the redemption of certain shares of preferred stock in 2004 and 2005. The plaintiffs further allege that the Company benefited from these redemptions of preferred stock at the expense of the portfolio company and that the Company usurped a corporate opportunity of the portfolio company in 2002 by purchasing shares of its preferred stock at a discount on the open market while causing the portfolio company to refrain from doing the same. In February 2008, the special litigation committee formed by the board of directors of the portfolio company, following a review of plaintiffs' claims, filed a motion to dismiss the actions.

In August 1999, the Company was named as a defendant in an action alleging breach of fiduciary duty and conspiracy in connection with the acquisition of one of the Company's portfolio companies in 1995. In April 2000, the complaint in this action was amended to further allege that the Company and others violated state law by fraudulently misrepresenting the financial condition of this portfolio company.

The Company believes that each of these actions are without merit and intends to defend them vigorously.

In addition, in September 2006, the Company received a request for certain documents and other information from the Antitrust Division of the U.S. Department of Justice ("DOJ") in connection with the DOJ's investigation of private equity firms to determine whether they have engaged in conduct prohibited by United States antitrust laws. The Company is fully cooperating with the DOJ's investigation.

As of December 31, 2007 and 2006, no amounts were accrued relating to threatened or pending litigation.

Operating Leases

The Company leases office space under non-cancelable lease and sublease agreements primarily in New York, Menlo Park, London, Paris, Beijing, Hong Kong, Tokyo, and San Francisco. There are no rent holidays, contingent rent, rent concessions or leasehold improvement incentives associated with any of the property leases. In addition to base rentals, lease agreements generally are subject to escalation provisions, and are recognized on a straight-line basis over the term of the lease agreement.

As of December 31, 2007, the approximate aggregate minimum future lease payments, net of sublease income, required on the operating leases are as follows:

Year Ending December 31,	Amount
2008	$ 22,132
2009	23,764
2010	23,546
2011	20,918
2012	19,160
Thereafter	112,925
Total minimum payments required	$ 222,445

Rent expense recognized on a straight-line basis for the years ended December 31, 2007, 2006 and 2005 was $19,820, $13,315 and $10,425, respectively.

12. BENEFIT PLANS

The Company provides a 401(k) plan (the "Plan") for eligible employees in the United States. For certain finance and administrative professionals who are participants in the Plan, the Company may, in its discretion, contribute an amount after the end of the Plan year; however, the amount may not be more than $20 per employee per Plan year. For the years ended December 31, 2007, 2006 and 2005, the Company incurred expenses of $3,457, $2,430 and $1,896, respectively, in connection with the Plan.

In order to align the interests of certain of its employees and external advisors with those of the Company, the Company maintains various profit sharing arrangements that provide for a sharing of the income earned on the Company's investments and carried interests in the KKR Funds. Portfolio investment losses do not reduce the awards made on profitable portfolio investments regardless of whether they are realized or unrealized. For the years ended December 31, 2007, 2006 and 2005, the Company incurred costs of $12,720, $19,113 and $15,572, respectively, in connection with these plans.

13. SUBSEQUENT EVENTS

Investments

Subsequent to December 31, 2007, the KKR Funds committed approximately $1,185 million to three private equity investments. Two of these investments, totaling $851 million, have since closed and neither investment exceeded 5% of the net assets of consolidated private equity investments.

In addition, subsequent to December 31, 2007, the KKR Funds committed approximately $385 million to fund additional investments in existing private equity portfolio companies, all of which have since closed.

Subsequent to December 31, 2007, the KKR Funds committed $158 million to various corporate debt transactions, which have all since closed.

Debt

On February 26, 2008, the Company entered into a credit agreement with a major financial institution (the "Agreement"). The Agreement provides for revolving borrowings of up to $1 billion, with a $50 million sublimit for swingline notes and a $25 million sublimit for letters of credit. The Agreement has a maturity date of February 26, 2013. The Agreement will bear interest at LIBOR plus 0.50% with interest payable quarterly in arrears for all borrowings except for swingline loans. For a swingline loan the interest is due when such loan is required to be repaid. The Agreement also requires a facility fee equal to 0.05% per annum of the commitment. The Agreement contains customary representations, covenants and events of default applicable to the Company and certain of its subsidiaries. Covenants include limitations on the incurrence of indebtedness and liens, mergers, dissolutions, liquidations, consolidations, new lines of business, and transactions with affiliates. In addition, the covenants include a financial covenant that requires the Company to maintain certain minimum interest coverage ratios.

On February 27, 2008, the Company entered into a revolving credit agreement with a major financial institution (the "Revolver"). The Revolver provides for revolving borrowings of up to $700 million with a $500 million sublimit for letters of credit. The revolver has a maturity date of February 27, 2013. The revolver will bear interest at various floating rates, including Prime, plus, in each case, an incremental margin based on the type of borrowing with interest payments payable in arrears in one, two, three or six months as elected by the Company for each borrowing. The Revolver also requires a facility fee equal to 0.5% per annum of the commitment. The Agreement contains customary representations, covenants and events of default applicable to the Company and certain of its subsidiaries. Covenants include limitations on the incurrence of indebtedness and liens, mergers, dissolutions, liquidations, consolidations, new lines of business, and transactions with affiliates. In addition, the covenants include a financial covenant that requires the Company to maintain certain minimum interest coverage ratios. In addition, as part of a separate transaction, the lender made an equity investment to acquire a non-controlling stake in a subsidiary of the Company.

Subsequent to the year ended December 31, 2007, the Company entered into a series of total return swap agreements with major financial institutions with respect to $625 million of its private equity investments. Pursuant to the terms of the financing arrangements, equity convertible notes with a face value of $625 million that are directly held by the Company have been pledged to the financial institutions as collateral (the "Equity Notes") and an additional $625 million of the convertible notes are directly held by the financial institutions (the "Equity Swap Notes"). Pursuant to the security agreements with respect to the Pledged Notes, the Company has the right to vote the Pledged Notes and the financial institutions are obligated to vote consistent with the Company, subject to certain exceptions, so long as default does not exist under the security agreements or the underlying swap agreements. The Company is also restricted from transferring the Pledged Notes without the consent of the financial institutions.

At settlement, the Company will be entitled to receive payment equal to any appreciation on the value of the Swap Notes and the Company will be obligated to pay to the financial institutions any depreciation on the value of the Swap Notes. In addition, the financial institutions are obligated to pay the Company interest earned by a holder of the Swap Notes (2.5% per annum of the face value). The per annum rate of interest payable by the Company for the financings is based on the three-month LIBOR plus 1.75% and resets quarterly. The interest will be compounding quarterly from the effective date. Interest payable accrues during the term of the financing and is payable at settlement (February 2015). The financings provide for early settlement upon the occurrence of certain events, including an event based on the value of the collateral and other events of default.

KPE Transaction

On July 28, 2008, the Company entered into a purchase and sale agreement with KPE pursuant to which the Company has agreed to acquire all of the assets of KPE and assume all of the liabilities of KPE and its general partner in exchange for common units representing limited partner interests in the Company and contingent value interests representing possible additional consideration (the "KPE Transaction"). Upon completion of the KPE Transaction, KPE unitholders would receive common units in the Company representing 21% of the equity of the combined business as well as contingent value interests providing consideration of up to an additional 6% of the equity of the combined business upon completion of the KPE Transaction, depending on the trading price of the Company's common units three years after completion of the KPE Transaction. Prior to the KPE Transaction, there has been no public market for the Company's common units. The Company intends to list its common units on the New York Stock Exchange ("NYSE") under the symbol "KKR." The KPE Transaction will be consummated subsequent to the completion of a series of reorganization transactions which will result in common units of the Company being listed on the NYSE.

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KKR GROUP

Condensed Combined Statements of Financial Condition (Unaudited)

As of March 31, 2008 and December 31, 2007

(Dollars in Thousands)

	March 31, 2008	December 31, 2007
Assets		
Cash and Cash Equivalents	$ 175,053	$ 272,045
Cash and Cash Equivalents Held at Consolidated Entities	560,935	413,747
Restricted Cash and Cash Equivalents	72,799	45,918
Investments, at Fair Value	33,294,101	31,818,332
Due from Affiliates	61,597	43,969
Other Assets	177,529	248,785
Total Assets	$ 34,342,014	$ 32,842,796
Liabilities and Partners' Capital		
Debt Obligations	$ 2,323,464	$ 2,020,328
Accounts Payable, Accrued Expenses and Other Liabilities	994,627	555,308
Total Liabilities	3,318,091	2,575,636
Commitments and Contingencies		
Non-Controlling Interests in Consolidated Entities	29,694,735	28,749,814
Partners' Capital		
Partners' Capital	1,317,069	1,507,694
Accumulated Other Comprehensive Income	12,119	9,652
Total Partners' Capital	1,329,188	1,517,346
Total Liabilities and Partners' Capital	$ 34,342,014	$ 32,842,796

See notes to combined financial statements.

KKR GROUP

Condensed Combined Statements of Operations (Unaudited)

For the Three Months ended March 31, 2008 and 2007

(Dollars in Thousands)

	Three Months Ended March 31,	
	2008	**2007**
Revenues		
Fee Income	$ 68,590	$ 68,840
Expenses		
Employee Compensation and Benefits	48,064	27,345
Occupancy and Related Charges	6,538	4,624
General, Administrative and Other	30,703	31,555
Fund Expenses	18,232	15,154
Total Expenses	103,537	78,678
Investment (Loss) Income		
Net (Losses) Gains from Investment Activities	(732,974)	1,482,054
Dividend Income	4,592	19,471
Interest Income	25,343	68,269
Interest Expense	(35,359)	(15,593)
Total Investment (Loss) Income	(738,398)	1,554,201
(Loss) Income before Non-Controlling Interests in (Loss) Income of Consolidated Entities and Income Taxes	(773,345)	1,544,363
Non-Controlling Interests in (Loss) Income of Consolidated Entities	(656,335)	1,198,716
(Loss) Income Before Taxes	(117,010)	345,647
Income Taxes	888	627
Net (Loss) Income	$ (117,898)	$ 345,020

See notes to combined financial statements.

KKR GROUP

Condensed Combined Statements of Changes in Partners' Capital (Unaudited)

For the Three Months Ended March 31, 2008

(Dollars in Thousands)

	Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Total Partners' Capital
Balance at December 31, 2007	$ 1,507,694	$ 9,652	$ 1,517,346
Comprehensive Income:			
Net (Loss) Income	(117,898)		(117,898)
Other Comprehensive Income—Currency Translation Adjustment		2,467	2,467
Total Comprehensive (Loss) Income			(115,431)
Capital Contributions	33,559		33,559
Capital Distributions	(106,286)		(106,286)
Balance at March 31, 2008	$ 1,317,069	$ 12,119	$ 1,329,188

See notes to combined financial statements.

KKR GROUP

Condensed Combined Statements of Cash Flows (Unaudited)

For the Three Months ended March 31, 2008 and 2007

(Dollars in Thousands)

	Three Months Ended March 31,	
	2008	2007
Cash Flows from Operating Activities		
Net (Loss) Income	$ (117,898)	$ 345,020
Adjustments to Reconcile Net (Loss) Income to Net Cash Used in Operating Activities:		
Non-Controlling Interests in (Loss) Income of Consolidated Entities	(656,335)	1,198,716
Net Realized Gains on Investments	(162,273)	(417,997)
Change in Unrealized Losses (Gains) on Investments Allocable to KKR Group	212,914	(219,362)
Change in Unrealized Losses (Gains) on Investments Allocable to Non-Controlling Interests	682,333	(844,695)
Other Non-Cash Amounts Included in Net (Loss) Income	893	(13,471)
Cash Flows Due to Changes in Operating Assets and Liabilities		
Change in Cash and Cash Equivalents Held at Consolidated Entities	(147,188)	447,932
Change in Due from Affiliates	(17,628)	42,408
Change in Other Assets	118,872	30,231
Change in Accounts Payable, Accrued Expenses and Other Liabilities	72,636	73,930
Investments Purchased	(1,906,940)	(3,240,560)
Cash Proceeds from Sale of Investments	666,540	1,956,565
Net Cash Used In Operating Activities	(1,254,074)	(641,283)
Cash Flows from Investing Activities		
Change in Restricted Cash and Cash Equivalents	(26,881)	(65,846)
Purchase of Furniture, Equipment and Leasehold Improvements	(6,340)	(5,586)
Net Cash Used in Investing Activities	(33,221)	(71,432)
Cash Flows from Financing Activities		
Distributions to Non-Controlling Interests in Consolidated Entities	(313,993)	(1,004,782)
Contributions from Non-Controlling Interests in Consolidated Entities	1,915,249	1,524,694
Distributions to Partners	(106,286)	(259,136)
Contributions from Partners	33,559	69,233
Proceeds from Debt Obligations	49,069	387,766
Repayment of Debt Obligations	(367,674)	(882)
Deferred Financing Costs Incurred	(19,621)	—
Net Cash Provided By Financing Activities	1,190,303	716,893
Net Change in Cash and Cash Equivalents	(96,992)	4,178
Cash and Cash Equivalents, Beginning of Period	272,045	92,991
Cash and Cash Equivalents, End of Period	$ 175,053	$ 97,169
Supplemental Disclosures of Cash Flow Information		
Payments for Interest	$ 18,853	$ 2,207
Payments for Income Taxes	$ 3,110	$ 1,171
Supplemental Non-Cash Activities		
Non-Cash Distributions to Partners	—	$ 103,276
Restricted stock grant from affiliate	$ 15,939	—
Non-Cash Debt Financing/Purchase of Investments	$ 625,000	$ 350,000
Capital Contribution Received in Advance from Non-Controlling Interest Holder in Consolidated Entities	$ —	$ 15,081

See notes to combined financial statements.

1. ORGANIZATION AND BASIS OF PRESENTATION

The KKR Group (the "Company") is a global alternative asset manager with principal executive offices in New York and Menlo Park, California. The Company's alternative asset management business involves sponsoring and managing investment funds that make investments worldwide in private equity and debt transactions on behalf of third-party investors and the Company's owners ("Principals"), including its founders. In connection with these activities, the Company also manages investments in public equity and is engaged in capital markets activities. With respect to certain funds that it sponsors, the Company commits to contribute a specified amount of equity as the general partner of the fund (ranging from approximately 2% to 4% of the funds' total capital commitments) to fund a portion of the acquisition price for the fund's investments.

The accompanying combined financial statements of the Company include the results of eight of the Company's private equity funds and two of the Company's fixed income funds (the "KKR Funds") and the general partners and management companies of those funds. The Company operates as a single professional services firm and carries out its investment activities under the "KKR" brand name. The entities comprising the Company are under the common control of its senior Principals (the "Senior Principals"). The Senior Principals are actively involved in the Company's operations and management.

The accompanying combined financial statements include the accounts of the management companies, specifically Kohlberg Kravis Roberts & Co. L.P., KKR Financial Advisors LLC and KKR Strategic Capital Management, L.L.C., as well as the general partners of the private equity funds (collectively the "Common Control Entities") and their respective consolidated funds: KKR 1996 Fund, KKR European Fund, KKR Millennium Fund, KKR European Fund II, KKR 2006 Fund, KKR Asian Fund, KKR European Fund III, KKR Private Equity Investors ("KPE") and certain of the KKR Strategic Capital Funds. KPE consists of an upper-tier limited partnership, which is referred to as the feeder fund, that makes all of its investments through a lower-tier limited partnership, which is referred to as the master fund, of which the feeder fund is the sole limited partner. The accompanying combined financial statements include the general partner of the KKR Private Equity Investors master fund. In addition, the general partner of an unconsolidated fund, KKR IFI GP L.P., has been included in the accompanying combined financial statements.

KKR Financial Holdings LLC ("KFN") is a publicly traded fixed income fund whose limited liability company interests are listed on the New York Stock Exchange under the symbol "KFN." KFN is managed by the Company but is not under the common control of the Senior Principals or otherwise consolidated by the Company as control is maintained by third-party investors. KFN was organized in August 2004 and completed its initial public offering on June 24, 2005. As of March 31, 2008 and December 31, 2007, KFN had consolidated assets of $15.4 billion and $19.0 billion, respectively, and shareholders' equity of $1.5 billion and $1.6 billion, respectively, at March 31, 2008 and December 31, 2007. Shares of KFN held by the Company are accounted for as trading securities (see Note 2, "Summary of Significant Accounting Policies—Statement of Operations Measurements—Fee Income—Management fees received from consolidated and unconsolidated funds") and represented approximately 1.5% and 0.6% of KFN's outstanding shares as of March 31, 2008 and December 31, 2007, respectively. If the Company were to exercise all of its outstanding vested and unvested options, the Company's ownership interest in KFN would be approximately 2.0% and 1.1% of KFN's outstanding shares as of March 31, 2008 and December 31, 2007, respectively.

For management reporting purposes, the Company operates through two reportable business segments:

- **Private Equity** —The Company's private equity segment involves sponsoring and managing a group of funds that make primarily control-oriented investments in connection with leveraged buyouts and other similar investment opportunities. These funds are managed by Kohlberg Kravis Roberts & Co. L.P. and currently consist of a number of private equity funds that have a finite life and investment period ("Traditional Private Equity Funds") and KPE.

- **Fixed Income —**The Company's fixed income segment involves sponsoring and managing a group of private and publicly traded investment funds that invests primarily in corporate debt ("Fixed Income Funds") and managing six structured finance vehicles which were established to complete secured financing transactions. The Fixed Income Funds are managed by subsidiaries of KKR Financial LLC, specifically KKR Financial Advisors LLC and KKR Strategic Capital Management, L.L.C., and currently consist of KFN and the KKR Strategic Capital Funds (the "SCF"), which are comprised of three side-by-side private fixed income funds. Two of the three side-by-side funds in the SCF have been consolidated in the accompanying combined financial statements of the Company. The third side-by-side fund is not consolidated by the KKR Group, because this fund is owned and controlled by third-party investors and the KKR Group holds no economic or voting interests. The KKR Group receives management and incentive fees for managing the assets held by this fund. See Note 2, "Summary of Significant Accounting Policies," to the combined financial statements for the Company's accounting policy regarding Fee Income. As of March 31, 2008, all four of the structured finance vehicles are not consolidated by the KKR Group as KFN holds the majority of the economic and voting interests. Accordingly, these structured finance vehicles are consolidated by KFN. The KKR Group holds no economic or voting interests in these structured finance vehicles.

During May 2007, one of the structured finance vehicles managed by the Company and its underlying net assets were redeemed at fair value and transferred to a special-purpose entity. KFN is the primary beneficiary of this special-purpose entity and, accordingly, consolidates its assets and liabilities. These assets and liabilities were previously consolidated by the Company and the corresponding results from operations were included in the statement of operations for the three months ended March 31, 2007.

The instruments governing the Traditional Private Equity Funds provide that the funds will continue in existence for a varying term (generally up to 18 years from the date of initial funding), unless the funds are terminated by the Principals or through an event of dissolution, as defined in the applicable governing instruments. The instruments governing KPE and the Fixed Income Funds generally provide that those funds will continue in existence indefinitely, unless the funds are terminated earlier as provided in the applicable governing instruments.

The Company has three primary sources of income: (i) fee income (consisting primarily of management, advisory and incentive fees); (ii) amounts received from the Company's funds in the form of a carried interest or other distributions that entitle the Company to a disproportionate share of the gains generated by the funds; and (iii) investment income generated through the investment of the Company's own capital in its funds and other proprietary investments.

The KKR Funds are consolidated by the Company pursuant to accounting principles generally accepted in the United States of America ("GAAP") as described in Note 2 "Summary of Significant

Accounting Policies," notwithstanding the fact that the Company has only a minority economic interest in those funds. Specifically, the general partners of the KKR Funds consolidate their respective funds and certain of their respective entities in accordance with either Emerging Issues Task Force ("EITF") No. 04-5, "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights" or Financial Accounting Standards Board ("FASB") Interpretation No. 46 (revised December 2003) "Consolidation of Variable Interest Entities—an Interpretation of ARB 51 ("FIN 46R")" Consequently, the Company's combined financial statements reflect the assets, liabilities, revenues, expenses, investment income and cash flows of the consolidated KKR Funds on a gross basis, and the majority of the economic interests in those funds, which are held by third-party investors, are reflected as non-controlling interests in consolidated entities in the accompanying combined financial statements. Substantially all of the management fees and certain other amounts earned by the Company from those funds are eliminated in combination. However, because the eliminated amounts are earned from, and funded by, non-controlling interest holders, the Company's allocable share of the net income from those funds is increased by the amounts eliminated. Accordingly, the elimination in combination of such amounts has no net effect on the Company's net income (loss) or partners' capital. See Note 2, "Summary of Significant Accounting Policies."

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Basis of Accounting —The accompanying combined financial statements are prepared in accordance with GAAP. The condensed combined financial statements and these notes are unaudited and exclude some of the disclosures required in annual financial statements. Management believes it has made all necessary adjustments (consisting of only normal recurring items) so that the condensed combined financial statements are presented fairly and that estimates made in preparing its condensed combined financial statements are reasonable and prudent. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These condensed combined financial statements should be read in conjunction with the annual combined financial statements of the Company.

Principles of Consolidation —The Company's policy is to consolidate those entities in which it, through the Senior Principals, has control, as well as those entities in which it is the primary beneficiary of a variable interest entity ("VIE"). Hereinafter, all entities that are included in the accompanying combined financial statements are referred to as consolidated entities.

The majority of the consolidated entities are under the common control of the Senior Principals and are comprised of: (i) those entities in which the Company, directly or through the Senior Principals, has majority ownership and has control over significant operating, financial and investing decisions; and (ii) the consolidated KKR Funds, which are those entities in which the Company, through the Senior Principals, holds substantive, controlling general partner or managing member interests. With respect to the consolidated KKR Funds, the Company generally has operational discretion and control, and fund investors have no substantive rights to impact ongoing governance and operating activities of the fund.

The KKR Funds do not consolidate their majority-owned and controlled investments in portfolio companies ("Portfolio Companies"). Rather, those investments are accounted for as investments and carried at fair value as described below.

VIEs are defined as entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional financial support from other parties. A VIE must be consolidated only by its primary beneficiary, which is defined as the party who, along with its affiliates and agents, will absorb a majority of the VIE's expected losses or receive a majority of the expected residual returns as a result of holding variable interests.

Intercompany transactions and balances have been eliminated.

Non-Controlling Interests in Consolidated Entities —Non-controlling interests in consolidated entities represent the ownership interests in consolidated entities, including consolidated KKR Funds, held by entities or persons other than the Principals. Non-controlling interest holders in the Company have a substantial ownership position in the Company's combined total assets (approximately 86% as of March 31, 2008).

Allocation of income to non-controlling interests in consolidated KKR Funds is based on the respective funds' governing instruments.

In the case of the Traditional Private Equity Funds, profits on capital invested on behalf of limited partners are allocated to the limited partners in an amount equal to 80% of the ratio of their capital contributions to the total capital contributed by all partners with respect to each investment. The general partners of the funds receive the remaining portion of the profits in the form of a carried interest. Losses on a fund's investments are first applied to the excess of any prior income over such losses. Any remaining fund losses are applied to the equity accounts of the partners in proportion to their capital contributed with respect to each individual investment, until the partners' equity accounts have been reduced to zero. Any remaining fund losses are allocated to the fund's general partner.

In the case of KPE, one of the fund's general partners holds an economic interest in the fund that will entitle it to a disproportionate share of the gains generated by the fund's direct investments once the fund's capitalization costs (the "Creditable Amount") have been recouped as described below. This economic interest consists of:

- a carried interest that generally will allocate to the general partner 20% of the gain that is realized on private equity investments that are made with fund investors' capital after any realized losses on other direct private equity investments have been recovered; and

- a distribution right that generally will allocate to the general partner 20% of the annual increase in the net asset value of all other direct investments that are made with fund investors' capital above the highest net asset value at which an incentive amount was previously made.

The general partner is not entitled to a carried interest or incentive distribution right with respect to the fund's indirect investments, which consist of investments made through other funds that the Company sponsors. However, if the fund acquires a partner interest in one of the Company's other funds from a third party, the amount of distributions that the general partner receives pursuant to its distribution right may be adjusted to reflect realized gains or losses relating to the value of the acquired partner interest. As noted above, the general partner of KPE has agreed to forego receiving a carried interest or distribution until the profits on investments with respect to which it would be entitled to receive a carried interest or distribution equal the Creditable Amount. As of March 31, 2008, the Creditable Amount had a remaining balance of $198,056.

On May 30, 2008, the Company entered into an agreement to purchase the remaining outstanding interests in KKR Financial LLC, the ("KFI Transaction"), which had previously been included within non-controlling interests in the accompanying combined financial statements. The KFI Transaction was completed upon the execution of such agreement. As a result of the KFI Transaction, the Company owns all of the equity interests in the parent of the management companies for its fixed income funds and is entitled to all of the net income and cash flows generated by the management companies.

Use of Estimates —The preparation of the combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues, expenses and investment income during the reporting periods. Such estimates include but are not limited to the valuation of Portfolio Companies owned by the KKR Funds, financial instruments owned and other matters that affect reported amounts of assets and liabilities. Actual results could differ from those estimates and such differences could be material to the combined financial statements.

Fair Value Measurements —The Company adopted FASB Statement No. 157 "Fair Value Measurements" ("SFAS 157") as of January 1, 2008, which among other things requires enhanced disclosures about investments that are measured and reported at fair value. SFAS 157 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I—Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I include publicly-listed equities and publicly listed derivatives. In addition, securities sold, but not yet purchased and options written by the KKR Private Equity Investors Master Fund are included in Level I. As required by SFAS 157, the Company does not adjust the quoted price for these investments, even in situations where the Company holds a large position and a sale could reasonably affect the quoted price.

Level II—Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives.

Level III—Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include private portfolio companies held through our private equity funds and KPE.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and it considers factors specific to the investment.

Statement of Operations Measurements

Fee Income —Fee income is comprised of: (i) transaction fees received from Portfolio Companies; (ii) monitoring fees received from Portfolio Companies; (iii) management fees received from unconsolidated funds; and (iv) incentive fees received from unconsolidated funds. Such fees are based upon the contractual terms of fund management and related agreements and are recognized in the period during which the related services are performed and the amounts have been contractually earned.

For the three months ended March 31, 2008 and 2007, fee income consisted of the following:

	Three Months ended March 31,	
	2008	2007
Management Fees Received from Unconsolidated Funds	$ 14,930	$ 18,532
Advisory Fees Received from Portfolio Companies	53,660	43,937
Incentive Fees Received from Unconsolidated Funds	—	6,371
Total Fee Income	$ 68,590	$ 68,840

Management fees received from consolidated and unconsolidated funds —For the Traditional Private Equity Funds, gross management fees generally range from 1% to 1.5% of committed capital during the fund's investment period and approximately 0.75% of invested capital after the expiration of the fund's investment period. Typically, an investment period is defined as a period of up to six years. The actual length of the period may be shorter based on the timing and use of committed capital.

For KPE, management fees are determined quarterly based on 25% of the sum of (i) that fund's equity up to and including $3 billion multiplied by 1.25% plus (ii) that fund's equity in excess of $3 billion multiplied by 1%. For purposes of calculating the management fee, equity is an amount defined in the management agreement. Until the Creditable Amount is reached, the Company has generally agreed to reduce the amount of management fees payable by the fund in any period by any carried interest or incentive distributions that the Company or its affiliates receive during the period pursuant to a carried interest in a private equity fund in which KPE invests.

Management fees received from consolidated KKR Funds are eliminated in consolidation. However, because these amounts are funded by, and earned from, non-controlling interest holders, the Company's allocated share of the net income from consolidated KKR Funds is increased by the amount of fees that are eliminated. Accordingly, the elimination of the fees does not have a net effect on the Company's net income or partners' capital.

With respect to its Traditional Private Equity Funds, the Company has elected to waive the receipt of certain management fees. The waived fees are collected from the funds' investors and are initially included as a component of Cash and Cash Equivalents Held at Consolidated Entities. In lieu of making direct cash capital contributions, these waived management fees are used to satisfy a portion of the capital commitments to which the Company would otherwise be subject to as the general partner of the fund. Recognition of income related to the waived management fee is contingent upon the recognition of investment gains by the fund and is recorded by the Company when earned.

The Company's management agreement with KFN provides, among other things, that KFN is responsible for paying to the Company certain fees and reimbursements, consisting of a base management fee, an incentive fee and reimbursement for out-of-pocket and certain other costs and expenses incurred by the Company on behalf of KFN. The Company earns an annual base management fee, computed monthly in arrears, in an amount equal to adjusted equity multiplied by 1.75%. For purposes of calculating the base management fee, adjusted equity is an amount defined in the management agreement.

The Company's management agreement with KFN will automatically be renewed for successive one-year terms following December 31, 2008 unless the agreement is terminated in accordance with its terms. The management agreement provides that the fund may terminate the agreement only if:

- the termination is approved at least 180 days prior to the expiration date by at least two-thirds of the fund's independent directors or by the holders of a majority of the outstanding shares of the fund's common stock and the termination is based upon (i) a determination that the Company's performance has been unsatisfactory and materially detrimental to the fund or (ii) a determination that the management and incentive fees payable to the Company are not fair (subject to the Company's right to prevent a termination by reaching an agreement to reduce the Company's management and incentive fees), in which case a termination fee is payable to the Company; or

- the Company subsidiary that manages the fund experiences a "change of control" or the Company materially breaches the provisions of the agreement, engages in certain acts of willful misconduct or gross negligence, becomes bankrupt or insolvent or is dissolved, in which case a termination fee is not payable to the Company.

The Company has received restricted common stock and common stock options from KFN as a component of compensation for management services to that fund. The restricted common stock and stock options vest ratably over applicable vesting periods and are initially recorded as deferred revenue at their estimated fair values at the date of grant. Subsequently, the Company re-measures the restricted common stock and stock options to the extent that they are unvested, with a corresponding adjustment to deferred revenue. Income from restricted common stock and common stock options is recognized ratably over the vesting period as a component of fee income and amounted to $2,095 and $8,053 for the three months ended March 31, 2008 and 2007, respectively.

The Company has entered into management agreements with the side-by-side funds comprising the KKR Strategic Capital Funds pursuant to which it has agreed to provide them with management and other services. Under the management agreement and, in some cases, other documents governing the individual funds, the Company is entitled to receive:

- with respect to investors who have agreed to a 25 month lock-up period, a monthly management fee that is equal to 0.1667% (or 2.0% annualized) of the net asset value of the individual fund that is allocable to those investors; and

- with respect to investors who have agreed to a 60 month lock-up period, a monthly management fee that is equal to 0.1250% (or 1.5% annualized) of the net asset value of the primary fund that is allocable to those investors.

Vested common stock that is received as a component of compensation for management services is carried as trading securities, because the Company generally intends to distribute the common stock subsequent to vesting. Vested common stock is recorded at estimated fair value with changes in fair value recognized in Net Gains (Losses) from Investment Activities.

Vested stock options received as a component of compensation for management services meet the characteristics of derivative investments. Subsequent to vesting, these options continue to be measured at estimated fair value with changes in fair value recognized in Net Gains (Losses) from Investment Activities. Both vested and unvested common stock options are valued using a Black-Scholes pricing model as of the end of each period.

Incentive fees received from KFN —The Company's management agreement with KFN provides that KFN is responsible for paying a quarterly incentive fee when the return on assets under management exceeds certain benchmark returns or other performance targets. This incentive fee is accrued quarterly, after all contingencies have been removed, based on performance to date versus the performance benchmark stated in the management agreement. Once earned, there are no clawbacks of incentive fees received from KFN.

Incentive fees received from KKR Strategic Capital Funds —As part of the Company's management agreements with the side-by-side funds comprising the KKR Strategic Capital Funds, certain of which are consolidated, the Company is entitled to receive incentive fees as follows:

- with respect to investors who have agreed to a 25 month lock-up period, an annual incentive fee equal to 20% of the increase in the net asset value of the individual fund that is allocable to those investors above the highest net asset value at which an incentive fee has previously been received; and

- with respect to investors who have agreed to a 60 month lock-up period, an annual incentive fee equal to 15% of the increase in the net asset value of the individual fund that is allocable to those investors above the highest net asset value at which an incentive fee has previously been received.

These incentive fees are accrued annually, after all contingencies have been removed, based on performance to date versus the performance benchmark stated in the management agreement. Since performance can fluctuate during interim periods, no incentive fees are recognized on a quarterly basis. Once earned, there are no provisions for clawbacks of incentive fees received from the side-by-side funds comprising the KKR Strategic Capital Funds. Incentive fees received from consolidated KKR Strategic Capital Funds have been eliminated. However, because these amounts are funded by, and earned from, non-controlling interest holders, the Company's allocated share of the net income from consolidated KKR Funds is increased by the amount of fees that are eliminated. Accordingly, the elimination of the fees does not have a net effect on the Company's net income or partners' capital.

Transaction fees received from Portfolio Companies —Transaction fees are earned by the Company primarily in connection with successful acquisitions of Portfolio Companies by private equity funds and with respect to certain other negotiated investments. Transaction fees are recorded in fee income upon closing of the transaction. Fees are typically paid by Portfolio Companies on or around the closing date and generally approximate 1% of the total transaction value to which the Company is entitled to its proportionate share. Transaction-related expenses associated with successful Portfolio Company investments are deferred and recorded in Other Assets until the transaction is consummated. See description under "—Reimbursement of Transaction-Related Expenses" below. Transaction-related expenses associated with investigating Portfolio Company investments that are not consummated are recorded in fund expenses when facts and circumstances indicate that the transactions are unlikely to be consummated.

Monitoring fees received from Portfolio Companies —Monitoring fees are earned by the Company for services provided to Portfolio Companies and are recognized in Fee Income as services are rendered. These fees are paid based on a fixed periodic schedule by the Portfolio Companies either in advance or in arrears and are separately negotiated for each Portfolio Company.

Reimbursement of Transaction-Related Expenses —In connection with pursuing successful Portfolio Company investments the Company receives reimbursement for certain transaction-related expenses. Transaction-related expenses, which are billable to third parties, are deferred until the transaction is consummated and are recorded in other assets on the date the expense is incurred. The costs of successfully completed transactions are borne by the KKR Funds and included as a component of the investments cost basis. Subsequent to closing, investments are recorded at fair value each reporting period as described in the section below titled Investments, at Fair Value. Upon reimbursement from a third party, the cash receipt is recorded and the deferred amounts are relieved. No fee income or expense is recorded for these reimbursements.

Reimbursement of Monitoring Costs —In connection with the monitoring of Portfolio Companies, KFN and the KKR Strategic Capital Funds, the Company receives reimbursement for certain expenses incurred on behalf of these entities. Billable monitoring expenses are recognized as revenue in accordance with EITF 01-14, "Income Statement Characterization of Reimbursement Received for Out of Pocket Expenses Incurred." Monitoring costs are classified as fund expenses or general, administrative and other expenses and reimbursements of such costs are classified as monitoring fee income. These reimbursements amounted to $4,267 and $3,303 for the three months ended March 31, 2008 and 2007, respectively.

Investment Income —Investment income consists primarily of unrealized and realized gains and losses on private equity investments as well as dividends and interest received primarily from the Portfolio Companies, after giving effect to interest expense incurred primarily by the Company's Fixed Income Funds and foreign exchange gains and losses relating to mark-to-market activity on foreign exchange forward contracts, foreign currency options and interest rate swaps. The amount of investment income retained in net income, after allocation to non-controlling interests in consolidated entities, represents investment income allocable to the Company resulting from earnings on its investments and its carried interest and similar distribution rights. Carried interests and similar distribution rights generally entitle the Company to a percentage of the profits generated by a fund as described below. Unrealized gains or losses result from changes in fair value of investments during the period, and are included in Net Gains from Investment Activities. Upon disposition of an investment, previously recognized unrealized gains or losses are reversed and a realized gain or loss is recognized. Net Gains (Losses) from Investment Activities earned by the consolidated KKR Funds amounted to $(732,421) and $1,442,137 for the three months ended March 31, 2008 and 2007, respectively.

Carried interests entitle the general partner of a fund to a greater allocable share of these fund's earnings from investments relative to the capital contributed by the general partner and correspondingly reduce non-controlling interests' allocable share of those earnings. Amounts earned pursuant to carried interests in Traditional Private Equity Funds are included as investment income in net gains (losses) from investment activities and are earned by the general partner of those funds to the extent that investment returns are positive. If these investment returns decrease or turn negative in subsequent periods, recognized carried interest will be reduced and reflected as investment losses. Carried interest recognized (reversed) amounted to approximately $(133) million and $255 million for the three months ended March 31, 2008 and 2007, respectively. In the case of a Traditional Private Equity Fund, a carried interest is calculated as a percentage of the gains of the fund, subject to the achievement by the fund of positive investment returns, which, if not achieved, subjects previously distributed carried interest to a contingent repayment. A carried interest that is subject to contingent repayment may be paid to a fund's general partner as particular investments made by the fund are sold or otherwise realized. However, if upon liquidation of the fund, the aggregate amount paid to the general partner pursuant to a carried interest exceeds the amount actually due to the general partner based upon the aggregate performance of the applicable fund, the excess is required to be repaid by the general partner (a "clawback") to the fund. Carried interest subject to contingent repayment is recognized as earned based on the contractual formula set forth in the instruments governing the fund as if the fund was terminated at the reporting date with the then estimated fair values of the investments realized. Due to the extended durations of the Traditional Private Equity Funds, management believes that this approach results in income recognition that best reflects the periodic performance of the Company in the management of those funds. As of March 31, 2008, approximately $987.0 million of carried interest has been paid to certain of the general partners of the KKR Funds that is subject to contingent repayment. See Note 11, "Commitments and Contingencies."

Dividend income is recognized by the Company on the ex-dividend date, or in the absence of a formal declaration, on the date it is received. For the three months ended March 31, 2008, dividends earned by the consolidated KKR Funds amounted to $4,242. All dividends were earned by consolidated KKR Funds for the three months ended March 31, 2007.

Interest income is recognized as earned. Interest income earned by the consolidated KKR Funds amounted to $21,501 and $65,618 for the three months ended March 31, 2008 and 2007, respectively.

Profit Sharing —The Company has various profit sharing arrangements which provide for a sharing of the income earned on its investments and carried interests in the KKR Funds. Amounts payable under such arrangements are charged to compensation expense or professional fees expense when payment is probable and amounts owed are reasonably estimable.

Statement of Financial Condition Measurements

Cash and Cash Equivalents —The Company considers all highly liquid short-term investments with original maturities of 90 days or less when purchased to be cash equivalents.

Cash and Cash Equivalents Held at Consolidated Entities —Cash and cash equivalents held at consolidated entities represents cash that, although not legally restricted, is not available to fund general liquidity needs of the Company as the use of such funds is generally limited to the investment activities of the KKR Funds.

Restricted Cash and Cash Equivalents —Restricted cash and cash equivalents represent amounts that are held by third parties under certain of the Company's financing and derivative transactions.

Investments, at Fair Value —The Company's investments consist primarily of private equity investments, debt investments and other investments. See Note 3, "Investments," for information relating to the Company's investments.

Private Equity Investments —Private equity investments consist of investments in Portfolio Companies of consolidated KKR Funds that are, for GAAP purposes, investment companies under the AICPA Audit and Accounting Guide—"Investment Companies." The KKR Funds reflect investments at their estimated fair values, with unrealized gains or losses resulting from changes in fair value reflected as a component of Net Gains (Losses) from Investment Activities in the combined statements of operations. Fair value is the amount at which the investments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Company has retained the specialized accounting of these investments pursuant to EITF No. 85-12, "Retention of Specialized Accounting for Investments in Consolidation."

Private equity investments that have readily observable market prices (such as those traded on a securities exchange) are stated at the last reported sales price on the statement of financial condition date.

As of March 31, 2008, approximately 86% of the fair value of the Company's private equity investments have been valued by the Company in the absence of readily observable market prices. The determination of fair value may differ materially from the values that would have resulted if a ready market had existed. For these investments, the Company generally uses a market approach and an income (discounted cash flow) approach when determining fair value. Management considers various internal and external factors when applying these approaches, including the price at which the investment was acquired, the nature of the investment, current market conditions, recent public market and private transactions for comparable securities, and financing transactions subsequent to the acquisition of the investment. The fair value recorded for a particular investment will generally be within the range suggested by the two approaches.

Investments denominated in currencies other than the U.S. dollar are valued based on the spot rate of the respective currency at the end of the respective reporting period with changes related to exchange rate movements reflected as a component of Net Gains (Losses) from Investment Activities.

Corporate Securities —Corporate securities consist of fixed income securities and are carried as available-for-sale as the Company may sell them prior to maturity and does not hold them principally for the purpose of selling them in the near term. These investments are carried at estimated fair value, with unrealized gains and losses reported in accumulated other comprehensive income.

Estimated fair values are based on quoted market prices, when available, or on estimates provided by independent pricing sources or dealers who make markets in such securities. Upon the sale of a security, the realized net gain or loss is computed on a specific identification basis. Substantially all unrealized gains and losses associated with available-for-sale securities are reflected in non-controlling interests in consolidated entities in the accompanying combined statement of financial condition.

The Company monitors its available-for-sale securities portfolio for impairments. A loss is recognized when it is determined that a decline in the estimated fair value of a security below its amortized cost is other-than-temporary. The Company considers many factors in determining whether the impairment of a security is deemed to be other-than-temporary, including but not limited to, the length of time the security has had a decline in estimated fair value below its amortized cost, the amount of the unrealized loss, the intent and ability of the Company to hold the security for a period of time sufficient for a recovery in value, recent events specific to the issuer or industry, and external credit ratings and changes therein.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Income Securities —Fixed income securities of Portfolio Companies that are listed on a securities exchange are classified as trading securities and are valued at their last quoted sales price. Securities that are not listed on an exchange and traded over the counter are valued at the mean of bid and ask quotations. Investments in corporate debt, including syndicated bank loans, high-yield securities and other fixed income securities, are valued at the mean of the "bid" and "asked" prices obtained from third-party pricing services. In the event that third-party pricing service quotations are unavailable, values are obtained from dealers or market makers. Investments where third-party values are not available are valued by the Company and the Company may engage a third-party valuation firm to assist in such valuations.

Derivatives —The Company invests in derivative financial instruments, including total rate of return swaps and credit default swaps. In a total rate of return swap, the Company receives the sum of all interest, fees and any positive economic change in fair value amounts from a reference asset with a specified notional amount and pays interest on the referenced notional amount plus any negative change in fair value amounts from such asset. Credit default swaps, when purchasing protection, involve the payment of a fixed rate premium for protection against the loss in value of an underlying debt instrument in the event of a defined credit event, such as payment default or bankruptcy. Under a credit default swap, one party acts as a guarantor by receiving the fixed periodic payment in exchange for the commitment to purchase the underlying security at par if a credit event occurs. Derivative contracts, including total rate of return swap contracts and credit default swap contracts, are recorded at estimated fair value with changes in fair value recorded as unrealized gains or losses in Net Gains (Losses) from Investment Activities in the accompanying combined statements of operations.

Opportunistic Investments in Publicly Traded Securities —The Company's opportunistic investments in publicly traded securities represent equity securities, which are classified as trading securities and carried at fair market value. Changes in the fair market value of trading securities are reported within Net Gains (Losses) from Investment Activities in the accompanying combined statements of operations. These investments represent investments by KPE other than debt, investments in governmental bonds and other similar investments.

Due from and Due to Affiliates —For purposes of classifying amounts, the Company considers its Principals, employees, non-consolidated funds and the Portfolio Companies of its funds to be affiliates. Receivables from and payables to affiliates are recorded at their current settlement amount.

Foreign Exchange Derivatives and Hedging Activities —The Company enters into derivative financial instruments primarily to manage foreign exchange risk and interest rate risk arising from certain assets and liabilities. All derivatives are recognized as either assets or liabilities in the combined statements of financial condition and measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying combined statements of operations. The Company does not apply "hedge accounting" under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133"). The Company's derivative financial instruments contain credit risk to the extent that its bank counterparties may be unable to meet the terms of the agreements. The Company minimizes this risk by limiting its counterparties to major financial institutions with strong credit ratings.

Fixed Assets, Depreciation and Amortization —Fixed assets consist primarily of leasehold improvements, furniture, fixtures and equipment, and computer hardware and software. Such amounts are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method over the assets' estimated useful lives, which are the life of the related lease for leasehold improvements, and three to seven years for other fixed assets.

Capital Distributions —Capital distributions to Principals are generally in proportion to their equity interests and take the form of cash distributions and, in certain cases, non-cash distributions. Non-cash distributions consist primarily of shares in Portfolio Companies which have been exited as well as vested common stock and common stock options of KFN. Payments for services rendered by the Principals historically have been accounted for as distributions from partner's capital rather than as compensation and benefits expense as a result of the Company operating as a partnership. As a result, the Company's net income historically has not reflected payments for services rendered by its Principals.

Comprehensive Income —Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances, excluding those resulting from contributions and distributions to owners. For the Company's purposes, comprehensive income represents Net Income, as presented in the accompanying combined statements of operations, net foreign currency translation adjustments, and unrealized gains and losses on securities available for sale.

Foreign Currency —Foreign currency denominated assets, liabilities and operations are primarily held through the KKR Funds. Assets and liabilities relating to foreign investments are translated using the exchange rates prevailing at the end of each reporting period. Results of foreign operations are translated at the weighted average exchange rate for each reporting period. Translation adjustments are included in current income to the extent that unrealized gains and losses on the related investment are included in income, otherwise they are included as a component of accumulated other comprehensive income until realized. Foreign currency gains or losses resulting from transactions outside of the functional currency of a consolidated entity are recorded in income as incurred and were not material during the three months ended March 31, 2008 and 2007.

Income Taxes —No federal income taxes have been provided for by the Company in the accompanying combined financial statements as each existing partner is individually responsible for paying federal income taxes on their respective share of the reported income or loss of an entity's income and expenses as reported for income tax purposes. However, certain consolidated entities of the Company are subject to either New York City unincorporated business tax on their trade and business activities conducted in New York City or other foreign, state or local income taxes. Current income tax expense is recorded as income is earned. Deferred taxes are provided for the tax effects of differences between the financial reporting and tax bases of the Company's assets and liabilities at the enacted tax rates in effect for the years in which the differences are expected to reverse. The Company evaluates the recoverability of the deferred tax assets and establishes a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Recent Accounting Pronouncements —In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 applies to reporting periods beginning after November 15, 2007. The adoption of SFAS 157 on January 1, 2008 did not have a material impact on the Company's combined financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value, with changes in fair value recognized in earnings. SFAS 159 applies to reporting periods beginning after November 15, 2007. The adoption of SFAS 159 on January 1, 2008 did not have a material impact on the combined financial statements.

In June 2007, the AICPA issued Statement of Position No. 07-1, "Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies" ("SOP 07-1"). SOP 07-1 addresses whether the accounting principles of the AICPA Audit and Accounting Guide Investment Companies may be applied to an entity by clarifying the definition of an investment company and whether those accounting principles may be retained by a parent company in consolidation or by an investor in the application of the equity method of accounting. Generally, in order for an entity to retain investment company accounting for a subsidiary or equity method investee: (i) the subsidiary or equity method investee should meet the definition of an investment company pursuant to the guidance in SOP 07-1; (ii) the entity should follow established policies that effectively distinguish the nature and type of investments made by the investment company from the nature and type of investments made by other entities within the consolidated group that are not investment companies; and (iii) the entity (through the investment company) should be investing for current income, capital appreciation, or both, rather than for strategic operating purposes. On October 17, 2007, the FASB voted to defer indefinitely the adoption date of SOP 07-1.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), "Business Combinations" ("SFAS 141(R)"). SFAS 141(R) replaces SFAS No. 141, "Business Combinations." SFAS 141(R) expands the scope of business combinations to include all transactions and other events in which one entity obtains control over one or more other businesses. SFAS 141 applied only to business combinations in which control was obtained by transferring consideration. Key provisions of SFAS 141(R) require that: (1) the acquirer recognize the assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at their fair values on the acquisition date; (2) the acquirer in a business combination achieved in stages (sometimes referred to as a step acquisition) recognize the identifiable assets and liabilities, as well as the non-controlling interest in the acquiree, at the full amounts of their fair values (or other amounts determined in accordance with SFAS 141(R)); (3) the acquirer recognize contingent consideration at fair value on the acquisition date; and (4) acquisition-related costs be recognized separately from the cost of the acquisition. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company is currently assessing the impact of adopting SFAS 141(R) on the combined financial statements.

In December 2007, the FASB issued SFAS 160, "Non-controlling Interests in Consolidated Financial Statements" ("SFAS 160"). SFAS 160 amends Accounting Research Bulletin No. 51 "Consolidated Financial Statements" ("ARB 51"). Key provisions of SFAS 160 include: (1) a requirement that non-controlling interests are to be treated as a separate component of equity, rather than a liability or other item outside of equity; (2) clear presentation of the amount of consolidated net income attributable to non-controlling interests on the face of the consolidated statement of operations; and (3) enhanced disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling-interest holders. SFAS 160 is effective for periods beginning on or after December 15, 2008. The Company is currently assessing the impact of adopting SFAS 160 on the combined financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS 161"). SFAS 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company is currently evaluating the impact of adopting this standard.

In March 2008, the EITF reached a consensus on Issue No. 07-4, "Application of the Two-Class Method under FASB Statement No. 128, Earnings Per Share, to Master Limited Partnerships" ("EITF 07-4"). EITF 07-4 applies to master limited partnerships that make incentive equity distributions. EITF 07-4 is to be applied retrospectively beginning with financial statements issued in the interim periods of fiscal years beginning after December 15, 2008. The Company is currently evaluating the impact that EITF 07-4 may have on the consolidated financial statements.

In April 2008, the FASB issued Staff Position No. FAS 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP 142-3"). FSP No. 142-3 amends the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under SFAS No. 142, "Goodwill and Other Intangible Assets." FSP No. 142-3 affects entities with recognized intangible assets and is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The new guidance applies prospectively to (1) intangible assets that are acquired individually or with a group of other assets and (2) both intangible assets acquired in business combinations and asset acquisitions.

3. INVESTMENTS

Investments, at fair value consist of the following:

	Fair Value	
	March 31, 2008	**December 31, 2007**
Private Equity Investments	$ 32,437,268	$ 30,743,120
Debt Investments	516,644	563,579
Other Investments	340,189	511,633
	$ 33,294,101	$ 31,818,332

Investments, at fair value held by the consolidated KKR Funds amounted to $33,124,918 and $31,435,621 at March 31, 2008 and December 31, 2007, respectively.

As of March 31, 2008, Investments at fair value totaling $3,881,418 were pledged as collateral against various financing arrangements. In addition, KPE holds limited partnership interests in our Traditional Private Equity Funds with a fair value of $1,929,178 as of March 31, 2008 that are pledged as collateral.

Private Equity Investments

The following table presents information concerning private equity investments held by the consolidated KKR Funds:

	Fair Value		Fair Value as a Percentage of Total	
	March 31, 2008	December 31, 2007	March 31, 2008	December 31, 2007
Private Equity Investments, at Fair Value				
North America				
Financial Services	$ 4,559,341	$ 3,369,354	14.1%	11.0%
Healthcare	3,088,231	3,148,949	9.5%	10.2%
Retail	2,886,449	2,886,448	8.9%	9.4%
Energy	2,017,250	2,042,250	6.2%	6.6%
Media	1,394,207	1,320,476	4.3%	4.3%
Technology	1,233,881	1,232,040	3.8%	4.0%
Chemicals	973,358	986,915	3.0%	3.2%
Consumer Products	608,628	841,578	1.9%	2.7%
Education	459,870	383,225	1.4%	1.2%
Manufacturing	244,137	418,679	0.8%	1.4%
Telecom	60,640	50,036	0.2%	0.2%
Hotels/Leisure	31,888	27,150	0.1%	0.1%
North America Total (Cost: March 31, 2008, $17,090,961; December 31, 2007, $15,861,018)	**17,557,880**	**16,707,100**	**54.2%**	**54.3%**
Europe				
Manufacturing	3,977,054	4,244,510	12.3%	13.8%
Healthcare	2,497,198	2,500,052	7.7%	8.1%
Technology	1,986,230	1,301,249	6.1%	4.2%
Media	1,344,618	1,583,525	4.1%	5.2%
Telecom	726,800	672,061	2.2%	2.2%
Transportation	583,192	539,269	1.8%	1.8%
Retail	529,820	472,681	1.6%	1.5%
Recycling	498,894	426,091	1.5%	1.4%
Europe Total (Cost: March 31, 2008, $10,030,791; December 31, 2007, $9,319,196)	**12,143,806**	**11,739,438**	**37.3%**	**38.2%**
Australia, Bermuda, Singapore and Other Locations				
Technology	1,329,828	1,313,052	4.1%	4.3%
Media	677,517	590,654	2.1%	1.9%
Telecom	247,550	—	0.8%	0.0%
Manufacturing	227,157	113,579	0.7%	0.4%
Financial Services	170,528	198,729	0.5%	0.6%
Recycling	83,002	80,568	0.3%	0.3%
Australia, Bermuda, Singapore and Other Locations, Total (Cost: March 31, 2008, 2,243,761; December 31, 2007, $1,980,800)	**2,735,582**	**2,296,582**	**8.5%**	**7.5%**
Private Equity Investments, at Fair Value	**$ 32,437,268**	**$ 30,743,120**	**100.0%**	**100.0%**

The classifications of the private equity investments included in the table above are based primarily on the primary business and the domiciled location of the business.

(All Dollars Are in Thousands Except Where Otherwise Noted)

3. INVESTMENTS (Continued)

As of March 31, 2008, investments which represented greater than 5% of the net assets of consolidated private equity funds included: (i) First Data valued at $2,524,977; (ii) Alliance Boots valued at $2,497,198; (iii) Legrand S.A. valued at $2,468,986; and (iv) Energy Future Holdings valued at $2,017,250. As of December 31, 2007, investments which represented greater than 5% of the net assets of consolidated private equity funds included: (i) Legrand S.A. valued at $2,682,863; (ii) First Data valued at $2,524,977; (iii) Alliance Boots valued at $2,500,052; and (iv) Energy Future Holdings valued at $2,042,250.

Substantially all of the securities underlying the Company's private equity investments represent equity securities. As of March 31, 2008 and December 31, 2007, the aggregate amount of investments that were other than equity securities was less than 5% of the net assets of consolidated private equity funds.

All Portfolio Companies included in private equity investments are deemed affiliates due to the nature of the ownership interests and the Company's ability to control, direct or substantially influence management and the operations of such Portfolio Companies.

Net Gains (Losses) from Investment Activities in the combined statements of operations include net realized gains or (losses) from sales of investments and the net change in unrealized gains or (losses) resulting from changes in fair value of the KKR Funds' investments (including foreign exchange gains and losses attributable to foreign-denominated investments). The following table presents the Company's realized and net change in unrealized gains or (losses) relating to its private equity investments:

	Three months ended March 31,	
	2008	2007
Realized Gains	$ 167,077	$ 417,362
Net Change in Unrealized Gains (Losses)	(510,345)	1,067,226
	$ (343,268)	$ 1,484,588

Debt Investments

The following table presents the Company's debt investments held by the consolidated KKR Funds:

	March 31,	December 31,
	2008	2007
Debt Investments, carried at fair value:		
Strategic Capital Master Fund(a)	$ 363,261	$ 402,536
Fixed Income Securities(b)	130,168	147,643
Restricted Stock(b)	21,961	8,960
Vested Options	655	1,905
Derivatives	599	2,535
Total Debt Investments (Cost: March 31, 2008 $604,958; December 31, 2007, $585,299)	$ 516,644	$ 563,579

(a) Represents an investment in a master investment partnership resulting from a June 2007 reorganization of the SCF whereby each side-by-side fund contributed a significant portion of their loans, fixed income and corporate securities investments for an ownership interest in a master investment partnership that pools the contributed assets for the benefit of each side-by-side fund. The KKR Group, through the two consolidated SCF side-by-side funds, accounts for the investment in the master fund at fair value.

(b) Net trading losses relating to these investments amounted to $17,495 and net trading gains were $1,903 for the three months ended March 31, 2008 and 2007, respectively.

Net Gains (Losses) from Investment Activities in the combined statements of income include net realized gains or (losses) from sales of investments and the net change in unrealized gains or (losses) resulting from changes in fair value of the KKR Funds' debt investments. The following table presents the Company's realized and net change in unrealized gains or (losses) relating to its debt investments:

	Three months ended March 31,	
	2008	2007
Realized Gains	$ 245	$ 652
Net Change in Unrealized (Losses) Gains	(66,725)	6,817
	$ (66,480)	$ 7,469

Other Investments

The following tab le presents the Company's other investments at fair value:

	Fair Value	
	March 31, 2008	December 31, 2007
Opportunistic Investments in Publicly Traded Securities(a)	$ 159,126	$ 327,497
Government and Government Agency Bonds	96,597	92,889
Corporate Bonds	49,171	55,066
Municipal Bonds	18,127	19,699
Other	17,168	16,482
Total (Cost: March 31, 2008, $366,070; December 31, 2007, $555,585)	$ 340,189	$ 511,633

(a) Net trading gains relating to these investments amounted to $4,125 for the three months ended March 31, 2008 and net trading losses for the three months ended March 31, 2007 amounted to $6,060.

Net Gains (Losses) from Investment Activities in the combined statements of operations include net realized gains or (losses) from sales of investments and the net change in unrealized gains or (losses) resulting from changes in fair value of the Company's other investments. The following table presents the Company's realized and net change in unrealized gains or (losses) relating to its other investments.

	Three months ended March 31, 2008	Three months ended March 31, 2007
Realized Gains (Losses)	$ (9,994)	$ (17)
Net Change in Unrealized Gains	18,212	862
	$ 8,218	$ 845

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table summarizes the valuation of the Company's investments by the SFAS 157 fair value hierarchy levels described in Note 2 as of March 31, 2008:

Assets, at fair value:

	March 31, 2008			
	Level I	Level II	Level III	Total
Private Equity Investments	$ 4,448,263	$ 2,579,897	$ 25,409,108	$ 32,437,268
Debt Investments	22,560	111,283	382,801	516,644
Other Investments	323,236	—	16,953	340,189
Total Investments	4,794,059	2,691,180	25,808,862	33,294,101
Foreign Currency Options	—	39,804	—	39,804
Total Assets	$ 4,794,059	$ 2,730,984	$ 25,808,862	$ 33,333,905

Liabilities, at fair value:

Unrealized Losses on Foreign Exchange Forward Contracts	$ —	$ 740,007	$ —	$ 740,007
Securities Sold, Not Yet Purchased	48,201	—	—	48,201
Interest Rate Swap	—	11,391	—	11,391
Call Options	1,048	—	—	1,048
Total	$ 49,249	$ 751,398	$ —	$ 800,647

The following table summarizes our Level III investments by valuation methodology as of March 31, 2008:

	March 31, 2008			
	Private Equity Investments	Debt Investments	Other Investments	Total Level III Holdings
Third Party Fund Managers	—	1.5%	0.1%	1.6%
Public/Private Company Comparables and Discounted Cash Flows	98.4%	—	—	98.4%
Total	98.4%	1.5%	0.1%	100.0%

The changes in investments measured at fair value for which the Company has used Level III inputs to determine fair value from December 31, 2007 through March 31, 2008 are as follows:

	Three Months Ended March 31, 2008
Balance, December 31, 2007	$ 24,391,146
Transfers In (Out)	—
Purchases (Sales), Net	772,870
Realized and Unrealized Gains (Losses), Net	644,846
Balance, March 31, 2008	$ 25,808,862
Changes in Unrealized Gains (Losses) Included in Net Losses from Investing Activities Related to Investments Still Held at Reporting Date	$ 643,377

Total realized and unrealized gains and losses recorded for Level III investments are reported in Net Gains (Losses) from Investment Activities in the condensed combined statements of operations.

5. OTHER ASSETS AND ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

Other assets consist of the following:

	March 31, 2008	December 31, 2007
Foreign Currency Options (a)	$ 39,804	$ 31,384
Furniture & Fixtures (b)	36,743	28,894
Leasehold Improvements (b)	34,215	36,390
Deferred Financing Costs	22,735	3,840
Prepaid Stock Compensation	15,360	—
Interest Receivable	9,382	7,377
Deferred Transaction Related Expenses	3,763	9,671
Prepaid Expense	3,611	3,311
Escrow Receivable	—	113,848
Other Assets	11,916	14,070
	$ 177,529	$ 248,785

(a) Represents a hedging instrument used to manage foreign exchange risk. The instrument is measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying combined statements of operations. The net change in fair value associated with this instrument was a net unrealized gain of $8,420 for the three months ended March 31, 2008. There were no gains or losses on this instrument for the three months ended March 31, 2007.

(b) Net of accumulated depreciation and amortization of $36,202 and $35,003 as of March 31, 2008 and December 31, 2007, respectively. Depreciation and amortization expense totaled $1,082 and $938 for the three months ended March 31, 2008 and 2007, respectively.

Accounts Payable, Accrued Expenses and Other Liabilities consist of the following:

	March 31, 2008	December 31, 2007
Unrealized Losses on Foreign Exchange Forward Contracts and Interest Rate Swap (a)	$ 751,398	$ 405,662
Accrued Benefits and Compensation	65,153	22,159
Accounts Payable and Accrued Expenses	57,255	70,103
Interest Payable	52,156	37,755
Securities Sold Not Yet Purchased (proceeds of $47,861) (b)	48,201	—
Deferred Revenue	18,448	6,541
Other Liabilities (c)	2,016	13,088
	$ 994,627	$ 555,308

(a) Represents derivative financial instruments used to manage foreign exchange and interest rate risk arising from certain assets and liabilities. Such instruments are measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying combined statements of operations. The net change in fair value associated with these instruments was a net unrealized loss of $345,736 and $10,848 for the three months ended March 31, 2008 and 2007, respectively. See Note 2, "Summary of Significant Accounting Policies."

(b) Represents securities sold short, which are obligations of the Company to deliver a specified security at a contracted price at a future point in time. Such securities are measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying combined statements of operations. Net changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying combined statements of operations were gains of $1,215 ($1,555 of realized gains and ($340) of unrealized losses) for the three months ended March 31, 2008. There were no such securities during the three months ended March 31, 2007.

(c) As of March 31, 2008, included in Other Liabilities were premiums received with respect to call options written of $1,080. The call options were recorded net of an unrealized gain of $32 for a fair value of $1,048. Total changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying combined statements of operations were gains of $1,397 ($3,390 of realized gains and ($1,993) of unrealized losses) for the three months ended March 31, 2008. There were no call options outstanding during the three months ended March 31, 2007.

6. DEBT OBLIGATIONS

Debt obligations consist of the following:

	March 31, 2008	December 31, 2007
Other Financing Arrangements	$ 1,324,483	$ 684,483
Revolving Credit Agreement	998,981	1,002,240
Short-term Loans	—	333,605
	$ 2,323,464	$ 2,020,328

The Company's Fixed Income Funds may leverage their portfolios of securities and loans through the use of short-term borrowings in the form of warehouse facilities and repurchase agreements. These borrowings used by the Company generally bear interest at floating rates based on a spread above the London Interbank Offered Rate ("LIBOR").

On February 26, 2008, Kohlberg Kravis Roberts & Co. L.P. entered into a credit agreement with a major financial institution (the "Management Company Credit Agreement"). The Management Company Credit Agreement provides for revolving borrowings of up to $1 billion, with a $50 million sublimit for swingline notes and a $25 million sublimit for letters of credit. The agreement has a maturity date of February 26, 2013. There were no amounts outstanding under the Management Company Credit Agreement as of March 31, 2008.

During February of 2008, Kohlberg Kravis Roberts & Co. L.P. renewed its $25 million line of credit (the "Management Company Credit Line") with a major financial institution. The Management Company Credit Line expires in 2009. The Management Company Credit Line is available for general corporate purposes. As of March 31, 2008, no amounts were outstanding under the Management Company Credit Line.

From time to time, the Company may borrow amounts to satisfy general short-term needs of the business by opening short-term lines of credit with established financial institutions. These amounts may be incremental to, or in lieu of, borrowings made under the Management Company Credit Line, and are generally repaid within 30 days, at which time such short-term lines of credit would close. There were no amounts outstanding as of March 31, 2008.

On February 27, 2008, KKR Capital Markets entered into a revolving credit agreement with a major financial institution (the "KCM Credit Agreement"). The KCM Credit Agreement provides for revolving borrowings of up to $700 million with a $500 million sublimit for letters of credit. The KCM Credit Agreement has a maturity date of February 27, 2013. There were no amounts outstanding as of March 31, 2008.

In June 2007, KPE entered into a revolving credit agreement (the "KPE Credit Agreement") with a syndicate of financial institutions. The KPE Credit Agreement provides for up to $1.0 billion of senior secured credit, subject to availability under a borrowing base determined by the value of certain investments the Company pledged as collateral security for its obligations under the KPE Credit Agreement.

Pursuant to the terms of the KPE Credit Agreement, the Company has an option to seek an increase of the commitments available under the KPE Credit Agreement up to a maximum amount of $2.0 billion, subject to the satisfaction of certain customary conditions. As of March 31, 2008, the interest rates on borrowings under the KPE Credit Agreement ranged from 4.06% to 7.13%. As of March 31, 2008, the Company had $999 million of borrowings outstanding, which included $999.3 million of borrowings and $0.3 million of foreign currency adjustments (a cumulative unrealized loss of $3.4 million and an unrealized gain of $3.1 million related to borrowings denominated in Canadian dollars and British pounds sterling, respectively). Foreign currency adjustments related to the debt during the period are recorded through Net Gains from Investment Activities in the accompanying combined statements of operations. The net change in fair value associated with these borrowings for the three months ended March 31, 2008 totaled $3,260.

As of March 31, 2008, the Company had entered into various financing arrangements with major financial institutions with respect to certain of the Company's private equity investments with a cost of $1,324.5 million. Of the $1,324.5 million of financing arrangements, $1,146.4 million was structured through the use of total return swaps. The per annum rates of interest payable by the Company for the financings range from the three-month LIBOR plus 0.90% to three-month LIBOR plus 1.35% (rates ranging from 6.05% to 6.45% at March 31, 2008). The remaining $178.1 million of financing was structured through the use of a syndicated term and a revolving credit facility (the "Term Facility"). The per annum rate of interest for each borrowing under the Term Facility is equal to the Bloomberg United States Dollar Interest Rate Swap Ask Rate plus 1.75% at the time of each borrowing under the term facility (rates range from 4.9% to 7.2% at March 31, 2008) for the first five years of the loan. Commencing on the fifth anniversary of the Term Facility, the per annum rate of interest will equal the one year LIBOR rate plus 1.75%.

The Company believes the carrying value of its debt approximates fair value as of March 31, 2008.

7. INCOME TAXES

The Company has provided for New York City unincorporated business tax for certain entities based on a statutory rate of 4%. Certain consolidated entities of the Company are subject to income tax of the foreign countries in which they conduct business. The Company's effective income tax rate was approximately 0.76% and 0.18% for the three months ended March 31, 2008 and 2007, respectively.

	March 31, 2008	March 31, 2007
Current		
Foreign Income Tax	$ 684	$ 483
State and Local Income Tax	149	105
Subtotal	833	588
Deferred		
Foreign Income Tax	55	39
Subtotal	55	39
Total Income Taxes	$ 888	$ 627

Income taxes are provided at the applicable statutory rates. The Company's deferred tax assets and liabilities did not change materially from December 31, 2007.

8. RELATED PARTY TRANSACTIONS

As of March 31, 2008 and 2007, Due from Affiliates was comprised of the following:

	March 31, 2008	December 31, 2007
Due from Portfolio Companies	$ 30,418	$ 15,684
Due from Related Entities	24,769	12,234
Due from Unconsolidated Funds	6,410	16,051
	$ 61,597	$ 43,969

Discretionary Investments

Certain of the Company's investment professionals, including its Principals and other qualifying employees, are permitted to invest and have invested their own capital in side-by-side investments with its Traditional Private Equity Funds. Side-by-side investments are investments in Portfolio Companies that are made on the same terms and conditions as those acquired by the applicable fund, except that the side-by-side investments are not subject to management fees or a carried interest. The cash invested by these individuals aggregated $15.1 million and $18.9 million for the three months ended March 31, 2008 and March 31, 2007, respectively. These investments are not included in the accompanying combined financial statements.

8. RELATED PARTY TRANSACTIONS (Continued)

Aircraft and Other Services

Certain of the Senior Principals own aircraft that the Company uses for business purposes in the ordinary course of its operations. These Senior Principals paid for the purchase of these aircraft with their personal funds and bear all operating, personnel and maintenance costs associated with their operation. The hourly rates that the Company pays for the use of these aircraft are based on current market rates for chartering private aircraft of the same type. The Company paid $1,648 and $568 for the use of these aircraft during the three months ended March 31, 2008 and 2007, respectively.

Facilities

Certain of the Senior Principals are partners in a real-estate based partnership that maintains an ownership interest in the Company's Menlo Park location. Payments made to this partnership aggregated $484 and $481 for the three months ended March 31, 2008 and 2007, respectively.

9. SEGMENT REPORTING

The Company operates through two reportable business segments. These segments, which are differentiated primarily by their investment focuses and strategies, consist of the following:

- **Private Equity** —The Company's private equity segment involves sponsoring and managing a group of funds that make primarily control-oriented investments in connection with leveraged buyouts and other similar investment opportunities. These funds are managed by Kohlberg Kravis Roberts & Co. L.P. and currently consist of Traditional Private Equity Funds and KPE.

- **Fixed Income —**The Company's fixed income segment involves sponsoring and managing a group of private and publicly traded Fixed Income Funds. These funds are managed by subsidiaries of KKR Financial LLC, specifically KKR Financial Advisors LLC and KKR Strategic Capital Management, L.L.C., and currently consist of KFN and the SCF, which is comprised of three side-by-side private fixed income funds. Two of the three side-by-side funds in the SCF have been consolidated in the accompanying combined financial statements of the Company.

Economic Net Income ("ENI") and Fee Related Earnings ("FRE") are key performance measures used by management. ENI is a measure of profitability for the Company's reportable segments and represents income before taxes. FRE represents income before taxes adjusted to: (i) exclude the expenses of consolidated funds; (ii) include management fees earned from consolidated funds that were eliminated in consolidation; (iii) exclude investment income; and (iv) exclude non-controlling interests in income of consolidated entities. These measures are used by management for the Company's segments in making resource deployment and other operational decisions.

Management makes operating decisions and assesses the performance of each of the Company's business segments based on financial and operating metrics and data that is presented excluding the impact of any of the KKR Funds that are consolidated into the combined financial statements. Consequently, all segment data excludes the assets, liabilities and operating results related to the KKR Funds.

The following table presents the financial data for the Company's reportable segments as of and for the three months ended March 31, 2008:

	Three months ended March 31, 2008		
	Private Equity	**Fixed Income**	**Total Reportable Segments**
Fee Income			
Management Fees	$ 78,833	$ 16,127	$ 94,960
Advisory Fees	37,740	3,333	41,073
Incentive Fees	—	—	—
Total Fee Income	116,573	19,460	136,033
Expenses			
Employee Compensation and Benefits	43,412	4,651	48,063
Other Operating Expenses	48,561	4,154	52,715
Total Expenses	91,973	8,805	100,778
Fee Related Earnings	24,600	10,655	35,255
Investment Income (Loss)	(148,310)	(85)	(148,395)
Income before Non-Controlling Interests in Income of Consolidated Entities and Income Taxes	(123,710)	10,570	(113,140)
Non-Controlling Interests in Income of Consolidated Entities	(65)	(3,805)	(3,870)
Economic Net Income (Loss)	$ (123,775)	$ 6,765	$ (117,010)
Total Assets	$ 1,428,678	$ 47,632	$ 1,476,310

The following table reconciles the Company's total reportable segments to the combined financial statements as of and for the three months ended March 31, 2008:

	Three months ended March 31, 2008		
	Total Reportable Segments	**Combination Adjustments**	**Combined**
Fee Income (a)	$ 136,033	$ (67,443)	$ 68,590
Expenses (b)	$ 100,778	$ 2,759	$ 103,537
Investment Income (Loss) (c)	$ (148,395)	$ (590,003)	$ (738,398)
Income before Non-Controlling Interests in Income of Consolidated Entities and Income Taxes	$ (113,140)	$ (660,205)	$ (773,345)
Non-Controlling Interests in Income of Consolidated Entities	$ (3,870)	$ 660,205	$ 656,335
Economic Net Income (Loss)	$ (117,010)	$ —	$ (117,010)
Total Assets (d)	$ 1,476,310	$ 32,865,704	$ 34,342,014

(a) The Fee Income adjustment represents the elimination of intercompany transactions upon consolidation of the KKR Funds and other adjustments necessary to reconcile from segment reporting measures to consolidated financial results. In periods where the amount of fee income attributable to our consolidated funds exceeds the amount of management fees earned from our consolidated funds, a positive adjustment will be required to eliminate this intercompany transaction and reconcile to our combined fee income.

(b) The Expenses adjustment primarily represents the inclusion of certain operating expenses upon consolidation of the KKR Funds.

(c) The Investment Income (Loss) adjustment primarily represents the inclusion of investment income allocable to non-controlling interests in consolidated entities upon consolidation of the KKR Funds.

(d) The Total Assets adjustment primarily represents the inclusion of private equity and credit investments that are allocable to non-controlling interests in consolidated entities upon consolidation of the KKR Funds.

The following table presents the financial data for the Company's reportable segments as of and for the three months ended March 31, 2007:

	Three months ended March 31, 2007		
	Private Equity	**Fixed Income**	**Total Reportable Segments**
Fee Income			
Management Fees	$ 58,203	$ 18,935	$ 77,138
Advisory Fees	28,794	1,815	30,609
Incentive Fees	—	6,371	6,371
Total Fee Income	86,997	27,121	114,118
Expenses			
Employee Compensation and Benefits	21,228	5,897	27,125
Other Operating Expenses	43,321	3,284	46,605
Total Expenses	64,549	9,181	73,730
Fee Related Earnings	22,448	17,940	40,388
Investment Income	310,625	2,490	313,115
Income before Non-Controlling Interests in Income of Consolidated Entities and Income Taxes	333,073	20,430	353,503
Non-Controlling Interests in Income of Consolidated Entities	—	(7,856)	(7,856)
Economic Net Income	$ 333,073	$ 12,574	$ 345,647
Total Assets	$ 1,848,669	$ 70,660	$ 1,919,329

The following table reconciles the Company's total reportable segments to the combined financial statements as of and for the three months ended March 31, 2007:

	Three months ended March 31, 2007		
	Total Reportable Segments	Combination Adjustments	Combined
Fee Income(a)	$ 114,118	$ (45,278)	$ 68,840
Expenses(b)	$ 73,730	$ 4,948	$ 78,678
Investment Income(c)	$ 313,115	$ 1,241,086	$ 1,554,201
Income before Non-Controlling Interests in Income of Consolidated Entities and Income Taxes	$ 353,503	$ 1,190,860	$ 1,544,363
Non-Controlling Interests in Income of Consolidated Entities	$ (7,856)	$ (1,190,860)	$ (1,198,716)
Economic Net Income	$ 345,647	$ —	$ 345,647
Total Assets(d)	$ 1,919,329	$ 23,957,955	$ 25,877,284

(a) The Fee Income adjustment represents the elimination of intercompany transactions upon consolidation of the KKR Funds and other adjustments necessary to reconcile from segment reporting measures to consolidated financial results. In periods where the amount of fee income attributable to our consolidated funds exceeds the amount of management fees earned from our consolidated funds, a positive adjustment will be required to eliminate this intercompany transaction and reconcile to our combined fee income.

(b) The Expenses adjustment primarily represents the inclusion of certain operating expenses upon consolidation of the KKR Funds.

(c) The Investment Income adjustment primarily represents the inclusion of investment income allocable to non-controlling interests in consolidated entities upon consolidation of the KKR Funds.

(d) The Total Assets adjustment primarily represents the inclusion of private equity and credit investments that are allocable to non-controlling interests in consolidated entities upon consolidation of the KKR Funds.

10. CREDIT AND MARKET RISK

In the normal course of business, the Company primarily encounters two significant types of economic risk: credit and market. Credit risk is the risk of default on the Company's investments in debt securities, loans, leases and derivatives that results from a borrower's, lessee's or derivative counterparty's inability or unwillingness to make required or expected payments. Market risk reflects changes in the value of investments in loans, securities, portfolio companies or derivatives, as applicable, due to changes in interest rates, credit spreads or other market factors, including the value of the collateral underlying loans and the valuation of equity and debt securities. Management believes that the carrying values of its investments are reasonable taking into consideration these risks along with estimated collateral values, payment histories, and other borrower information.

The Company makes investments outside of the United States. The Company's non-U.S. investments are subject to the same risks associated with its U.S. investments as well as additional risks, such as fluctuations in foreign currency exchange rates, unexpected changes in regulatory requirements, heightened risk of political and economic instability, difficulties in managing non-U.S. investments, potentially adverse tax consequences and the burden of complying with a wide variety of foreign laws.

The Company is exposed to economic risk concentrations insofar as it is dependent on the ability of the KKR Funds to compensate it for the services which the Company provides to these funds. Further, the carried interest and incentive income component of this compensation is based on the ability of the KKR Funds to generate adequate returns on their investments. In addition, substantially all of the Company's net assets, after deducting the portion attributable to non-controlling interests, are comprised of capital investments in these funds.

Furthermore, the Company is exposed to economic risk concentrations related to certain large investments as well as concentrations of investments in certain industries and geographic locations, as disclosed in Note 3.

11. COMMITMENTS AND CONTINGENCIES

Investment Commitments

As of March 31, 2008, certain of the KKR Funds had committed approximately €80 million, or $126 million, to one private equity investment. This investment is not expected to exceed 5% of the net assets of consolidated private equity investments.

The general partners of the Traditional Private Equity Funds had unfunded general partner capital commitments to such funds of approximately $490.4 million as of March 31, 2008.

Contingent Repayment Guarantee

Certain Company personnel who have received carried interest distributions with respect to Traditional Private Equity Funds have personally guaranteed, on a several basis and subject to a cap, the contingent obligations of the general partners of the Traditional Private Equity Funds to repay amounts to fund limited partners pursuant to the general partners' equity clawback obligations, if any. As of March 31, 2008, approximately $987.0 million of carried interest has been paid to certain of the general partners of the KKR Funds that is subject to contingent repayment.

Indemnifications

In the normal course of business, the Company and its subsidiaries enter into contracts that contain a variety of representations and warranties and provide general indemnifications. The Company's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Company's that have not yet occurred. However, based on experience, the Company expects the risk of material loss to be remote.

Litigation

From time to time, the Company, is involved in various legal proceedings, lawsuits and claims incidental to the conduct of the Company's business. The Company believes that the ultimate liability arising from such proceedings, lawsuits and claims, if any, will not have a material effect on the Company's business, results of operations, cash flows or financial condition.

In August 2008, KFN, its directors and executive officers, including certain of the Company's investment professionals, were named as defendants in a purported class action complaint by KFN shareholders under federal securities laws. The suit alleges that the registration statement utilized by KFN to effectuate its restructuring plan in May 2007 was false and misleading in that it misrepresented and/or omitted material facts, including carrying value and allowance for loan losses, relating to the portfolio of mortgage loans held at such time by its REIT subsidiary, KKR Financial Corp.

In December 2007, the Company, along with 15 other defendants were named in a purported class action complaint by shareholders in certain public companies recently acquired by private equity firms. In July 2008, the Company, along with 16 other defendants were named in a purported amended class action complaint. The suits allege that the defendant firms engaged in certain cooperative behavior during the bidding process in certain going-private transactions in violation of antitrust laws and that this purported behavior suppressed the price paid by the private equity firms for the plaintiffs' shares in the acquired companies below that which would otherwise have been paid in the absence of such behavior.

In 2005, the Company and certain of the Company's investment professionals were named as defendants in now-consolidated shareholder derivative actions relating to one of our portfolio companies. These actions claim that the board of directors of the portfolio company breached its fiduciary duty of loyalty in connection with the redemption of certain shares of preferred stock in 2004 and 2005. The plaintiffs further allege that the Company benefited from these redemptions of preferred stock at the expense of the portfolio company and that the Company usurped a corporate opportunity of the portfolio company in 2002 by purchasing shares of its preferred stock at a discount on the open market while causing the portfolio company to refrain from doing the same. In February 2008, the special litigation committee formed by the board of directors of the portfolio company, following a review of plaintiffs' claims, filed a motion to dismiss the actions.

In August 1999, the Company was named as a defendant in an action alleging breach of fiduciary duty and conspiracy in connection with the acquisition of one of the Company's portfolio companies in 1995. In April 2000, the complaint in this action was amended to further allege that the Company and others violated state law by fraudulently misrepresenting the financial condition of this portfolio company.

The Company believes that each of these actions are without merit and intend to defend them vigorously.

In addition, in September 2006, the Company received a request for certain documents and other information from the Antitrust Division of the U.S. Department of Justice ("DOJ") in connection with the DOJ's investigation of private equity firms to determine whether they have engaged in conduct prohibited by United States antitrust laws. The Company is fully cooperating with the DOJ's investigation.

As of March 31, 2008 and 2007, no amounts were accrued relating to threatened or pending litigation.

Operating Leases

The Company leases office space under non-cancelable lease agreements in New York, Menlo Park, Houston, London, Paris, Hong Kong, Tokyo, Sydney and San Francisco. There are no rent holidays, contingent rent, rent concessions or leasehold improvement incentives associated with any of our property leases. The related lease commitments have not changed materially since December 31, 2007.

12. SUBSEQUENT EVENTS

Investments

Subsequent to March 31, 2008, the KKR Funds committed approximately $334 million to one private equity investment, which has not yet closed.

In addition, subsequent to March 31, 2008, the KKR Funds committed approximately $272 million to fund additional investments in existing private equity portfolio companies, all of which have since closed.

Subsequent to March 31, 2008, the KKR Funds committed $158 million to various corporate debt transactions, which have all since closed.

KPE Transaction

On July 28, 2008, the Company entered into a purchase and sale agreement with KPE pursuant to which the Company has agreed to acquire all of the assets of KPE and assume all of the liabilities of KPE and its general partner in exchange for common units representing limited partner interests in the Company and contingent value interests representing possible additional consideration (the "KPE Transaction"). Upon completion of the KPE Transaction, KPE unitholders would receive common units in the Company representing 21% of the equity of the combined business as well as contingent value interests providing consideration of up to an additional 6% of the equity of the combined business upon completion of the KPE Transaction, depending on the trading price of the Company's common units three years after completion of the KPE Transaction. Prior to the KPE Transaction, there has been no public market for the Company's common units. The Company intends to list the Company's common units on the NYSE under the symbol "KKR." The KPE Transaction will be consummated subsequent to the completion of a series of reorganization transactions which will result in common units of the Company being listed on the NYSE.

Form of Amended and Restated Limited Partnership Agreement of KKR & Co. L.P.

Opinion of Citigroup Global Markets Limited

Appendix C

Opinion of Lazard Frères & Co. LLC

Common Units Representing Limited Partner Interests

Contingent Value Interests

PRELIMINARY PROSPECTUS

, 2008

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13(S-1). OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the expenses payable by the Registrant in connection with the issuance and distribution of the common units being registered hereby. All of such expenses are estimates, other than the filing and listing fees payable to the Securities and Exchange Commission, the New York Stock Exchange and the Financial Industry Regulatory Authority.

Filing Fee—Securities and Exchange Commission	$	*
Listing Fee—New York Stock Exchange		*
Fees and Expenses of Counsel		*
Printing Expenses		*
Fees and Expenses of Accountants		*
Blue Sky Fees and Expenses		*
Transfer Agent Fees and Expenses		*
Miscellaneous Expenses		*
Total	$	*

* To be provided by amendment.

ITEM 14(S-1)/ITEM 20(S-4). INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Subject to any terms, conditions or restrictions set forth in the applicable partnership agreement, Section 17-108 of the Delaware Limited Partnership Act empowers a Delaware limited partnership to indemnify and hold harmless any partner or other persons from and against all claims and demands whatsoever. The section of the prospectus entitled "Description of Our Limited Partnership Agreement—Indemnification" discloses that we will generally indemnify our Managing Partner and the officers, directors and affiliates of our Managing Partner, to the fullest extent permitted by law, against all losses, claims, damages or similar events and is incorporated by reference herein.

We currently maintain liability insurance for our directors and officers. In connection with the Transactions, we will obtain additional liability insurance for our directors and officers. Such insurance would be available to our directors and officers in accordance with its terms.

ITEM 15(S-1). RECENT SALES OF UNREGISTERED SECURITIES.

None.

ITEM 16(S-1)/ITEM 21(S-4). EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

Exhibit Index

2.1	Purchase and Sale Agreement
3.1	Certificate of Limited Partnership of the Registrant**
3.2	Form of Amended and Restated Limited Partnership Agreement of the Registrant*
3.3	Certificate of Formation of the Managing Partner of the Registrant**
3.4	Form of Amended and Restated Limited Liability Company Agreement of the Managing Partner of the Registrant*
5.1	Opinion of Simpson Thacher & Bartlett LLP*
8.1	Opinion of Simpson Thacher & Bartlett LLP regarding certain tax matters*
10.1	Form of Amended and Restated Limited Partnership Agreement of KKR Management Holdings L.P.*
10.2	Form of Amended and Restated Limited Partnership Agreement of KKR Fund Holdings L.P.*
10.3	Form of Contingent Value Interests Agreement
10.4	Form of Tax Receivable Agreement
10.5	Form of Exchange Agreement
10.6	Form of Registration Rights Agreement*
10.7	Form of 2008 Equity Incentive Plan
21.1	Subsidiaries of the Registrant*
23.1	Consent of Independent Registered Public Accounting Firm
23.2	Consent of Simpson Thacher & Bartlett LLP (included as part of Exhibit 5.1)*
24.1	Power of Attorney**
99.1	Consent of Duff & Phelps, LLC*
99.2	Consent of Citigroup Global Markets Limited*
99.3	Consent of Lazard Frères & Co. LLC*

* To be filed by amendment.

** Previously filed.

ITEM 17(S-1)/ITEM 22(S-4). UNDERTAKINGS

(a) The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

(c) The undersigned Registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11, or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(d) The undersigned Registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in New York, New York, on the 12th day of August 2008.

KKR & Co. L.P.

By: KKR Management LLC
Its General Partner

By: /s/ WILLIAM J. JANETSCHEK

Name: William J. Janetschek
Title: Chief Financial Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on the 12th day of August 2008.

Signature	Title
* Henry R. Kravis	Co-Chairman and Co-Chief Executive Officer (principal executive officer) of KKR Management LLC
* George R. Roberts	Co-Chairman and Co-Chief Executive Officer (principal executive officer) of KKR Management LLC
/s/ WILLIAM J. JANETSCHEK William J. Janetschek	Chief Financial Officer (principal financial and accounting officer) of KKR Management LLC

*By: /s/ WILLIAM J. JANETSCHEK

Name: William J. Janetschek
Title: Attorney-in-fact

QuickLinks

Exhibit 2.1

EXECUTION VERSION

PURCHASE AND SALE AGREEMENT

by and among

KKR & CO. L.P.,

KKR PRIVATE EQUITY INVESTORS, L.P.,

KKR PEI ASSOCIATES, L.P.

(solely for purposes of Section 1.4),

KKR HOLDINGS L.P.

(solely for purposes of Section 4, Section 5.5, Section 5.13(b) and Section 9.10),

KKR MANAGEMENT HOLDINGS L.P.

(solely for purposes of Section 6)

and

KKR FUND HOLDINGS L.P.

(solely for purposes of Section 6)

Dated as of July 27, 2008

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Exhibits

INDEX OF DEFINED TERMS

PURCHASE AND SALE AGREEMENT

This PURCHASE AND SALE AGREEMENT, dated as of July 27, 2008 (as amended, supplemented or otherwise modified from time to time, this " Agreement "), is entered into by and among (1) KKR & Co. L.P., a Delaware limited partnership (the " Purchaser "), acting through KKR Management LLC, a Delaware limited liability company (the " Purchaser GP ") in its capacity as the general partner of the Purchaser, (2) KKR Private Equity Investors, L.P., a Guernsey limited partnership (the " Seller "), acting through KKR Guernsey GP Limited, a Guernsey company limited by shares (the " Seller GP ") in its capacity as the general partner of the Seller, (3) KKR PEI Associates, L.P., a Guernsey limited partnership (the " Acquired Partnership GP "), acting in its capacity as the general partner of KKR PEI Investments, L.P., a Guernsey limited partnership (the " Acquired Partnership "), and acting through KKR PEI GP Limited, a Guernsey company limited by shares in its capacity as general partner of the Acquired Partnership GP (solely for purposes of Section 1.4), (4) KKR Holdings L.P., a Cayman Islands exempted limited partnership (" Holdings "), acting through KKR Holdings GP Limited in its capacity as general partner of Holdings (solely for purposes of Section 4, Section 5.5, Section 5.13(b) and Section 9.10), (5) KKR Management Holdings L.P., a Delaware limited partnership, acting through KKR Management Holdings Corp. in its capacity as the general partner of KKR Management Holdings L.P. (solely for purposes of Section 6) and (6) KKR Fund Holdings L.P., a Cayman Islands exempted limited partnership, acting through KKR Management LLC in its capacity as the general partner of the general partner of KKR Fund Holdings L.P. (solely for purposes of Section 6) (KKR Management Holdings L.P. and KKR Fund Holdings L.P. are sometimes collectively referred to herein as the " Group Partnerships ").

WHEREAS, the Seller owns all of the limited partner interests (the " Limited Partner Interests ") in the Acquired Partnership and certain other assets;

WHEREAS, the Seller desires to sell, and the Purchaser desires to purchase, all of the Limited Partner Interests and all of the other assets of the Seller upon the terms and subject to the conditions set forth in this Agreement;

WHEREAS, the Purchaser, Holdings and Messrs. Henry Kravis and George Roberts have each disclosed to the Seller and the board of directors of the Seller GP (the " Board ") in accordance with the organizational documents of the Seller GP and the Seller Limited Partnership Agreement (as defined below) that each of them is an Interested Party (as such term is defined in the Seller Limited Partnership Agreement) and accordingly this Agreement and the transactions contemplated hereby are required, among other things, to be approved by a majority of the directors of the Seller GP who are not affiliated with the Purchaser or Holdings (the " Independent Directors ");

WHEREAS, the Board approved guidelines to govern the conduct of the Independent Directors' review of the transactions contemplated by this Agreement, which guidelines, among other things, provided that the Independent Directors have the authority to set up their own process for evaluating the transactions contemplated by this Agreement, have the sole authority to select their advisors, have the sole authority to negotiate for and on behalf of the Seller the terms and conditions of this Agreement, and have the sole authority to recommend to the Board that the Board approve or not approve the transactions contemplated by this Agreement;

WHEREAS, the Independent Directors have unanimously recommended to the Board that the Board approve this Agreement and the transactions contemplated by this Agreement;

WHEREAS, the Board, acting upon the unanimous recommendation of the Independent Directors, has unanimously determined that this Agreement and the transactions contemplated hereby are fair to and in the best interests of the Seller and the holders of common units, including restricted depository units, of the Seller (the " Seller Common Units ") and has approved the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby;

WHEREAS, following the purchase and sale of the Limited Partner Interests upon the terms and subject to the conditions set forth in this Agreement, the Seller intends to distribute the Purchaser Common Units (as defined below) and the CVIs (as defined below) received as consideration for the Limited Partner Interests to the holders of the Seller Common Units, following which the Seller intends to dissolve and liquidate; and

WHEREAS, pursuant to section 708 of the Internal Revenue Code of 1986, as amended (the " Code "), and consistent with Internal Revenue Service Revenue Ruling 84-52, 1984-1 C.B. 157 and with Internal Revenue Service Revenue Ruling 95-37, 1995-1 C.B. 130, the Purchaser will be treated as a continuation of the Seller for U.S. federal income tax purposes.

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements contained herein, and intending to be legally bound hereby, the parties agree as follows:

1. THE PURCHASE AND SALE

1.1 Purchase and Sale . Upon the terms and subject to the conditions set forth in this Agreement, at the Closing (as defined below), the Seller shall sell, convey, assign and transfer to the Purchaser, and the Purchaser shall purchase from the Seller, the Limited Partner Interests and all of the other assets of the Seller, free and clear of all liens, claims, charges, mortgages, pledges, security interests or other encumbrances of any kind (" Liens "), other than Permitted Liens (as defined below). In consideration of the sale, conveyance, assignment and transfer of the Limited Partner Interests and all of the other assets of the Seller and upon the terms and subject to the conditions set forth in this Agreement, at the Closing, the Purchaser shall deliver to the Seller (i) a number of common units representing limited partner interests of the Purchaser (the " Purchaser Common Units ") equal to the number of Seller Common Units then outstanding, which number of Purchaser Common Units shall equal 21% of the sum of the number of Purchaser Common Units then outstanding and the number of Purchaser Common Units then issuable upon exchange (without regard to any restrictions on exchange) by Holdings or its designees to the Purchaser of partner interests in the Group Partnerships (for the avoidance of doubt, any Purchaser Common Units issuable or outstanding under the Equity Incentive Plan (as defined below) shall not be considered as issuable or outstanding for purposes of this Section 1.1), and (ii) a number of contingent value interests of the Purchaser (the " CVIs ") equal to the number of Seller Common Units then outstanding, representing the right to receive the number of Purchaser Common Units or the amount of cash provided for in the CVI Agreement (as defined below). The transactions contemplated by this Section 1.1 are sometimes referred to herein as the " Purchase and Sale ".

1.2 Assumption of Liabilities . Upon the terms and subject to the conditions set forth in this Agreement, at the Closing, the Seller shall assume all of the liabilities of the Seller GP as of the Closing and the Purchaser shall assume and pay, perform and discharge when due and indemnify the Seller and hold the Seller harmless against all of the Liabilities of the Seller, including those liabilities of the Seller GP assumed by the Seller, as of the Closing and all of the Liabilities of the Seller, including those liabilities of the Seller GP assumed by the Seller, incurred at or arising after the Closing. The Purchaser shall have the right to cause one or more of its designated affiliates to assume and pay, perform and discharge when due the Liabilities, but in no event shall the Purchaser be released from its obligation in this Section 1.2 to indemnify the Seller and hold the Seller harmless against such Liabilities. For purposes of the foregoing, " Liability " means any debt, liability or obligation (whether direct or indirect, known or unknown, asserted or unasserted, absolute or contingent, present or future, accrued or unaccrued, liquidated or unliquidated, or due or to become due, and whether in contract, tort, strict liability or otherwise), including any off-balance sheet liabilities and all liabilities relating to or incurred in connection with any suit, claim, action, proceeding, arbitration or investigation arising out of or related to this Agreement or the transactions contemplated by this Agreement.

1.3 Closing . Subject to the terms and conditions of this Agreement, the closing of the Purchase and Sale (the " Closing ") shall take place at the offices of Simpson Thacher & Bartlett LLP, 425 Lexington Avenue, New York, New York 10017 at 10:00 a.m. eastern time on the date that is the second Business Day (as defined below) after the satisfaction or waiver (subject to applicable law) of the conditions set forth in Section 7 of this Agreement (other than conditions which by their terms are to be satisfied at Closing but subject to the satisfaction or waiver of those conditions), or such other place, date or time as the parties may mutually agree (the " Closing Date "). For purposes of this Agreement, a " Business Day " shall mean any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by law to close in the City of New York, Amsterdam, Netherlands, the Island of Guernsey or the Cayman Islands.

1.4 Acquired Partnership GP Consent . In accordance with the requirements of Clause 9.2 of the limited partnership agreement of the Acquired Partnership (as amended, supplemented or otherwise modified from time to time, the " Acquired Partnership LPA "), the Acquired Partnership GP, acting as general partner of the Acquired Partnership, hereby consents to the transfer of the Limited Partner Interests upon the terms and subject to the conditions set forth in this Agreement and agrees, subject to the Purchaser becoming a party to the Acquired Partnership LPA and assuming the Seller's obligations thereunder, to register the Purchaser as the sole limited partner of the Acquired Partnership in the books of the Acquired Partnership.

2. REPRESENTATIONS AND WARRANTIES OF THE SELLER.

The Seller GP acting as the general partner of the Seller hereby represents and warrants to the Purchaser as follows:

2.1 Organization. The Seller is a limited partnership duly organized, validly existing and in good standing under the laws of the Island of Guernsey.

2.2 Authority. The Seller (acting through the Seller GP) has the requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder and consummate the transactions contemplated hereby, including the Dissolution Transactions (as defined below). The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby, including the Dissolution Transactions, have been duly authorized by all necessary action on the part of the Seller and the Seller GP and, except as contemplated by Section 2.4, no other action is necessary on the part of the Seller or the Seller GP for the execution, delivery and performance by the Seller (acting through the Seller GP) of this Agreement and the consummation of the transactions contemplated hereby, including the Dissolution Transactions. This Agreement has been duly executed and delivered by the Seller GP acting as the general partner of the Seller and, assuming due authorization, execution and delivery by the Purchaser, Holdings, the Group Partnerships and the Acquired Partnership GP, constitutes a valid and binding obligation of the Seller enforceable against the Seller in accordance with its terms, except to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting creditors' rights generally and by general equity principles. The Board, acting upon the unanimous recommendation of the Independent Directors, has unanimously determined that this Agreement and the transactions contemplated hereby are fair to and in the best interests of the Seller and the holders of the Seller Common Units and has approved the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby, including the Dissolution Transactions.

2.3 No Conflicts.

(a) Neither the execution and delivery of this Agreement by the Seller nor the consummation by the Seller of the transactions contemplated hereby, including the Dissolution Transactions, nor compliance by the Seller with any of the terms or provisions hereof, will (i) violate any provision of the amended and restated limited partnership agreement of the Seller, dated as of May 2, 2007 (as amended, supplemented or otherwise modified from time to time, the "Seller Limited Partnership Agreement") and (ii) assuming that the consents, approvals and filings referred to in Section 2.4 are duly obtained or made and except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect (as defined below) on the Acquired Partnership, violate any statute, code, ordinance, rule or regulation applicable to the Seller.

(b) For purposes of this Agreement, "Material Adverse Effect" means, with respect to any person (other than the holders of the Seller Common Units), a material adverse effect on the business, results of operations or financial condition of such person and any person (other than the Acquired Partnership and its subsidiaries in the case of the Purchaser) whose financial results are consolidated with such person (including, in the case of the Purchaser, the KKR Funds (as defined below)), taken as a whole, and, with respect to the holders of the Seller Common Units, a material adverse effect on the overall economic value to be received as of the date of this Agreement by the holders of the Seller Common Units as a result of the Purchase and Sale and Dissolution Transactions, taken as a whole (it being understood that for purposes of determining whether there has been a Material Adverse Effect with respect to the holders of the Seller Common Units, any Effect that does not generally affect holders of a material proportion of Seller Common Units will be disregarded); provided , however , that 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 (each, an " Effect ") on the referenced person to the extent the cause of such Effect is (i) changes in general economic or political conditions, (ii) changes in the financial or securities markets generally, (iii) entry into or announcement of the execution of this Agreement, (iv) the commencement, occurrence or continuation of any war, armed hostilities or acts of terrorism, (v) general changes or developments in the industries in which the referenced person operates, (vi) changes in law, rules, regulations, accounting principles generally accepted in the United States of America (" GAAP ") or interpretations thereof and (vii) with respect to the Acquired Partnership, any actions or omissions on the part of the Seller that are directed by the Purchaser or any of its affiliates including the Seller GP or the Seller, acting through the Seller GP, except for such actions or omissions of the Seller GP or the Seller, acting through the Seller GP, that are due to the taking of any action, or failure to take any action, by the Independent Directors (in their capacity as such); except, in the cases of clauses (ii), (v) and (vi) to the extent that the referenced person, taken as a whole, together with any person (other than the Acquired Partnership and its subsidiaries in the case of the Purchaser) 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. The parties hereto acknowledge and agree that the exclusions set forth in clauses (i) through (vii) 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 the cause of which is any enacted change in United States Tax law, rules, regulations or interpretations thereof, including, for the avoidance of doubt, the enactment of the Levin-Rangel bill (H.R. 2834), the Baucus-Grassley bill (S. 1624) and/or any Tax law, statute, rule, ordinance and/or regulation enacted by any Governmental Entity (as defined below) in the United States having a similar effect.

2.4 Consents and Approvals . No order, permission, consent, approval, license, authorization, registration, or validation of, or filing with, or notice to, or exemption by, any court, administrative agency or commission or other governmental authority or instrumentality, legislative body or self-regulatory organization (each a " Governmental Entity ") by the Seller is necessary in connection with the execution, delivery and performance of this Agreement by the Seller and the consummation by the Seller of the transactions contemplated hereby, including the Dissolution Transactions, except (i) for the giving of written notice by the Seller GP to the Guernsey Financial Services Commission, (ii) for the giving of notice by the Seller to the Authority for the Financial Markets in The Netherlands, (iii) the consent of Euronext Amsterdam N.V. for the delisting of the Seller Common Units from Euronext Amsterdam by NYSE Euronext, the regulated market of Euronext Amsterdam N.V., (iv) for the Seller GP filing notice of the dissolution of the Seller with the Greffier and publishing such notice in La Gazette Officielle, and for the Seller GP providing all limited partners of the Seller with a copy of an account of the winding up of the Seller, (v) filings necessary to comply with the applicable requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the " HSR Act ") and (vi) consultation with Euronext Amsterdam with respect to the execution of the amendment to the Seller Limited Partnership Agreement substantially in the form attached hereto as Exhibit N .

2.5 Ownership of Limited Partner Interests . The Seller owns beneficially and of record the Limited Partner Interests free and clear of any Liens other than Liens for Taxes (as defined below) and other governmental charges and assessments not yet due and payable or that are being contested in good faith and for which adequate accruals or reserves have been established (" Permitted Liens "). The Limited Partner Interests to be sold pursuant to Section 1.1 of this Agreement consist of Class A limited partner interests, Class B limited partner interests, Class C limited partner interests and Class D limited partner interests. There are no voting trusts, proxies, powers of attorney or other agreements or understandings with respect to the voting of any of the Limited Partner Interests.

2.6 Brokers . The Seller has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees or commissions in connection with the transactions contemplated by this Agreement for which the Purchaser or the Acquired Partnership is or will become liable, except for the fees of Lazard Frères & Co. LLC and Citigroup Global Markets Limited in connection with the transactions contemplated by this Agreement as advisors to the Seller and the Independent Directors the amount of which have been disclosed to the Purchaser and will be borne by the Purchaser in accordance with Section 9.2 in the event the Closing occurs and otherwise will be borne by the Seller.

3. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

Except as otherwise specified in a correspondingly enumerated section of the disclosure schedule delivered to the Seller by the Purchaser concurrently with the execution of this Agreement (the " Confidential Purchaser Disclosure Schedule ") (it being understood that any matter set forth under any item under any section or subsection of the Confidential Purchaser Disclosure Schedule shall be deemed disclosure with respect to any other section or subsection to the extent such matter is disclosed in such a way as to make its relevance to the information called for by such other section or subsection reasonably apparent), the Purchaser GP acting as the general partner of the Purchaser hereby represents and warrants to the Seller as follows:

3.1 Organization .

(a) Each of the Purchaser, the Consolidated Persons (as defined below) and each of the KKR Funds (as defined below) (i) is duly organized, validly existing and in good standing (to the extent such a concept exists in the relevant jurisdiction) in the jurisdiction in which it is organized, (ii) has the power and authority to own or lease all of its properties and assets and to carry on its business as it is now being conducted, and (iii) is licensed or qualified to do business in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties or assets owned or leased by it makes such licensing or qualification necessary, except, in the cases of clauses (ii) and (iii) where the failure to have such power and authority, or to be so licensed or qualified would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Purchaser (after giving effect to the Restructuring Transactions, but excluding the Acquired Partnership and its subsidiaries).

(b) For purposes of this Agreement, (i) " Consolidated Persons " means each of the persons whose financial results will be consolidated with the Purchaser in accordance with GAAP upon the consummation of the Restructuring Transactions (as defined below) other than (A) the KKR Funds and (B) the Acquired Partnership and its subsidiaries and (ii) " KKR Funds " means investment funds or investment vehicles that are from time-to-time managed, sponsored or otherwise advised by one or more members of the KKR Group whose financial results will be required to be consolidated with the Purchaser in accordance with GAAP upon the consummation of the Restructuring Transactions, other than the Acquired Partnership and its subsidiaries.

3.2 Authority . The Purchaser (acting through the Purchaser GP) and the Group Partnerships have the requisite power and authority to execute and deliver this Agreement, to perform their obligations hereunder and to consummate the transactions contemplated hereby (including the Restructuring Transactions). The execution, delivery and performance of this Agreement have been and the consummation of the transactions contemplated hereby (including the Restructuring Transactions) have been, or will be, duly authorized by all necessary action on the part of the Purchaser and the Group Partnerships and no other action will be necessary on the part of the Purchaser, the Purchaser GP and the Group Partnerships for the execution, delivery and performance by the Purchaser (acting through the Purchaser GP) and the Group Partnerships of this Agreement and the consummation of the transactions contemplated hereby (including the Restructuring Transactions). This Agreement has been duly executed and delivered by the Purchaser and the Group Partnerships and, assuming due authorization, execution and delivery by the Seller, Holdings and the Acquired Partnership GP, constitutes a valid and binding obligation of the Purchaser and the Group Partnerships, enforceable against the Purchaser and the Group Partnerships in accordance with its terms, except to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting creditors' rights generally and by general equity principles.

3.3 No Conflicts . Neither the execution and delivery of this Agreement by the Purchaser and the Group Partnerships nor the consummation by the Purchaser and the Group Partnerships of the transactions contemplated hereby, nor compliance by the Purchaser or the Group Partnerships with any of the terms or provisions hereof, will (i) violate any provision of the certificate of formation or limited partnership agreement of the Purchaser or any similar organizational documents of any of the Consolidated Persons or any of the KKR Funds and (ii) assuming that the consents, approvals and filings referred to in Section 3.4 are duly obtained or made and except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Purchaser (after giving effect to the Restructuring Transactions, but excluding the Acquired Partnership and its subsidiaries), (x) violate any statute, code, ordinance, rule, regulation, judgment, order, award, decree or injunction applicable to the Purchaser, any of the Consolidated Persons or any of the KKR Funds or any of their respective properties or assets, or (y) violate, conflict with, result in a breach of any provision of or the loss of any benefit under, or require redemption or repurchase or otherwise require the purchase or sale of any securities, constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, result in the termination of or a right of termination or cancellation under, accelerate the performance required by, or result in the creation of any Lien upon any of the properties or assets of the Purchaser, any of the Consolidated Persons or any of the KKR Funds under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation (each, a " Contract ") to which the Purchaser or any of the Consolidated Persons is a party, or by which any of them or any of their respective properties or assets may be bound or affected.

3.4 Consents and Approvals . No order, permission, consent, approval, license, authorization, registration, or validation of, or filing with, or notice to, or exemption by, any Governmental Entity by the Purchaser or the Group Partnerships is necessary in connection with the execution, delivery and performance of this Agreement by the Purchaser or the Group Partnerships and the consummation by the Purchaser or the Group Partnerships of the transactions contemplated hereby (including the Restructuring Transactions and including the execution of the agreements referenced in Section 3.20), except (i) the approval of the listing of the Purchaser Common Units to be issued to the Seller pursuant to Section 1.1 on the New York Stock Exchange (the " NYSE "), (ii) the filing with the United States Securities and Exchange Commission (the " SEC ") and the declaration of effectiveness thereby of the Registration Statement (as defined below), (iii) the filing with the SEC of a registration statement on Form 8-A relating to the Purchaser Common Units, which registration statement will become automatically effective upon the listing of the Purchaser Common Units on the NYSE, (iv) filings necessary to comply with foreign or state securities or blue sky laws and (v) filings necessary to comply with the applicable requirements of the HSR Act.

3.5 Absence of Material Adverse Effect . Since March 31, 2008, there has been no Effect that, individually or in the aggregate, has had or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Purchaser (after giving effect to the Restructuring Transactions, but excluding the Acquired Partnership and its subsidiaries).

3.6 Contributed Interests; Financial Statements .

(a) Except as set forth in Section 3.6(a) of the Confidential Purchaser Disclosure Schedule, upon consummation of the Restructuring Transactions, the Group Partnerships will own, directly and indirectly, all of the controlling and economic interests in the group of entities (the " KKR Group ") whose financial position, results of operations and cash flows are reflected in the historical condensed combined financial statements of the KKR Group as of March 31, 2008 and for the three months then ended (the " Interim Financial Statements "). Such interests (other than those included in the exceptions set forth in the preceding sentence) are sometimes referred to herein as the " Contributed Interests ."

(b) Complete, true and correct copies of the Interim Financial Statements and the historical combined financial statements of the KKR Group as of December 31, 2007 and for the year then ended are attached hereto as Section 3.6(b) of the Confidential Purchaser Disclosure Schedule. Such financial statements (including, in each case, any notes thereto) comply in all material respects with the published rules and regulations of the SEC in effect as of the date of this Agreement and have been prepared in accordance with GAAP applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto). The combined financial statements of the KKR Group as of December 31, 2007 and for the year then ended were audited by Deloitte & Touche LLP and fairly present, in all material respects, the combined financial condition, results of operations and cash flows of the KKR Group as of December 31, 2007 and for the year then ended. The Interim Financial Statements were prepared in a manner that is consistent with the preparation of the annual financial statements and fairly present in all material respects, the combined financial position, results of operations and cash flows of the KKR Group as of the dates and for the periods presented therein (subject to normal year-end audit adjustments which are not expected to be, individually or in the aggregate, materially adverse to the KKR Group taken as a whole and the absence of certain footnote disclosures not required with respect to interim dates).

(c) When prepared and available and as of the Closing Date, the combined statement of financial condition of the KKR Group as at June 30, 2008 and the combined statements of income and cash flow of the KKR Group for the six months ended June 30, 2008 (including, in each case, any notes thereto) (the " June 30 Financial Statements ") shall comply in all material respects with the rules and regulations of the SEC then in effect, shall have been prepared in accordance with GAAP applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto) and shall fairly present (subject to normal year-end audit adjustments which are not expected to be, individually or in the aggregate, materially adverse to the KKR Group taken as a whole), in all material respects, the combined financial position, results of operations and cash flows of the KKR Group as of the dates and for the periods presented therein.

(d) Deloitte & Touche LLP is, and during the periods covered by the KKR Group's financial statements referred to in Section 3.6(b), was an independent registered public accounting firm as required under the United States Securities Act of 1933, as amended (the " Securities Act "), and the published rules and regulations thereunder adopted by the SEC and the Public Company Accounting Oversight Board (United States).

3.7 No Undisclosed Liabilities .

(a) Except (i) for those liabilities that are reflected or reserved against on the combined statement of financial condition included in the Interim Financial Statements, (ii) for liabilities incurred in the ordinary course of business since March 31, 2008 and (iii) for liabilities incurred in connection with this Agreement and the transactions contemplated hereby, including the Restructuring Transactions, the KKR Group has not incurred any material liabilities or obligations that would be required to be reflected or reserved against on a combined statement of financial condition of the KKR Group prepared in accordance with GAAP.

(b) The Purchaser and KKR Management Holdings Corp. (i) have been formed solely for the purpose of engaging in the transactions contemplated hereby (including the Restructuring Transactions) and (ii) have engaged and, prior to the Closing Date, will have engaged in no other business activities, and have incurred and, prior to the Closing Date, will have incurred no liabilities or obligations other than in furtherance of the transactions contemplated hereby (including the Restructuring Transactions).

3.8 Internal Controls . The Purchaser, each of the Consolidated Persons and each of the KKR Funds have established and maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Since December 31, 2007, there has been no change in the KKR Group's internal controls over financial reporting that has materially adversely affected, or is reasonably likely to materially adversely affect, the KKR Group's internal controls over financial reporting.

3.9 Capitalization .

(a) The Purchaser Common Units and the limited partnership interests evidenced thereby and the CVIs to be issued to the Seller pursuant to Section 1.1 (including, for the avoidance of doubt, the Purchaser Common Units that may be issuable upon exercise of the CVIs) will be duly authorized prior to issuance and, when issued pursuant to the terms and conditions of this Agreement, will be validly issued, fully paid and non-assessable (except as such non-assessability may be affected by Section 17-607 or Section 17-804 of the Delaware Revised Uniform Limited Partnership Act or the Purchaser LPA (as defined below)) and free and clear of any Liens. Except for (i) Purchaser Common Units issuable upon exchange by Holdings or its designees to the Purchaser of partner interests in the Group Partnerships in accordance with the Exchange Agreement (as defined below), (ii) the rights of the holders of CVIs to receive additional Purchaser Common Units in accordance with the terms of the CVIs, (iii) grants of Purchaser Common Units (or options or other derivative securities in respect thereof) which may be made by the Purchaser pursuant to the Equity Incentive Plan (as defined below) and as expressly authorized by this Agreement and (iv) non-economic general partner interests in the Purchaser, there are no (A) outstanding equity interests in the Purchaser, (B) outstanding securities or other instruments or rights of any person convertible or exchangeable for equity interests in the Purchaser or (C) options or other rights to acquire from the Purchaser any equity interests in the Purchaser or obligations of the Purchaser to issue any equity interests in the Purchaser.

(b) All of the issued shares of capital stock, partnership interests, member interests or other equity interests of each Consolidated Person have been or will be, duly authorized and validly issued and fully paid (in the case of any Consolidated Persons that are organized as limited liability companies, limited partnerships or other business entities, to the extent required under the applicable limited liability company, limited partnership or other organizational agreement) and non-assessable (except in the case of interests held by general partners or similar entities under the applicable laws of other jurisdictions, in the case of any Consolidated Persons that are organized as limited liability companies, as such non-assessability may be affected by Section 18-607 or Section 18-804 of the Delaware Limited Liability Company Act or similar provisions under the applicable laws of other jurisdictions or the applicable limited liability company agreement and, in the case of any Consolidated Persons that are organized as limited partnerships, as such non-assessability may be affected by Section 17-607 or Section 17-804 of the Delaware Revised Uniform Limited Partnership Act or similar provisions under the applicable laws of other jurisdictions or the applicable limited partnership agreement) and are owned or will be owned, as the case may be, directly or indirectly by the Purchaser or Holdings, free and clear of any Liens other than Permitted Liens.

(c) Other than as referred to in Section 3.9(a) or disclosed in Section 3.9 of the Confidential Purchaser Disclosure Schedule, there are no preemptive rights or other rights to subscribe for, to purchase, to exchange any securities or interests for or to convert any securities or interests into, any partnership interests or partnership units or membership interests or shares of capital stock of the Purchaser or any of the Consolidated Persons pursuant to any partnership or limited liability company agreement, any articles or certificates of incorporation or other governing documents or any agreement or other instrument to which the Purchaser or such Consolidated Person is a party or by which the Purchaser or such Consolidated Person may, directly or indirectly, be bound, and there are no outstanding options or warrants to purchase any securities of the Purchaser or any of the Consolidated Persons.

3.10 Investment Company. Neither the Purchaser nor any of the Consolidated Persons is, nor on the Closing Date, after giving effect to the transactions contemplated hereby (including the Restructuring Transactions), will be, subject to regulation under the United States Investment Company Act of 1940, as amended (the "Investment Company Act").

3.11 Compliance with Law. The businesses of the Purchaser, the Consolidated Persons and the KKR Funds are being, and since January 1, 2007, have been, conducted in compliance in all material respects with any law, statute, rule, ordinance or regulation of any Governmental Entity. Since January 1, 2007, neither the Purchaser nor any of the Consolidated Persons nor any of the KKR Funds has received any written communication or notice from any Governmental Entity that alleges that the Purchaser or a Consolidated Person or a KKR Fund is not in compliance in any material respect with any law, statute, rule, ordinance or regulation of any Governmental Entity and that is reasonably likely to give rise to any material liability on the part of the Purchaser, any of the Consolidated Persons or any of the KKR Funds.

3.12 Permits. The Purchaser, the Consolidated Persons and the KKR Funds have received all material permits, certificates, licenses authorizations (the "Permits") to own or hold under lease and operate their respective assets and to conduct the business of the Purchaser, the Consolidated Persons and the KKR Funds as currently conducted. All such Permits are validly held by the Purchaser, the Consolidated Persons and the KKR Funds, as the case may be, and each of the Purchaser, the Consolidated Persons and the KKR Funds has complied in all material respects with all terms and conditions of any such Permit.

3.13 Absence of Litigation. Except as set forth in Section 3.13 of the Confidential Purchaser Disclosure Schedule, there is no suit, claim, action, proceeding, arbitration or investigation pending or, to the knowledge of the Purchaser, threatened against the Purchaser, any of the Consolidated Persons or any KKR Fund that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Purchaser (after giving effect to the Restructuring Transactions, but excluding the Acquired Partnership and its subsidiaries). Neither the Purchaser nor any of the Consolidated Persons nor any KKR Fund is subject to or bound by any outstanding order, injunction, judgment, award or decree that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Purchaser (after giving effect to the Restructuring Transactions, but excluding the Acquired Partnership and its subsidiaries).

3.14 Taxes. Each of the Purchaser, the Consolidated Persons and, to the knowledge of the Purchaser, the KKR Funds has (i) duly and timely filed (including pursuant to applicable extensions) all material returns, reports, information returns or other documents required to be filed with any taxing authority with respect to any taxes, charges, levies, penalties, interest, fees or other assessments imposed by any United States federal, state, local or foreign taxing authority (" Taxes ") and such returns, reports and other documents are true and correct and (ii) paid in full all material Taxes due or claimed to be due or owing from such entity, other than any such amounts being contested in good faith and by appropriate proceedings and for which adequate reserves have been provided in accordance with GAAP. There are no material Tax audits or investigations of which the Purchaser, any of the Consolidated Persons or, to the knowledge of the Purchaser, any of the KKR Funds has notice, nor does the Purchaser have notice of any proposed additional material Tax assessments against the Purchaser, any of the Consolidated Persons or, to the knowledge of the Purchaser, any of the KKR Funds.

3.15 Material Contracts. As of the date of this Agreement, except for this Agreement and except as set forth in Section 3.15 of the Confidential Purchaser Disclosure Schedule, neither the Purchaser nor any of the Consolidated Persons nor any KKR Fund is a party to or bound by any Contract that is a "material contract" (as such term is defined in Item 601(b)(10) of Regulation S-K but without giving effect to the provisions of clause (i) thereof relating to the exclusion of contracts entered into more than two years before the filing of a registration statement) of the Purchaser (after giving effect to the Restructuring Transactions, but excluding the Acquired Partnership and its subsidiaries) (each such Contract, a " Material Contract "). As of the date of this Agreement, each of the Material Contracts is valid and binding on the Purchaser or the Consolidated Person or the KKR Fund party thereto and is in full force and effect in all material respects. There is no material breach or default under any Material Contract or any material management agreement by the Purchaser or the Consolidated Person or the KKR Fund party thereto or, to the knowledge of the Purchaser, any other party thereto and no event has occurred that with or without the lapse of time or the giving of notice or both would constitute a material breach or default thereunder by the Purchaser, the Consolidated Person, the KKR Fund party thereto or, to the knowledge of the Purchaser, any other party thereto. None of the Purchaser or any of the applicable Consolidated Persons or KKR Funds has received prior to the date of this Agreement any notice of the intention of any party to terminate any Material Contract or any material management agreement. Complete, true and correct copies of all Material Contracts, together with all existing modifications and amendments thereto, have been made available to the Seller prior to the date of this Agreement.

3.16 Benefits. No condition exists that would subject the Purchaser or any of the Consolidated Persons, either directly or by reason of their affiliation with any member of their "controlled group" (defined as any organization which is a member of a controlled group of organizations within the meaning of Sections 414(b), (c), (m) or (o) of the Code), to any material Tax, fine, lien, penalty or other liability imposed by the Employee Retirement Income Security Act of 1974, as amended, the Code or other applicable laws, rules and regulations. There are no plans, programs, policies, agreements, arrangements or understandings of the Purchaser or any of the Consolidated Persons pursuant to the express terms of which any partner, member, director, officer, employee or consultant of the Purchaser or any of the Consolidated Persons (each, a "Participant") would reasonably be expected to become entitled to (a) any additional compensation, enhanced severance or other benefits or grant of Purchaser Common Units or awards related thereto (other than grants under the Equity Incentive Plan permitted to be made under Section 5.12) or any acceleration of the time of payment or vesting of any compensation, severance or other benefits or any funding of any compensation or benefits by the Purchaser or any of the Consolidated Persons, in each case, as a result of the Restructuring Transactions or (b) any other compensation or benefits from the Purchaser or any of the Consolidated Persons that is related to, contingent upon, or the value of which would be calculated on the basis of the Purchaser Common Units (other than grants under the Equity Incentive Plan permitted to be made under Section 5.12) (each such plan, program, policy, agreement, arrangement or understanding described in the foregoing clause (a) or (b), a "Purchaser Enhanced Arrangement"). Except as set forth in Section 3.16 of the Confidential Purchaser Disclosure Schedule, neither the Purchaser nor any of the Consolidated Persons (other than Holdings or an affiliate thereof (other than the Purchaser or any of the Consolidated Persons)) is a party to any written employment, retention bonus, change in control, severance or termination agreement with any Participant who is entitled to compensation from the Purchaser or any of the Consolidated Persons in excess of $1,000,000 per year.

3.17 Brokers. The Purchaser has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees or commissions in connection with the transactions contemplated by this Agreement for which the Seller is or will become liable.

3.18 Communications Package.

(a) The announcement press release, including any attachments thereto (the "Press Release") and the other documents attached hereto as Exhibit A are referred to in this Section 3.18 as the "Communication Package". The information set forth in the Communication Package is true and correct in all material respects and is not misleading in any material respect. The Communication Package contains, and the Press Release contains in summary form, all the information about the Purchaser (after giving effect to the Restructuring Transactions), the terms and conditions of the Purchase and Sale, the Dissolution Transactions and the consideration offered to the holders of Seller Common Units, including information necessary for assessing the value of such consideration, that is required to be made publicly available as of the date of this Agreement pursuant to the Dutch Financial Markets Supervision Act or the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended. Without limiting the provisions set forth in the preceding sentence, the parties acknowledge that additional information with respect to the Purchaser, the terms and conditions of the Purchase and Sale, the Dissolution Transactions and the consideration offered to the holders of Seller Common Units will be required to be included in the Registration Statement.

(b) Subject to Section 3.18(a), the preliminary unaudited pro forma segment information included in the Press Release is based on historical segment information of the KKR Group and historical financial information of the Acquired Partnership and its subsidiaries and gives effect in all material respects to the aspects of the transactions contemplated hereby (including the Restructuring Transactions) described therein as if such transaction aspects had occurred on January 1, 2007 by applying the adjustments described in the accompanying notes.

Such adjustments are based on information that is available and determinable as of the date of this Agreement and are based on assumptions that management of the Purchaser believes are reasonable as of the date of this Agreement in order to reflect, on a pro forma basis, the impact of the transaction aspects described therein on the historical segment financial information of the KKR Group.

(c) The range of economic net income of the total reportable segments of the KKR Group included in an annex to the Press Release for the six months ended June 30, 2008 is the Purchaser's good faith estimate of such range. The economic net income of the total reportable segments of the KKR Group shall be reported by the Purchaser in the footnotes to the June 30 Financial Statements within the range included in the Press Release.

3.19 No Registration Rights . There are no Contracts between the Purchaser or any Consolidated Person and any person granting such a person the right to require the Purchaser to register any securities of any Consolidated Person in the Registration Statement.

3.20 Other Agreements . Each of the agreements referred to in Section 5.10 will be duly authorized, executed and delivered by the Purchaser or the parties thereto that are affiliated with the Purchaser, as applicable, and, assuming due authorization, execution and delivery by the other parties thereto, will be a valid and binding obligation of the Purchaser or the parties thereto that are affiliated with the Purchaser, as applicable, enforceable against them in accordance with its terms, except to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting creditors' rights generally and by general equity principles.

3.21 Intellectual Property . The Purchaser and the Consolidated Persons own or have the right to use in perpetuity, without payment to any other person, the "KKR" trademark in the United States and, to the knowledge of the Purchaser, in all other countries or jurisdictions where such trademark is reasonably necessary for the conduct of the business of the Purchaser and the Consolidated Persons as presently conducted, (ii) the consummation of the Purchase and Sale and the other transactions contemplated hereby (including the Restructuring Transactions) does not and will not conflict with, alter or impair any such rights, and (iii) since January 1, 2007, none of the Purchaser or any of the Consolidated Persons has received any written communication or notice from any person asserting any ownership interest in the "KKR" trademark. None of the Purchaser or any of the Consolidated Persons has granted any license of any kind relating to the "KKR" trademark to any unaffiliated third party or is bound by or a party to any written option, license or similar Contract relating to the "KKR" trademark with any unaffiliated third party.

4. REPRESENTATIONS AND WARRANTIES OF HOLDINGS

Holdings hereby represents and warrants to the Seller as follows:

4.1 Organization . Holdings is duly organized and validly existing and in good standing under the laws of the Cayman Islands.

4.2 Authority . Holdings has the requisite power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby (including the Restructuring Transactions). The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby (including the Restructuring Transactions) have been, or will be, duly authorized by all necessary action on the part of Holdings and no other action will be necessary on the part of Holdings for the execution, delivery and performance by Holdings of this Agreement and the consummation of the transactions contemplated hereby (including the Restructuring Transactions). This Agreement has been duly executed and delivered by Holdings and, assuming due authorization, execution and delivery by the Purchaser, the Seller, the Group Partnerships and the Acquired Partnership GP, constitutes a valid and binding obligation of Holdings enforceable against Holdings in accordance with its terms, except to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting creditors' rights generally and by general equity principles.

4.3 No Conflicts . Neither the execution and delivery of this Agreement by Holdings nor the consummation of the transactions contemplated hereby, nor compliance by Holdings with any of the terms or provisions hereof, will (i) violate any provision of the certificate of formation or limited partnership agreement of Holdings and (ii) assuming that the consents, approvals and filings referred to in Section 3.4 are duly obtained or made and except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Holdings (after the giving effect to the Restructuring Transactions), (x) violate any statute, code, ordinance, rule, regulation, judgment, order, award, decree or injunction applicable to Holdings or any of its properties or assets, or (y) violate, conflict with, result in a breach of any provision of or the loss of any benefit under, or require redemption or repurchase or otherwise require the purchase or sale of any securities, constitute a default) under, result in the termination of or a right of termination or cancellation under, accelerate the performance required by, or result in the creation of any Lien upon any of the properties or assets of Holdings under, any of the terms, conditions or provisions of any Contract to which Holdings is a party, or by which Holdings or any of its properties or assets may be bound or affected.

4.4 Consents and Approvals . No order, permission, consent, approval, license, authorization, registration, or validation of, or filing with, or notice to, or exemption by, any Governmental Entity by Holdings is necessary in connection with the execution, delivery and performance of this Agreement by Holdings and the consummation by Holdings of the transactions contemplated hereby.

5. ADDITIONAL AGREEMENTS

5.1 Registration Statement .

(a) The Purchaser shall as promptly as practicable prepare a registration statement, which may be in the form of an amendment to the Purchaser's Registration Statement on Form S-1 (Registration No. 333-144335) or which may be a registration statement on another appropriate form in order to register under the Securities Act, the issuance of the Purchaser Common Units and CVIs to the Seller pursuant to Section 1.1 hereof and the subsequent distribution of such Purchaser Common Units and CVIs by the Seller (such registration statement, as amended or supplemented from time to time and together with any prospectus included therein, the " Registration Statement ") and shall as promptly as practicable after the date of this Agreement file the Registration Statement with the SEC. Each of the Purchaser and the Seller shall use its reasonable best efforts to have the Registration Statement declared effective by the SEC as promptly as practicable and to keep the Registration Statement effective as long as is necessary to consummate the transactions contemplated by this Agreement. Notwithstanding the foregoing, nothing contained in this Agreement, including Section 5.3, shall be deemed to require the Purchaser or any of its affiliates to take any action that would require the Purchaser or any of its affiliates to become subject to regulation under the Investment Company Act.

(b) The Independent Directors shall furnish, or cause to be furnished, to the Purchaser all information concerning the Independent Directors and the process conducted by them in connection with the transactions contemplated hereby required to be included in the Registration Statement. The Purchaser shall provide the Seller and its legal counsel with a reasonable opportunity to review and comment on the Registration Statement and any amendments or supplements thereto prior to the filing thereof with the SEC. The Purchaser shall, as promptly as practicable after receipt thereof, (i) provide the Seller and its legal counsel with copies of any written comments and advise the Seller and its legal counsel of any oral comments with respect to the Registration Statement received from the SEC and (ii) notify the Seller of any requests by the SEC for any supplement thereto or for additional information. As promptly as practicable after receipt of any written correspondence from the SEC and reasonably in advance of transmitting any written correspondence to the SEC, in each case relating to the Registration Statement, the Purchaser shall provide the Seller and its legal counsel with (i) copies of any such correspondence and (ii) a reasonable opportunity to review and comment on any such correspondence.

(c) The Purchaser and the Seller shall cooperate and consult with each other in connection with the filing with, and the review by, the SEC of the Registration Statement. The Purchaser shall (i) consider in good faith any comments and suggestions on the Registration Statement made by the Seller and/or its legal counsel and (ii) incorporate such comments into the Registration Statement if failure to do so would reasonably be expected, in the good faith judgment of the Purchaser after taking into account the advice of its outside legal counsel, to result in a violation of, or give rise to liability under any applicable securities laws. For purposes of clauses (i) and (ii) above, where the Purchaser would otherwise elect not to incorporate any comment or suggestion made by the Seller or its legal counsel, the Seller and its counsel shall be provided with the reasonable opportunity to discuss any such comments directly with the Purchaser, the Purchaser’s auditors and outside legal counsel for the Purchaser.

(d) Notwithstanding the provisions of Section 5.1(c), neither the Registration Statement (or any amendment or supplement thereto) nor any written correspondence relating to the Registration Statement (including any responses to any comments from the SEC) shall include any statements regarding the Independent Directors (including statements regarding the deliberations of the Independent Directors and the process followed by the Independent Directors in connection with the Purchase and Sale) and/or their financial advisors (including statements regarding the analyses performed by such financial advisors in connection with the Purchase and Sale) without the Seller’s prior written consent to include such statements, which consent shall not be unreasonably withheld or delayed.

(e) The Purchaser covenants and agrees that:

(i) as of each of the date on which the Registration Statement becomes effective and the Closing Date, the Registration Statement will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided that the foregoing covenant shall not apply to any information concerning the Independent Directors and the process conducted by them in connection with the transactions contemplated hereby furnished in writing by or on behalf of the Independent Directors specifically for use in the Registration Statement, it being understood that such information shall be identified as such by the Seller prior to the effectiveness of the Registration Statement (the " Specified Information ");

(ii) as of the date on which the Registration Statement becomes effective, the Registration Statement will comply as to form in all material respects with the applicable provisions of the Securities Act and the applicable rules and regulations of the SEC thereunder; and

(iii) the assumptions and the nature of the adjustments used in the preparation and presentation of the preliminary unaudited pro forma segment information included in the Press Release (the " Segment Pro Forma Information ") will be consistent in all material respects with the assumptions used and the adjustments made in the preparation of the unaudited pro forma financial information included in the Registration Statement (the " Combined Pro Forma Information "), it being understood that the form of presentation of the Combined Pro Forma Information and actual adjustments included in the Combined Pro Forma Information will differ from the form of presentation of the Segment Pro Forma Information and actual adjustments included in the Segment Pro Forma Information as a result of (A) differences in the basis of presentation of the combined financial statements and the segment financial information of the KKR Group as of and for the periods presented, as summarized in the Segment Pro Forma Information included in the Press Release, (B) such changes as are necessary to comply with Regulation S-X under the Securities Act or otherwise requested by the Staff of the SEC, (C) such other changes as are made in good faith by the Purchaser to reflect additional or updated information available at the time of preparation of the Combined Pro Forma Information and (D) the exclusion from the Segment Pro Forma Information of the adjustments described in the annex to the Press Release under the heading "Transactions and Adjustments Excluded from Pro Forma Presentation".

(f) If at any time prior to the Closing any information should be discovered by either the Purchaser or the Seller that should be set forth in an amendment or supplement to the Registration Statement so that the Registration Statement would not include any misstatement of a material fact or omit to state any material fact necessary to make the statement therein, in the light of the circumstances under which they were made, not misleading, the party that discovers such information shall promptly notify the other party, and to the extent required by law, rules or regulations, an appropriate amendment or supplement describing such information shall be promptly filed with the SEC.

5.2 Consent Solicitation .

(a) The Seller shall as promptly as practicable prepare a written consent and such other documents (collectively, the " Consent Solicitation Documents ") that may be necessary or desirable (as agreed reasonably and in good faith by the Purchaser and the Seller, taking into account requirements under applicable law) to be included with the mailing or other dissemination of the prospectus included in the Registration Statement to obtain the consent of the holders of at least a majority of the Seller Common Units (excluding from the numerator and the denominator any Seller Common Units whose consent rights are controlled by the Purchaser or its affiliates) to consummate the Purchase and Sale and the Dissolution Transactions (the " Requisite Unitholder Consent "), all pursuant to the procedures to be agreed reasonably and in good faith by the Purchaser and the Seller, taking into account requirements under applicable law. Subject to Section 5.2(e), the Board shall recommend that the holders of Seller Common Units consent to the matters included in the Requisite Unitholder Consent (the " Seller Recommendation ") and the Seller shall include the Seller Recommendation in the Consent Solicitation Documents.

(b) As promptly as practicable following the date on which the Registration Statement is declared effective by the SEC, the Seller shall mail, or otherwise disseminate in a manner that complies with any applicable law, rule, regulation and the Seller Limited Partnership Agreement, the Consent Solicitation Documents and the prospectus included in the Registration Statement to the holders of the Seller Common Units. The Seller shall use its reasonable best efforts to obtain the Requisite Unitholder Consent as promptly as practicable following the date on which the Registration Statement is declared effective by the SEC.

(c) The Purchaser shall furnish to the Seller all information concerning the Purchaser and such other matters as may be reasonably necessary or advisable in connection with the Consent Solicitation. The Seller shall provide the Purchaser with a reasonable opportunity to review and comment (and the Seller shall consider in good faith the inclusion of any comments provided by the Purchaser) on the Consent Solicitation Documents and any amendments or supplements thereto prior to the mailing or other dissemination thereof to the holders of the Seller Common Units.

(d) The Purchaser and, with respect only to the Specified Information, the Seller, agree that none of the information included or incorporated by reference in the Consent Solicitation Documents will, at the time the Consent Solicitation Documents are mailed or otherwise disseminated to the holders of the Seller Common Units, contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. If at any time prior to the Closing any information should be discovered by either the Purchaser or the Seller that should be set forth in an amendment or supplement to the Consent Solicitation Documents so that the Consent Solicitation Documents would not include any misstatement of a material fact or omit to state any material fact necessary to make the statement therein, in the light of the circumstances under which they were made, not misleading, the party that discovers such information shall promptly notify the other party, and to the extent required by law, rules or regulations, an appropriate amendment or supplement describing such information shall be promptly mailed or otherwise disseminated to the holders of the Seller Common Units.

(e) At any time prior to the obtaining of the Requisite Unitholder Consent, the Independent Directors may change their recommendation to the Board in response to any material events or circumstances, if the 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 Independent Directors prior to the date of this Agreement, the 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 Board that the Board approve this Agreement and the transactions contemplated by this Agreement.

5.3 Reasonable Best Efforts .

(a) Subject to the terms and conditions of this Agreement, each of the Purchaser and the Seller shall use 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 Section 7 of this Agreement are satisfied and to consummate the transactions contemplated by this Agreement as promptly as practicable, including using its reasonable best efforts to (i) obtain (and to cooperate with the other party to obtain) any consent, authorization, order or approval of, or any exemption by, any Governmental Entity or any third party which is required to be obtained in connection with the transactions contemplated by this Agreement from Governmental Entities or third parties and (ii) making all registrations, notifications and filings with any Governmental Entity or any third party that are required to be made in connection with the transactions contemplated by this Agreement. Notwithstanding the foregoing, nothing in this Agreement shall be deemed to require the Purchaser or the Seller 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 the Purchaser (after giving effect to the Restructuring Transactions, but excluding the Acquired Partnership and its subsidiaries) or the Seller, as applicable.

(b) Each of the Purchaser and the Seller shall in connection with the efforts referenced in Section 5.3(a) (i) promptly cooperate with and furnish information to the other in connection with any action required to be taken pursuant to Section 5.3(a), and (ii) permit the other to review any communication given by it to, and consult with each other in advance of any meeting or conference with, any Governmental Entity in connection with the foregoing, and to the extent permitted by law, give the other the opportunity to attend and participate in such meetings and conferences.

5.4 No Solicitation .

(a) The Seller shall not, and shall cause its investment bankers, attorneys, accountants, agents and other representatives not to, directly or indirectly, (i) 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 defined below) or any inquiry or proposal that could reasonably be expected to lead to an Acquisition Proposal, (ii) 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, (iii) 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 (iv) 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. The Seller shall promptly notify the Purchaser of the receipt of any Acquisition Proposal (or any request for any information or data or other inquiry or request that could reasonably be expected to lead to an Acquisition Proposal). For the avoidance of doubt, the parties understand and agree that nothing in this Agreement is intended to give the Independent Directors the power or authority to participate in any discussions or negotiations regarding, or entering into any agreement or understanding on behalf of the Seller with any person with respect to, any direct or indirect acquisition of any Limited Partner Interests, any of the outstanding Seller Common Units or any of the assets of the Acquired Partnership.

(b) For purposes of this Agreement, " Acquisition Proposal " means any inquiry, proposal or offer, whether or not conditional, from any person other than the Purchaser or its affiliates relating to any direct or indirect acquisition of (i) any Limited Partner Interests, (ii) 20% or more of the outstanding Seller Common Units or (iii) 20% or more of the consolidated assets of the Acquired Partnership.

5.5 Restructuring Transactions .

(a) Holdings shall use its reasonable best efforts to take, or cause to be taken, such actions as are necessary so that (i) at the time of the Purchase and Sale, the Group Partnerships shall own, directly or indirectly, all of the Contributed Interests, (ii) upon the completion of the Purchase and Sale, the Purchaser shall contribute all of the Limited Partnership Interests and any assets of the Acquired Partnership distributed to the Purchaser in respect of such Limited Partnership Interests, directly or indirectly, to the Group Partnerships in exchange for a direct or indirect controlling interest and a 21% economic interest in each of the Group Partnerships and (iii) upon the completion of the Purchase and Sale, the structure of the KKR Group shall be consistent with the structure set forth in Exhibit B hereto. The transactions contemplated by this Section 5.5 are sometimes referred to herein as the " Restructuring Transactions ".

(b) The Restructuring Transactions shall be implemented in a manner that is consistent with the steps set forth in the structure memorandum attached as Exhibit C hereto, except for deviations thereto which would not reasonably be expected to have an adverse impact in more than an insignificant respect on the Seller, the Purchaser or the holders of the Seller Common Units or deviations consented to by the Seller, which consent shall not be unreasonably withheld or delayed. The Purchaser shall consider in good faith any deviations to the steps set forth in Exhibit C requested by the Seller or its representatives, it being understood that the decision of whether or not to implement any such requested deviations shall be in the sole determination of the Purchaser acting in good faith.

5.6 Dissolution Transactions . The Seller shall take, and the Purchaser shall cause the non-Independent Directors of the Seller GP to authorize, all actions necessary or advisable to (i) cause the amendment to the Seller Limited Partnership Agreement in substantially the form attached hereto as Exhibit N to be executed prior to the Closing,

(ii) deliver the Purchaser Common Units and the CVIs to a bank or trust company designated by the Seller and reasonably acceptable to the Purchaser (the " Exchange Agent ") immediately upon the Closing, (iii) cause the Exchange Agent to distribute the Purchaser Common Units and CVIs to the holders of Seller Common Units in accordance with the Seller Limited Partnership Agreement as of, or as promptly as practicable after, the Closing (the " Distribution "), (iv) cause the Seller Common Units to be delisted from, and to cease to be traded on, Euronext Amsterdam by NYSE Euronext, the regulated market of Euronext Amsterdam N.V. as of, or as promptly as practicable after, the Closing, and (v) cause the Seller to be dissolved and liquidated by the Seller GP acting as liquidator, in accordance with the Seller Limited Partnership Agreement and the Limited Partnerships (Guernsey) Law, 1995, as amended, as promptly as practicable after the Closing. The transactions contemplated by this Section 5.6 are sometimes referred to herein as the " Dissolution Transactions ".

5.7 Stock Exchange Listing . The Purchaser shall use its reasonable best efforts to cause the Purchaser Common Units to be issued to the Seller pursuant to Section 1.1 to be approved for listing on the NYSE, subject to official notice of issuance, prior to the Closing.

5.8 Insurance . Prior to the Closing, the Purchaser shall obtain and fully pay the premium for, or shall cause to be obtained and to be fully paid the premium for, directors' and officers' liability insurance for the benefit of the directors and officers of the Seller GP, which shall (i) be effective for a period from the Closing Date through and including the date that is six years after the Closing Date, (ii) cover claims arising out of or relating to any action, statement or omission (including a failure to act) of such directors and officers of the Seller GP, whether before or after the Closing Date (including the transactions contemplated by this Agreement and the decision making process by the Board in connection therewith) to the same extent as the directors and officers of the Purchaser GP acting in their capacities as the directors and officers of the Seller GP are insured with respect thereto, and (iii) shall contain coverage and amounts, and shall otherwise contain terms and conditions, including exclusions, in each case as shall be mutually agreed by the Seller and the Purchaser; provided , however , that in no event shall the Purchaser be required to, or be required to cause any other person to, expend for such insurance an amount in excess of the amount set forth in Section 5.8 of the Confidential Purchaser Disclosure Schedule.

5.9 Modifications to Existing Agreements .

(a) Each of the Purchaser and the Seller shall use 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 cause the Investment Agreement, dated as of May 10, 2006, between KKR & Co. L.P. and the Seller, as amended, supplemented or otherwise modified from time to time, to be terminated upon the Closing.

(b) Each of the Purchaser and the Seller shall use 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 (including obtaining the consent of the holders of the Seller Common Units) to cause Section 14(c) of the Services Agreement, dated as of April 23, 2006 among the Seller, KKR & Co. L.P., the Seller GP and the other service recipients named therein, as amended, modified or supplemented from time to time (the " Services Agreement ") to be amended as of the

Closing so that no consent of the holders of the Seller Common Units is required to terminate the Services Agreement following the Closing.

5.10 Execution of Additional Agreements. The Purchaser shall use its reasonable best efforts to execute, or to cause the other parties thereto to execute, prior to the Closing, the Contingent Value Interests Agreement between the Purchaser and a trustee mutually acceptable to the Purchaser and the Seller, substantially in the form attached hereto as Exhibit D (the " CVI Agreement "), the Exchange Agreement between the Purchaser, the Group Partnerships and KKR Intermediate Holdings L.P., substantially in the form attached hereto as Exhibit E (the " Exchange Agreement "), the Tax Receivables Agreement between the Purchaser, KKR Holdings L.P., KKR Management Holdings Corp. and KKR Management Holdings L.P., substantially in the form attached hereto as Exhibit F (the " Tax Receivables Agreement "), the Non-Competition and Non-Solicitation Agreements between Holdings and those persons who are members of Kohlberg Kravis Roberts & Co. L.L.C. immediately prior to the consummation of the Restructuring Transactions, substantially in the form attached hereto as Exhibit G (the " Non-Compete Agreements "), the Amended and Restated Limited Partnership Agreement of the Purchaser, substantially in the form attached hereto as Exhibit H (the " Purchaser LPA "), the Amended and Restated Limited Partnership Agreement of KKR Management Holdings L.P., substantially in the form attached hereto as Exhibit I (the " Management Holdings LPA "), the Amended and Restated Limited Partnership Agreement of KKR Fund Holdings L.P., substantially in the form attached hereto as Exhibit J (the " Fund Holdings LPA "), the Amended and Restated Limited Liability Company Agreement of the Purchaser GP, substantially in the form attached hereto as Exhibit K (the " Purchaser GP Agreement ") and the Lock-Up Agreements, substantially in the forms attached hereto as Exhibit L (the " Lock-Up Agreement ").

5.11 Delivery of Letters.

(a) The Purchaser shall use its reasonable best efforts to cause to be delivered to the Seller a "comfort" letter from Deloitte & Touche LLP with respect to financial information contained in the Registration Statement, dated the effective date of the Registration Statement, in a form customary in scope and substance for "comfort" letters delivered by independent public accountants in connection with registration statements similar to the Registration Statement (it being understood that such "comfort" letters shall also provide comfort on the interim financial statements included in the Registration Statement in accordance with applicable SAS standards, customary comfort on the pro forma financial statements and other data and customary negative assurance comfort).

(b) The Purchaser shall use its reasonable best efforts to cause to be delivered to the Seller a "negative assurance" letter from Simpson Thacher & Bartlett LLP with respect to the absence of material misstatements or omissions in the Registration Statement, dated the effective date of the Registration Statement, in a form customary in scope and substance for "negative assurance" letters delivered by issuer's counsel in connection with registration statements similar to the Registration Statement.

5.12 Conduct of Business of the Purchaser .

(a) Except as contemplated by this Agreement, including the Restructuring Transactions, as set forth in Section 5.12 of the Confidential Purchaser Disclosure Schedule, as required by applicable law, statute, rule, ordinance or regulation or with the prior written consent of the Seller, during the period from the date of this Agreement until the Closing, the Purchaser shall, and shall cause each of the Consolidated Persons to, conduct its business in all material respects in the usual, regular and ordinary course. Without limiting the generality of the foregoing, except as contemplated by this Agreement, including the Restructuring Transactions, as set forth in Section 5.12 of the Confidential Purchaser Disclosure Schedule or as required by applicable, law, statute, rule, ordinance or regulation or with the prior written consent of the Seller, from the date of this Agreement until the Closing:

(i) the Purchaser shall not, and shall not permit any Consolidated Person to, amend its respective partnership agreement, articles of association, certificate of incorporation, bylaws or equivalent organizational documents in any manner that would adversely affect the holders of Seller Common Units in any material respect;

(ii) the Purchaser shall not, and shall not permit any Consolidated Person to, make any change in any method of accounting or accounting practice or policy other than those required by GAAP or the SEC;

(iii) the Purchaser shall not adopt, enter into, amend or modify any Purchaser Enhanced Arrangement, other than (A) the adoption of the KKR & Co. L.P. 2008 Equity Incentive Plan, substantially in the form attached hereto as Exhibit M (the " Equity Incentive Plan ") and (B) grants pursuant to the Equity Incentive Plan of up to 2% of the fully diluted Purchaser Common Units outstanding or issuable as of the Closing (or options or other derivative securities in respect thereof) which may be made, subject to vesting conditions, upon the Closing by the Purchaser to any Participant (as defined in the Equity Incentive Plan) who is not a member of Holdings and who does not otherwise receive any direct or indirect equity interest in Holdings;

(iv) the Purchaser shall not, and shall not permit any Consolidated Person to, (1) subdivide, combine or reclassify, directly or indirectly, any of the partnership units or partnership interests, membership interests, shares of capital stock, other equity securities or interests, (2) redeem, purchase or otherwise acquire, or call for redemption any partnership units or partnership interests, membership interests, shares of capital stock, other equity securities or interests or (3) issue any partnership units or partnership interests, membership interests, shares of capital stock or other equity securities or interests or any option, warrant or right relating thereto or any securities convertible into or exchangeable therefor, other than (A) to the Purchaser or another Consolidated Person, (B) grants of Purchaser Common Units (or options or other derivative securities in respect thereof) that are permitted to be made pursuant to clause (B) of Section 5.12(iii) above, (C) issuances not involving securities of the Purchaser to third parties pursuant to an arms-length transaction, (D) issuances not involving securities of the Purchaser to persons who will hold a direct or indirect equity interest in Holdings following the Restructuring Transactions or (E) redemptions or repurchases of equity securities or interests or options, warrants or rights relating thereto or securities convertible into or exchangeable therefor from former or departing employees, members, partners, or consultants of any Consolidated Person consistent with such Consolidated Person's ordinary practice;

(v) the Purchaser shall not, and shall not permit any Consolidated Person to, declare, set aside, pay or make any dividend or other distribution to the holders of its respective partnership units or partnership interests, membership interests, shares of capital stock or other equity securities or interests, except for dividends or distributions to the Purchaser or another Consolidated Person;

(vi) the Purchaser shall not, and shall not permit any Consolidated Person to, enter into any related party transaction as such term is defined in Item 404(a) of Regulation S-K under the Securities Act other than any such transaction the terms of which are no less favorable to the Purchaser or the Consolidated Person, as applicable, than those that would be available on an arm's-length basis with a third party;

(vii) the Purchaser shall not incur or assume any indebtedness for borrowed money or guarantee any such indebtedness; and

(viii) the Purchaser shall not, and shall not permit any Consolidated Persons to commit or agree to take, whether in writing or otherwise, any of the foregoing actions that the Purchaser or such Consolidated Persons are prohibiting from taking under clauses (i) through (vii) above.

In addition, the Purchaser shall take the actions set forth in Section 5.12(ii) of the Confidential Purchaser Disclosure Schedule on or prior to the Closing Date.

(b) Notwithstanding Section 5.12(a), nothing in this Agreement shall prohibit or otherwise prevent the Purchaser or the Consolidated Persons from expanding any of their existing businesses or entering into new lines of business in the asset management or financial services industries.

5.13 Publicity.

(a) The Purchaser and the Seller shall consult with each other prior to issuing any press release or other public announcement materials with respect to this Agreement or the transactions contemplated by this Agreement and neither the Purchaser or the Seller shall issue any such press release or other public announcement materials without the prior consent of the other party (such consent not to be unreasonably withheld or delayed), except as may be required by law, rule or regulation, in which case the party required to make the release or announcement shall allow the other party reasonable time to comment on such release or announcement in advance of such issuance. The Purchaser and the Seller shall consult with each other regarding communications with holders of the Seller Common Units, analysts, journalists and prospective investors related to this Agreement and the transactions contemplated hereby.

(b) Notwithstanding any other provisions of this Agreement, nothing contained in this Agreement shall prohibit the Seller from making any disclosure to the holders of Seller Common Units or to the public (including with respect to any change in the Independent Directors recommendation made in accordance with Section 5.2) if, in the good faith judgment of the Independent Directors after consultation with outside legal counsel, such disclosure would be required under applicable law or stock exchange rules and would be true and correct in all material respects; provided that the Purchaser shall be given, to the extent possible, a reasonable time to comment on such disclosure prior to it being made to the holders of Seller Common Units or to the public. The Purchaser and Holdings acknowledge that the Seller is a publicly listed limited partnership in the Netherlands and is accordingly required to comply with applicable Dutch disclosure rules of the Dutch Financial Markets Supervision Act.

5.14 Resignation of Independent Directors. Unless the Independent Directors agree otherwise in writing with the Seller GP and the Purchaser, the Independent Directors shall not be required to resign until the completion of the Dissolution Transactions at which point the Independent Directors shall be required to resign.

5.15 Anti-takeover Statutes. If any anti-takeover or similar statute or regulation is or may become applicable to the transactions contemplated by this Agreement, the Seller shall grant such approvals and take such other actions as are necessary so that such transactions may be consummated as promptly as practicable on the terms contemplated by this Agreement and otherwise act to eliminate or minimize the effects of such statute or regulation on such transactions.

5.16 June 30 Financial Statements. The Purchaser shall use its reasonable best efforts to prepare the June 30 Financial Statements and shall deliver the June 30 Financial Statements to the Seller as promptly as practicable after such financial statements become available.

5.17 Access to Information. Upon reasonable notice and subject to the terms of the Confidentiality Agreement, dated June 20, 2008, between the Seller and KKR & Co. L.P., the Purchaser shall, and shall cause the Consolidated Persons to, afford the Seller, the Independent Directors and the respective representatives reasonable access, during normal business hours during the period prior to the Closing, to their respective personnel and documents (including, books, accounts, contracts, commitments, tax returns and other records) and shall furnish to the Seller, the Independent Directors and their respective representatives as promptly as practicable after receiving a request therefor such other information concerning the business of the Purchaser and the Consolidated Persons as the Seller, the Independent Directors or their respective representatives may reasonably request; provided, that the foregoing shall not obligate the Purchaser to disclose any information of the Purchaser or the Consolidated Persons that the Purchaser reasonably determines, based on the advice of counsel, to be privileged; provided that the Purchaser shall use reasonable best efforts to make appropriate substitute disclosure arrangements under circumstances in which the immediately preceding proviso applies.

5.18 Litigation. In the event a Proceeding (as defined below) relating to this Agreement, the Purchase and Sale or the other transactions contemplated hereby is initiated by a third party between the date hereof and the Closing against the Seller, during such period the Seller shall conduct and control such Proceeding. The Seller shall give the Purchaser the opportunity to comment with respect to the defense of such Proceedings and such comments shall be duly taken into account. The Seller shall give the Purchaser the opportunity to participate in the defense of any such Proceeding, shall keep the Purchaser informed of the progress of such Proceeding and its or their defense and shall make available to the Purchaser all documents, notices, communications and filings (including court papers) as may be requested by the Group Partnerships. The Seller shall not settle or compromise any such Proceeding without the prior written consent of the Purchaser, which shall not be unreasonably withheld or delayed. Following the Closing, the Group Partnerships shall be entitled to take control of and to conduct such Proceeding.

5.19 Treatment of Seller Unit Appreciation Rights. As of immediately prior to the Closing, each outstanding unit appreciation right with respect to Seller Common Units issued under the Seller's 2007 Equity Incentive Plan (each, a "Seller UAR") shall immediately become fully vested and immediately exercisable. Upon the Closing, except as otherwise agreed between the Purchaser and a holder of a Seller UAR, (i) each outstanding Seller UAR for which the exercise price per Seller Common Unit of such Seller UAR equals or exceeds the closing price per Seller Common Unit on Euronext Amsterdam on the final trading day of Seller Common Units shall be cancelled without the payment of any consideration in respect thereof and (ii) each other Seller UAR (other than those referred to in clause (i)) shall be converted into a fully vested unit appreciation right, on the same terms and conditions as were applicable under such Seller UAR, with respect to a number of Purchaser Common Units equal to the number of Seller Common Units subject to such Seller UAR immediately prior to the Closing with an exercise price per Purchaser Common Unit equal to the per unit exercise price for such Seller UAR (the Seller UARs referred to in this clause (ii), the "Adjusted UARs"). Upon the Closing, the Purchaser shall assume the Adjusted UARs and all obligations with respect thereto. As soon as practicable following the Closing, the Purchaser shall deliver to the holders of Adjusted UARs appropriate notices setting forth such holders' rights pursuant to the Adjusted UARs (including the number of Purchaser Common Units subject to each such Adjusted UAR and the per unit exercise price with respect thereto) and specifying that such Adjusted UARs have been assumed by the Purchaser and shall continue in effect on the same terms and conditions as were applicable to the Seller UARs immediately prior to the Closing. Prior to the Closing, the Seller and the Purchaser shall take all actions necessary or appropriate to effectuate the provisions of this Section 5.19.

5.20 Communications Package. The Purchaser shall file the Communications Package with the SEC under Rule 425 of the Securities Act as promptly as practicable after it is first disseminated. On the date of such filing, the Communications Package will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

5.21 Registration of Intellectual Property. Upon the Closing, the "KKR" trademark shall have been duly filed for registration by one or more of the Consolidated Persons (and not by any other affiliate of the Purchaser) with the appropriate Governmental Entities where such registration is reasonably necessary for the conduct of the business of the Purchaser and the Consolidated Persons as presently conducted, and after making such filings, the Purchaser and the Consolidated Persons shall use their respective reasonable best efforts to prosecute the same until registration.

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6. INDEMNIFICATION

(a) To the fullest extent permitted by applicable law, from the Closing Date through the sixth anniversary thereof, the Group Partnerships shall indemnify, defend and hold harmless, and provide advancement of expenses to, each present and former director and officer of the Seller GP and the persons identified in Section 6.1 of the Confidential Purchaser Disclosure Schedule against all losses, liabilities, damages, judgments and fines ("Losses") incurred in connection with any suit, claim, action, proceeding, arbitration or investigation ("Proceedings") arising out of or related to actions taken by them in their capacity as directors or officers of the Seller GP (including, this Agreement and the transactions contemplated hereby) or taken by them at the request of the Seller or the Seller GP, whether asserted or claimed prior to, at or after the Closing Date.

(b) The Group Partnerships shall indemnify and hold harmless to the fullest extent permitted by applicable law the Purchaser, the Seller and each present and former director and officer of the Seller GP and the persons identified in Section 6.1 of the Confidential Purchaser Disclosure Schedule against any and all Losses to which they or any of them may become subject under the Securities Act, the Exchange Act or other applicable law, statute, rule or regulation insofar as such Losses arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, the Consent Solicitation Documents, the Communications Package, any other document issued by the Purchaser, the Seller or any of their respective affiliates in connection with or otherwise relating to the Purchase and Sale, or in any amendment or supplement thereto, 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, and the Group Partnerships agree to reimburse each such person, as incurred, for any legal or other expenses reasonably incurred by such person in connection with investigating or defending against any such Losses to the fullest extent permitted by applicable law; provided, however that the Group Partnerships shall not be liable in any such case to the extent that any such Losses arise out of or are based upon any such untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, the Consent Solicitation Documents, the Communications Package or in any amendment thereof or supplement thereto, or in any such other document in reliance upon and in conformity with the Specified Information.

(c) The Group Partnerships shall, in respect of any indemnified person that was a director of the Seller GP as of the date of this Agreement who may be called upon, subsequent to the date of his resignation or expiration of his term, to testify in any Proceeding in connection with this Agreement or the transactions contemplated hereby, provide such person with reasonable compensation for his time spent testifying in such Proceeding and preparing for such testimony.

(d) If the indemnification provided for this Section 6.1 is unavailable (other than as a result of application of the proviso to Section 6.1(b)) to or insufficient to hold harmless the indemnified person in respect of any Losses, then the Group Partnerships shall contribute to the amount paid or payable by the indemnified person as a result of such Losses (A) in such proportion as is appropriate to reflect the relative fault of the Group Partnerships, on the one hand, and the indemnified person, on the other or (B) if the allocation provided by clause (A) is not permitted by applicable law, or provides a lesser sum to the indemnified person than the amount hereinafter calculated, in such proportion as is appropriate to reflect not only the relative fault of the Group Partnerships, on the one hand, and the indemnified person, on the other, in respect of such Losses but also the relative benefits received by the Group Partnerships, on the one hand, and the indemnified person, on the other, from the transactions contemplated by this Agreement as well as any other relevant equitable considerations. The amount paid or payable by the indemnified person as a result of the Losses referred to above in this Section 6.1 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified person in connection with investigating or defending any such action or claim. For purposes of this Section 6, any benefit or fault in respect of the transactions contemplated by this Agreement attributable to Holdings and its affiliates shall be attributed to the Group Partnerships.

(e) In case any Proceeding shall be commenced or instituted involving any person in respect of which indemnity or contribution may be sought pursuant to this Section 6.1, such person shall promptly notify the Group Partnerships thereof in writing; provided that the failure to so notify the Group Partnerships will not affect the rights of such person under this Section 6.1 except to the extent that the Group Partnerships are actually prejudiced by such failure. The Group Partnerships shall be entitled to take control of and conduct such Proceeding and to appoint counsel (including local counsel) of the Group Partnerships' choosing to represent the indemnified party in connection with such Proceeding (in which case the Group Partnerships shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the indemnified party). Notwithstanding the Group Partnerships' election to appoint counsel (including local counsel) to represent the indemnified party in connection with a Proceeding, the indemnified party shall have the right to employ separate counsel (including local counsel), and the Group Partnerships shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the Group Partnerships to represent the indemnified party would present such counsel with a conflict of interest (based on the advice of counsel to the indemnified person), (ii) such Proceeding includes both the indemnified party and the Group Partnerships, and the indemnified party shall have reasonably concluded (based on the advice of counsel to the indemnified person) that there may be legal defenses available to it and/or other indemnified parties that are different from or additional to those available to the Group Partnerships or (iii) the Group Partnerships shall authorize the indemnified party to employ separate counsel at the expense of the Group Partnerships. It is understood that the Group Partnerships shall not, in respect of the legal expenses of any indemnified party in connection with any Proceeding or related Proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such indemnified parties. The Group Partnerships shall not be liable under this Section 6.1 for any settlement or compromise or consent to the entry of any judgment with respect to any pending or threatened Proceeding in respect of which indemnification or contribution may be sought under this Section 6.1 (whether or not the indemnified parties are actual or potential parties to such claim or action), unless such settlement, compromise or consent is consented to by the Group Partnerships, such consent not to be unreasonably withheld or delayed.

(f) Notwithstanding any other provision of this Agreement to the contrary, the indemnified parties specified in this Section 6.1 shall be third party beneficiaries of this Section 6.1 . The provisions of this Section 6.1 are intended to be for the benefit of each such person to whom this Section 6.1 applies (and, in the case of each director of the Seller GP, for the benefit of such director in his individual capacity) and his or her heirs. The obligations of the Group Partnerships under this Section 6.1 shall not be terminated or modified in such a manner as to adversely affect any such person to whom this Section 6.1 applies without the express written consent of such affected person.

(g) If any of the Group Partnerships or their successors or assigns shall (i) consolidate with or merge into any person and shall not be the continuing or surviving person in such consolidation or merger or (ii) transfer all or substantially all of its assets to any other persons, then, and in each such case, proper provisions shall be made so that the successors and assigns of the Group Partnerships shall assume the obligations of the Group Partnerships set forth in this Section 6.1.

(h) The Group Partnerships or their successors or assigns shall be entitled to repayment of all applicable expenses advanced to any person pursuant to this Section 6 if it is ultimately determined by a non-appealable judgment that such person is not entitled to indemnification hereunder with respect to the matter for which any such expenses were advanced.

(i) The obligations of the Group Partnerships set forth in this Section 6 shall be joint and several.

7. CONDITIONS PRECEDENT

7.1 Mutual Conditions. The respective obligations of each party to consummate the Purchase and Sale shall be subject to the satisfaction at or prior to the Closing Date of each of the following conditions:

(a) Unitholder Approval. The Requisite Unitholder Consent shall have been obtained and shall be in full force and effect.

(b) NYSE Listing. The Purchaser Common Units to be issued to the Seller pursuant to Section 1.1 of this Agreement shall have been authorized for listing on the NYSE, subject to official notice of issuance.

(c) Regulatory Approvals. Any applicable waiting period (and any extension thereof) under the HSR Act relating to the transactions contemplated by this Agreement shall have expired or been terminated.

(d) Registration Statement Effectiveness. The Registration Statement shall have become effective under the Securities Act without any requirement that the Purchaser or any of its affiliates become subject to regulation under the Investment Company Act, no stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that purpose shall have been initiated or threatened by the SEC.

(e) No Injunctions or Restraints; Illegality. No order, injunction, judgment, award or decree issued by any Governmental Entity of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Purchase and Sale and/or the

Distribution shall be in effect. No law, statute, rule, ordinance or regulation shall have been enacted, entered, promulgated or enforced by any Governmental Entity which prohibits or makes illegal the consummation of the Purchase and Sale and/or the Distribution.

7.2 Conditions to Obligations of the Purchaser . The obligations of the Purchaser to consummate the Purchase and Sale are also subject to the satisfaction or waiver by the Purchaser at or prior to the Closing Date of each of the following conditions:

(a) Representations and Warranties . The representations and warranties of the Seller set forth in this Agreement shall be true and correct as of the date of this Agreement and (except to the extent such representations and warranties are expressly limited to an earlier date) as of the Closing Date as though made on and as of the Closing Date, except where the failure of such representations and warranties to be so true and correct (without giving effect to any materiality or Material Adverse Effect or similar qualifiers set forth therein), individually or in the aggregate, has not had, and would not reasonably be expected to have, a Material Adverse Effect on the Acquired Partnership. The Purchaser shall have received a certificate, signed on behalf of the Seller by the Chief Financial Officer of the Seller, attesting to the foregoing in form and substance reasonably satisfactory to the Purchaser.

(b) Performance of Obligations by the Seller . The Seller shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date. The Purchaser shall have received a certificate, signed on behalf of the Seller by the Chief Financial Officer of the Seller, attesting to the foregoing in form and substance reasonably satisfactory to the Purchaser.

(c) Absence of Material Adverse Effect . Since the date of this Agreement, there shall not have been any Effect that has had or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Acquired Partnership.

7.3 Conditions to Obligations of the Seller . The obligations of the Seller to consummate the Purchase and Sale are also subject to the satisfaction or waiver by the Seller at or prior to the Closing Date of each of the following conditions:

(a) Representations and Warranties . (i) The representations and warranties of the Purchaser set forth in Section 3.18 shall be true and correct as of the date of this Agreement, except where the failure of such representations and warranties 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 Seller Common Units and (ii) the other representations and warranties of the Purchaser and the representations and warranties of Holdings set forth in this Agreement shall be true and correct as of the date of this Agreement and (except to the extent such representations and warranties are expressly limited to an earlier date) as of the Closing Date as though made on and as of the Closing Date, except where the failure of such representations and warranties to be so true and correct (without giving effect to any materiality or Material Adverse Effect or similar qualifiers set forth therein), individually or in the aggregate, has not had, and would not reasonably be expected to have, a Material Adverse Effect on (1) the Purchaser in the case of the other representations and warranties of the Purchaser, or (2) Holdings, in the case of the representations and warranties of Holdings (in each case after giving effect to the Restructuring Transactions, but, in the case of the Purchaser, excluding the Acquired Partnership and its subsidiaries). The Seller shall have received a certificate signed on behalf of a senior officer of each of the Purchaser GP and the general partner of Holdings attesting to the foregoing in form and substance reasonably satisfactory to the Seller.

(b) Performance of Obligations of the Purchaser. Each of the Purchaser and Holdings shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date. The Seller shall have received a certificate signed on behalf of a senior officer of each of the Purchaser GP and the general partner of Holdings attesting to the foregoing in form and substance reasonably satisfactory to the Seller.

(c) Absence of Material Adverse Effect. Since the date of this Agreement, there shall not have been any Effect that has had or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the holders of the Seller Common Units.

(e) Internal Reorganization. The Group Partnerships shall own, directly or indirectly, all of the Contributed Interests and the structure of the KKR Group shall be consistent with the structure set forth in Exhibit B hereto (other than the ownership by the Purchaser of a 21% economic interest in each of the Group Partnerships, which interests shall be issued to the Purchaser immediately after the Closing) and the Restructuring Transactions shall have been implemented in a manner consistent with the steps set forth in the structure memorandum set forth in Exhibit C hereto, except for deviations thereto which would not reasonably be expected to have an adverse impact in more than an insignificant respect on the Seller, the Purchaser or the holders of the Seller Common Units or deviations consented to by the Seller, which consent shall not be unreasonably withheld or delayed.

(g) Execution of Other Agreements. Each of the CVI Agreement, the Exchange Agreement, the Tax Receivables Agreement, the Non-Compete Agreements, the Purchaser LPA, the Management Holdings LPA, the Fund Holdings LPA, the Lock-Up Agreements and the Purchaser GP Agreement in substantially the forms attached as exhibits to this Agreement shall have been duly authorized, executed and delivered by each of the parties thereto and shall be in full force and effect.

(i) Delivery of Letters. The Seller shall have received the “comfort” letter and the “negative assurance” letter contemplated by Section 5.11 of this Agreement, each in form and substance reasonably satisfactory to the Seller.

8. TERMINATION

8.1 Termination. This Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time prior to the Closing:

(a) by mutual written consent of the Purchaser and the Seller;

(b) by either the Purchaser or the Seller if any Governmental Entity of competent jurisdiction shall have issued an order, injunction, judgment, award or decree or taken any other action permanently enjoining, restraining or otherwise prohibiting the Purchase and Sale and/or the Distribution and such order, injunction, judgment, award, decree or other action shall have become final and non-appealable; provided , however , that the right to terminate this Agreement pursuant to this Section 8.1(b) shall not be available to any 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;

(c) by either the Purchaser or the Seller if the Requisite Unitholder Consent is not obtained within 90 days following the date on which the Registration Statement is declared effective by the SEC; provided , however , that the right to terminate this Agreement pursuant to this Section 8.1(c) shall not be available to any party whose failure to fulfill any of its obligations under this Agreement has been a principal cause of the failure of the Requisite Unitholder Consent to be obtained;

(d) by either the Purchaser or the Seller if the Closing shall not have occurred on or before the date that is nine (9) months following the date of this Agreement (the " Outside Date "); provided , however , that the right to terminate this Agreement pursuant to this Section 8.1(d) shall not be available to any party whose failure to fulfill any of its obligations under this Agreement has been a principal cause of or has resulted in the failure of the Closing to occur on or before such date;

(e) by the Purchaser if any of the conditions to Closing set forth in Section 7.1 or Section 7.2 shall become incapable of being satisfied on or before the Outside Date; provided that if the condition giving rise to the right to terminate under this Section 8.1(e) is incapable of being satisfied due to a breach by the Seller of any of its representations, warranties, covenants or agreements in this Agreement or the failure of any representation or warranty of the Seller to be true, the Purchaser shall not be permitted to terminate this Agreement unless such breach or failure to be true has not been cured prior to the earlier of (i) 30 days after the giving of written notice by the Purchaser to the Seller of such breach or failure to be true and (ii) the Outside Date; provided , further that the right to terminate this Agreement pursuant to this Section 8.1(e) shall not be available to the Purchaser if the Purchaser is then in breach of any representation, warranty, covenant or agreement in this Agreement that would cause any of the conditions set forth in Section 7.1 or Section 7.3 not to be satisfied; or

(f) by the Seller if any of the conditions to Closing set forth in Section 7.1 or Section 7.3 shall become incapable of being satisfied on or before the Outside Date; provided that if the condition giving rise to the right to terminate under this Section 8.1(f) is incapable of being satisfied due to a breach by the Purchaser or Holdings of any of their respective representations, warranties, covenants or agreements in this Agreement or the failure of any representation or warranty of the Purchaser or Holdings to be true, the Seller shall not be permitted to terminate this Agreement unless such breach or failure to be true has not been cured prior to the earlier of (i) 30 days after the giving of written notice by the Seller to the Purchaser or Holdings, as applicable, of such breach or failure to be true and (ii) the Outside Date; provided , further that the right to terminate this Agreement pursuant to this Section 8.1(f) shall not be available to the Seller if the Seller is then in breach of any representation, warranty, covenant or agreement in this Agreement that would cause any of the conditions set forth in Section 7.1 or Section 7.2 not to be satisfied.

8.2 Effect of Termination. In the event of termination of this Agreement and the abandonment of the transactions contemplated hereby pursuant to Section 8.1, this Agreement shall forthwith become void and have no effect, and no party or any of their respective affiliates, employees or representatives shall have any liability of any nature whatsoever under this Agreement, or in connection with the transactions contemplated by this Agreement, except that (i) Section 5.13 (Publicity), this Section 8.2 (Effect of Termination) and Section 9 (General Provisions) shall survive any termination of this Agreement and (ii) neither the Seller, the Purchaser, the Group Partnerships nor Holdings shall be relieved or released from any liabilities or damages arising out of its willful or intentional breach of any provision of this Agreement.

9. GENERAL PROVISIONS

9.1 Nonsurvival of Representations, Warranties and Agreements. None of the representations, warranties, covenants and agreements in this Agreement or in any officer's certificate delivered pursuant to this Agreement, including any rights arising out of any breach of such representations, warranties, covenants, and agreements, shall survive the Closing, except for those covenants contained in Section 1.2, Section 5.6, Section 5.7, Section 5.8, Section 5.9, Section 5.14, Section 5.18, Section 5.19, Section 6 and Section 9.

9.2 Expenses. All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses; provided that if the Closing occurs, (i) all costs and expenses incurred by the Seller or the Seller GP in connection with this Agreement and the transactions contemplated hereby shall be paid by the Purchaser and (ii) all other costs and expenses incurred in connection with this Agreement shall be paid by one or more Consolidated Persons in which the Purchaser, directly or indirectly, has a 21% economic interest.

9.3 Notices. All notices and other communications hereunder shall be in writing and shall be deemed duly given (a) on the date of delivery if delivered personally, or by facsimile, upon confirmation of receipt, (b) on the first business day following the date of dispatch if delivered by a recognized next-day courier service, or (c) on the fifth business day following the date of mailing if delivered by registered or certified mail, return receipt requested, postage prepaid. All notices hereunder shall be delivered as set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice:

if to the Purchaser, to:

KKR & Co. L.P.
9 W. 57th Street, Suite 4200
New York, NY 10019
Attention: David J. Sorkin
Facsimile: (212) 750-0003

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

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017
Attention: Alan M. Klein
Joseph H. Kaufman
Facsimile: (212) 455-2502

if to the Seller, to:

KKR Private Equity Investors, L.P.
P.O. Box 255
Trafalgar Court, Les Banques
St. Peter Port, Guernsey GY1 3QL
Channel Islands
Attention: Christopher Lee
Facsimile: +44.1481.745.074

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

Bredin Prat
130 rue du Faubourg Saint Honor é
75008 Paris
France
Attention: Patrick Dziewolski
Benjamin Kanovitch
Facsimile: +33 (0)1.42.89.10.73

and

Cravath, Swaine & Moore LLP
CityPoint | One Ropemaker Street
London EC2Y 9HR
UK
Attention : George Stephanakis
Facsimile: +44 (0)207 860 1150

9.4 Interpretation . The words “hereof,” “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and the schedules hereto and not to any particular provision of this Agreement, and Section references are to this Agreement unless otherwise specified. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.” The word “or” shall be inclusive and not exclusive. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. This Agreement shall be construed without regard to any presumption or interpretation against the party drafting or causing any instrument to be drafted. All schedules accompanying this Agreement and all information specifically referenced in any such schedule form an integral part of this Agreement, and references to this Agreement include references to them. The term “affiliate” has the meaning given to it in Rule 12b-2 of the United States Securities Exchange Act of 1934, as amended (the “ Exchange Act ”), and the term “person” has the meaning given to it in Sections 3(a)(9) and 13(d)(3) of the Exchange Act. Whenever this Agreement requires the Seller or the Purchaser to take, or not take, any action, such requirement shall be deemed to include an undertaking on the part of the Seller GP or the Purchaser GP, as the case may be, to cause the Seller or the Purchaser to take, or not take, such action. For the avoidance of doubt, no representations, warranties, covenants or agreements set forth in this Agreement are intended to apply to any portfolio companies of any of the KKR Funds.

9.5 Amendment; Waiver. Subject to compliance with applicable law, this Agreement may be amended by the parties hereto, by a written instrument authorized and executed on behalf of the parties hereto (provided that in the case of the Seller in addition to any other requirement under applicable law, any such amendment shall be valid only if approved by all of the Independent Directors). At any time prior to the Closing, each party hereto may, to the extent legally allowed, (a) extend the time for the performance of any of the obligations or other acts of the other party hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (c) waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such party (provided that in the case of the Seller in addition to any other requirement under applicable law, any such extension or waiver shall be valid only if approved by all of the Independent Directors), but such extension or waiver or failure to insist on strict compliance with an obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure. Notwithstanding any other provision of this Agreement to the contrary, any amendment or waiver following the Closing with respect to the Purchaser's rights or obligations that survive the Closing shall require the approval of a majority of the independent directors of the Purchaser GP.

9.6 Counterparts. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that all parties need not sign the same counterpart.

9.7 Entire Agreement. This Agreement (together with the documents, schedules and the instruments referred to herein) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof.

9.8 Severability. Any term or provision of this Agreement which is determined by a court of competent jurisdiction to be invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction, and if any provision of this Agreement is determined to be so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable, in all cases so long as neither the economic nor legal substance of the transactions contemplated hereby is affected in any manner materially adverse to any party.

9.9 Assignment; Third Party Beneficiaries. Neither this Agreement nor any of the rights, interests or obligations of any party hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other party. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and permitted assigns. This Agreement (including the documents and instruments referred to herein), except for the provisions of Section 5.8, Section 5.14 and Section 6, is not intended to, and does not, confer upon any person other than the parties hereto any rights or remedies hereunder.

9.10 Further Assurances. The Purchaser, the Seller and Holdings each agrees to execute and deliver such other documents or agreements and to use their respective reasonable best efforts to take such other actions as may be reasonably necessary or desirable for the implementation of this Agreement and the consummation of the transactions contemplated hereby.

9.11 Actions of the Seller. The parties agree that, in accordance with Article 22(3) of the Articles of Association of the Seller GP, during the period from the date of this Agreement until the earlier of the Closing and the termination of this Agreement in accordance with the terms hereof, the Independent Directors, acting based on the affirmative vote of a majority of the Independent Directors, shall be entitled to implement on behalf of the Seller the transactions contemplated by this Agreement, to exercise the rights of the Seller under this Agreement and to enforce this Agreement against the Purchaser and/or Holdings. The parties hereto further agree that (i) the Seller shall not be deemed to have breached this Agreement unless such breach was due to the taking of any action, or failure to take any action, by the Independent Directors and (ii) the Purchaser shall be deemed to have breached this Agreement if the Purchaser or any of its affiliates (other than the Seller or the Seller GP) takes any action, or fails to take any action, that causes the Seller to breach this Agreement; provided that if the taking of such action, or failure to take such action, would not reasonably have been expected to cause the Seller to breach this Agreement, the Purchaser shall not be deemed to have breached this Agreement as a result of the taking of, or failure to take, such action other than for purposes of determining whether the condition set forth in Section 7.3(b) has been satisfied and the Purchaser shall have no liability to the Seller as a result of the taking of, or failure to take, such action.

9.12 Actions of the Purchaser. The parties hereto agree that, following the Closing Date, the independent directors of the Purchaser GP shall have the right to enforce the Purchaser's rights under Section 6.1(b) against the Group Partnerships and the organizational documents of the Purchaser and the Purchaser GP shall provide for such right.

9.13 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of New York.

9.14 Submission to Jurisdiction. Each party irrevocably submits to the jurisdiction of (a) the Supreme Court of the State of New York, New York County, and (b) the United States District Court for the Southern District of New York, for the purposes of any suit, action or other proceeding arising out of this Agreement or any transaction contemplated hereby. Each party agrees to commence any action, suit or proceeding relating hereto either in the United States District Court for the Southern District of New York or, if such suit, action or other proceeding may not be brought in such court for reasons of subject matter jurisdiction, in the

Supreme Court of the State of New York, New York County. Each party irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or any transaction contemplated hereby in (i) the Supreme Court of the State of New York, New York County, or (ii) the United States District Court for the Southern District of New York, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum. Each party further irrevocably consents to the service of process out of any of the aforementioned courts in any such suit, action or other proceeding by the mailing of copies thereof by mail to such party at its address set forth in this Agreement, such service of process to be effective upon acknowledgment of receipt of such registered mail; provided that nothing in this Section 9.14 shall affect the right of any party to serve legal process in any other manner permitted by law. The consent to jurisdiction set forth in this Section 9.14 shall not constitute a general consent to service of process in the State of New York and shall have no effect for any purpose except as provided in this Section 9.14. The parties agree that a final judgment in any such suit, action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

9.15 Enforcement. The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms on a timely basis or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or other equitable relief to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any court identified in Section 9.14, this being in addition to any other remedy to which they are entitled at law or in equity.

9.16 WAIVER OF JURY TRIAL. EACH OF THE PARTIES HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING DIRECTLY INVOLVING ANY MATTERS (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.

[*Remainder of Page Intentionally Left Blank*]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first above written.

KKR & CO. L.P.

By: KKR MANAGEMENT LLC, its general partner

By: ______________________________
Name:
Title:

KKR PRIVATE EQUITY INVESTORS, L.P.

By: KKR GUERNSEY GP LIMITED, its general partner

By: ______________________________
Name:
Title:

KKR PEI ASSOCIATES, L.P., in its capacity as general partner of KKR PEI Investments, L.P. (solely for purposes of Section 1.4)

By: KKR PEI GP LIMITED, its general partner

By: ______________________________
Name:
Title:

KKR HOLDINGS L.P. (solely for purposes of Section 4, Section 5.5, Section 5.13(b) and Section 9.10)

By: KKR HOLDINGS GP LIMITED, its general partner

By: ______________________________
Name:
Title:

KKR FUND HOLDINGS L.P. (solely for purposes of Section 6)

By: KKR & CO. L.P., its general partner

By: KKR MANAGEMENT LLC, its general partner

By: ______________________________
Name:
Title:

KKR MANAGEMENT HOLDINGS L.P. (solely for purposes of Section 6)

By: KKR MANAGEMENT HOLDINGS CORP., its general partner

By: ______________________________
Name:
Title:

EXHIBIT 10.3

FORM OF CONTINGENT VALUE INTERESTS AGREEMENT

KKR & Co. L.P.

TO

,

as

Trustee

CONTINGENT VALUE INTERESTS AGREEMENT

Dated as of

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CONTINGENT VALUE INTERESTS AGREEMENT, dated as of   , between KKR & Co. L.P., a Delaware limited partnership (hereinafter called the “Partnership”), and   , as trustee (hereinafter called the “Trustee”).

RECITALS OF THE COMPANY

WHEREAS, the Partnership has duly authorized the creation of an issue of Contingent Value Interests (hereinafter called the “CVIs”), of substantially the tenor and amount hereinafter set forth, and to provide therefor the Partnership has duly authorized the execution and delivery of this Agreement;

WHEREAS, pursuant to the Purchase and Sale Agreement dated as of July 27, 2008 (the “Purchase Agreement”), among the Partnership, KKR Private Equity Investors, L.P. (the “Seller”) and the other parties thereto, the Partnership has agreed to issue and deliver to the Seller, among other securities, one (1) CVI for each common unit representing limited partner interests of the Seller (“Seller Common Units”) issued and outstanding immediately prior to the consummation of the purchase and sale contemplated by Section 1.1 of the Purchase Agreement;

WHEREAS, pursuant to the Purchase Agreement it is contemplated that the Seller will make a distribution in kind of the CVIs and a number of Partnership Common Units to holders of Seller Common Units on a pro rata basis; and

WHEREAS, all things necessary have been done to make the CVIs, when executed by the Partnership and authenticated and delivered hereunder, the valid obligations of the Partnership and to make this Agreement a valid agreement of the Partnership, in accordance with their and its terms.

NOW, THEREFORE, for and in consideration of the premises and the consummation of the transactions referred to above, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the CVIs, as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.01 Definitions.

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms defined in this Article have the meanings assigned to them in this Article, and include the plural as well as the singular;

(b) all accounting terms used herein and not expressly defined shall have the meanings assigned to such terms in accordance with generally accepted accounting principles, and the term “generally accepted accounting principles” means such accounting principles as are generally accepted in the United States of America at the time of any computation;

(c) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein; and

(d) the words “herein”, “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision.

Certain terms, used principally in Article Four, are defined in that Article.

“Act”, when used with respect to any Holder, has the meaning specified in Section 1.04.

“Affiliate” means a Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the first mentioned Person; provided that for purposes of this Agreement, no portfolio company of any investment fund or other investment vehicle that is from time-to-time managed, sponsored or otherwise advised by the Partnership and/or one or more of its Affiliates shall be deemed to be an Affiliate of the Partnership.

“Aggregate Unit Cap” means [*6% of the sum of the number of Purchaser Common Units outstanding at Closing and the number of Purchaser Common Units then issuable upon exchange (without regard to any restrictions on exchange) by KKR Holdings L.P. or its designees to the Partnership of partner interests in the Group Partnerships (for the avoidance of doubt, any Purchaser Common Units outstanding or issuable under an equity incentive plan shall not be considered outstanding or issuable for purposes of the foregoing calculation)*] Partnership Common Units (subject to adjustment as provided herein).

“Agreement” means this instrument as originally executed and as it may from time to time be supplemented or amended pursuant to the applicable provisions hereof.

“Authorized Newspaper” means The Wall Street Journal (Eastern Edition), or if The Wall Street Journal (Eastern Edition) shall cease to be published, or, if the publication or general circulation of The Wall Street Journal (Eastern Edition) shall be suspended for whatever reason, such other English language newspaper as is selected by the Partnership with general circulation in The City of New York, New York.

“Automatic Extinguishment Event” has the meaning set forth in Section 3.01(g).

“Averaging Period” means the 90 consecutive trading day period ending on the third trading day preceding the Maturity Date.

“Board of Directors” means either the board of directors of the general partner of the Partnership or any duly authorized committee of that board; provided that for purposes of the third paragraph of Section 7.04, any such committee shall be comprised of a majority of independent directors.

“Board Resolution” means a copy of a resolution certified by the Secretary or an Assistant Secretary of the general partner of the Partnership to have been duly adopted by the

Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means any day (other than a Saturday or a Sunday) on which banking institutions in The City of New York, New York, in the Cayman Islands or in the State of the principal office of the Trustee are not authorized or obligated by law or executive order to close.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or if at any time after the execution of this Agreement such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Common Unit Value" means (A) if the Partnership Common Units are listed or admitted to trading on any securities exchange, the sum of the daily VWAPs of one Partnership Common Unit on the New York Stock Exchange (or if the Partnership Common Units are not then listed on the New York Stock Exchange, such other exchange on which the Partnership Common Units are then listed) for each of the 90 consecutive trading days during the Averaging Period, divided by 90, (B) if the Partnership Common Units are not then listed or admitted to trading on any securities exchange, the sum of the daily last reported sale prices (or if no sale takes place on any particular day, the average of the closing bid and asked prices on such day) as reported by a reputable quotation source designated by the Partnership for each of the 90 trading days during the Averaging Period, divided by 90 and (C) if the Partnership Common Units are not then listed or admitted to trading on any securities exchange and no such reported sale price or bid and asked prices are available, the average of the high bid and low asked prices on the last day on which such information was available, as reported in the Authorized Newspaper; provided that if during the Averaging Period the Ex-Date with respect to any dividend or other distribution (other than the payment of a dividend or other distribution by the Partnership to its unitholders in Partnership Common Units) shall have occurred in respect of a Partnership Common Unit, for purposes of calculating the Common Unit Value, the daily VWAP, the last reported sale price or the average of the closing bid and asked prices, as applicable, for any trading day in the Averaging Period preceding the Ex-Date in respect of such dividend or other distribution shall be reduced by the amount of such dividend or other distribution.

"Control" (including the terms "controlled", "controlled by" and "under common control with") means the possession, directly or indirectly or as trustee or executor, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of stock or as trustee or executor, by contract or otherwise.

"Corporate Trust Office" means the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office at the date of execution of this Agreement is located at .

"CVI Certificate" means a certificate representing any of the CVIs.

"CVI Consideration" means, an amount equal to the difference between (A) the Strike Price and (B) the greater of (I) the Floor Price and (II) the Common Unit Value (such difference, the “Uncapped CVI Consideration”); provided (x) if the Common Unit Value equals or exceeds the Strike Price, the CVI Consideration shall be $0 and (y) if the Uncapped CVI Consideration equals or exceeds the CVI Consideration Cap, the CVI Consideration shall be equal to the CVI Consideration Cap.

“CVI Consideration Cap” means the product of the Unit Cap and the Common Unit Value.

“Default Amount” means, an amount equal to the difference between (A) the Strike Price and (B) the greater of (I) the Floor Price and (II) the Default VWAP Price (such difference, the “Uncapped Default Amount”); provided (x) if the Default VWAP Price equals or exceeds the Strike Price, the Default Amount shall be $0 and (y) if the Uncapped Default Amount equals or exceeds the Default Amount Cap, the Default Amount shall mean the Default Amount Cap.

“Default Amount Cap” means the product of the Unit Cap and the Default VWAP Price.

“Default Interest Rate” means 8% per annum.

“Default Payment Date” means the date upon which the CVIs are declared due and payable pursuant to Section 8.01.

“Default VWAP Price” means (A) if the Partnership Common Units are listed or admitted to trading on any securities exchange, the sum of the daily VWAPs of one Partnership Common Unit on the New York Stock Exchange (or, if the Partnership Common Units are not then listed on the New York Stock Exchange, such other exchange on which the Partnership Common Units are then listed) for each of the 10 consecutive trading days immediately preceding the Default Payment Date, divided by 10; (B) if the Partnership Common Units are not then listed or admitted to trading on any securities exchange, the sum of the daily last reported sale prices (or if no sale takes place on any particular day, the average of the closing bid and asked prices on such day) as reported by a reputable quotation source designated by the Partnership for each of the 10 consecutive trading days immediately preceding the Default Payment Date, divided by 10 and (C) if the Partnership Common Units are not then listed or admitted to trading on any securities exchange and no such reported sale price or bid and asked prices are available, the average of the reported high bid and low asked prices on the last day on which such information was available, as reported in the Authorized Newspaper; provided that if during such 10 consecutive trading day period the Ex-Date with respect to any dividend or other distribution (other than the payment of a dividend or other distribution by the Partnership to its unitholders in Partnership Common Units) shall have occurred in respect of a Partnership Common Unit, for purposes of calculating the Default VWAP Price, the daily VWAP, the last reported sale price or the average of the closing bid and asked prices, as applicable, for any trading day in such 10 consecutive trading day period preceding the Ex-Date in respect of such dividend or other distribution shall be reduced by the amount of such dividend or other distribution.

"Distribution Amount" means the aggregate amount of any dividends or other distributions (other than the payment of a dividend or other distribution by the Partnership to its unitholders in Partnership Common Units) made in respect of a single Partnership Common Unit for which the Ex-Date occurs during the period from the Issue Date through, and including, the last day of the Averaging Period; provided that in the case of any non-cash dividend or other distribution (other than the payment of a dividend or other distribution by the Partership to its unitholders in Partnership Common Units), the value of such dividend or other distribution shall be equal to the fair market value of the dividend or other distribution made in respect of a single Partnership Common Unit as determined by an Independent Financial Advisor at the time such dividend or other distribution is made.

"Event of Default" has the meaning set forth in Section 8.01.

"Exchange Act" means The Securities Exchange Act of 1934, as amended.

"Ex-Date" means, when used with respect to dividends or other distributions made in respect of a Partnership Common Unit, the first date on which the Partnership Common Units trade on the New York Stock Exchange (or, if the Partnership Common Units are not then listed on the New York Stock Exchange, such other exchange on which Partnership Common Units are then listed) without the right to receive the dividend or other distribution.

"Extinguishment Price" means $24 (subject to adjustment as provided herein) minus the Distribution Amount (taking into account dividends or other distributions for which the Ex-Date occurs during the period from the Issue Date through, and including, the last day of the 20 consecutive trading days used to determine whether an Automatic Extinguishment Event has occurred); provided that in no event shall the Extinguishment Price be less than $0.

"Floor Price" means $17.3056 (subject to adjustment as provided herein) minus the Distribution Amount; provided that in no event shall the Floor Price be less than $0.

"Fundamental Change" means that at any time after the Issue Date any of the following occurs:

(A) consummation of any share exchange, exchange offer, tender offer, consolidation, merger or other business combination involving the Partnership pursuant to which all or substantially all of the Partnership Common Units are converted into cash, securities or other property, (B) any sale, lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of the Partnership and its subsidiaries, taken as a whole, to any Person other than one of its subsidiaries or (C) the Partnership adopts any plan or proposal for its liquidation or dissolution; provided, however, that in respect of (A) above a Fundamental Change will not be deemed to have occurred if (x) at least 90% of the consideration received or to be received by holders of the Partnership Common Units, excluding cash payments for fractional units or pursuant to statutory or contractual appraisal rights, in connection with the transaction or transactions constituting the Fundamental Change consists of shares of common stock or common units that are quoted or listed for trading on a securities exchange or that will be so quoted or listed when issued or exchanged in connection with such transaction or transactions (these securities being referred to as "publicly traded securities") and as a result of this transaction or transactions the Partnership has the right to satisfy the CVI Consideration with such publicly traded securities and (y) the acquirer in any such transaction assumes the obligations of the Partnership relating to the CVIs, and appropriate adjustments are made to the Aggregate Unit Cap, Extinguishment Price, Floor Price, Strike Price and Unit Cap and any other defined terms that require mathematical adjustments as a result of such transaction based on, and to reflect, the number of publicly traded securities into which a Partnership Common Unit is converted in such transaction.

"Group Partnerships" means KKR Management Holdings L.P., a Delaware limited partnership, and KKR Fund Holdings L.P., a Cayman limited partnership (and any future partnership designated as a Group Partnership by the Partnership (it being understood that such designation may only be made if such future partnership enters into a group partnership agreement substantially the same as, and which provides for substantially the same obligations as, the group partnership agreements then in existence)), and any successors thereto.

"Holder" means a Person in whose name a CVI is registered in the Security Register.

"Independent Financial Expert" means an independent nationally recognized investment banking firm, valuation firm or appraisal firm selected by the Partnership.

"Issue Date" means the date of this Agreement.

"Maturity Date" means the third Business Day following the earlier of (x) a Fundamental Change and (y) [*Insert third anniversary of closing date*].

"Officer's Certificate" means a certificate signed by the chairman of the Board of Directors, the chief-executive officer, any co-chief executive officer, the chief operating officer, the chief financial officer, the general counsel, the chief compliance officer, any president, any vice president, any treasurer, any assistant treasurer, any secretary or any assistant secretary of the Partnership or the general partner of the Partnership in his or her capacity as such an officer, and delivered to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, who may be internal counsel for the general partner of the Partnership or an Affiliate thereof, and who shall be reasonably acceptable to the Trustee.

"Outstanding", when used with respect to CVIs means, as of the date of determination, all CVIs theretofore authenticated and delivered under this Agreement, except:

(a) CVIs theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(b) From and after the earlier of the Default Payment Date and the Maturity Date, CVIs, or portions thereof, for which delivery of cash or Partnership Common Units in the necessary amount to satisfy the CVI Consideration or the Default Amount, as applicable, has been theretofore deposited with the Trustee or any Paying Agent (other than the Partnership) in trust or set aside and segregated in trust by the Partnership (if the Partnership shall act as its own Paying Agent) for the Holders of such CVIs; and

(c) CVIs in exchange for or in lieu of which other CVIs have been authenticated and delivered pursuant to this Agreement;

provided , however , that in determining whether the Holders of the requisite Outstanding CVIs have given any request, demand, direction, consent or waiver hereunder, CVIs owned by the Partnership or any other obligor upon the CVIs or any Affiliate of the Partnership or such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, direction, consent or waiver, only CVIs which the Trustee knows to be so owned shall be so disregarded.

"Partnership" means the Person named as the "Partnership" in the first paragraph of this instrument, until a successor Person shall have become such pursuant to the applicable provisions of this Agreement, and thereafter "Partnership" shall mean such successor Person. To the extent necessary to comply with the requirements of the provisions of Trust Indenture Act Sections 3.10 through 3.17 as they are applicable to the Partnership, the term "Partnership" shall include any other obligor with respect to the CVIs for the purposes of complying with such provisions.

"Partnership Common Units" means common units representing limited partner interests of the Partnership.

"Partnership Request" or "Partnership Order" means a written request or order signed in the name of the Partnership by the chairman of the Board of Directors, the chief-executive officer, any co-chief executive officer, the chief operating officer, the chief financial officer, the general counsel, the chief compliance officer, any president, any vice president, any treasurer, any assistant treasurer, any secretary or any assistant secretary of the Partnership or the general partner of the Partnership, and delivered to the Trustee.

"Paying Agent" means any Person authorized by the Partnership to pay the amount determined pursuant to Section 3.01, if any, on any CVIs on behalf of the Partnership, which shall initially be the Trustee.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Responsible Officer", when used with respect to the Trustee, means any officer assigned to the Corporate Trust Office and also means, with respect to any particular corporate trust matter, any other officer of the Trustee to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Security Register" and "Security Registrar" have the respective meanings specified in Section 3.05.

"Strike Price" means $22.25 (subject to adjustment as provided herein) minus the Distribution Amount; provided that in no event shall the Strike Price be less than $0.

"Surviving Person" has the meaning set forth in Section 9.01.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in force at the date as of which this Agreement was executed, except as provided in Section 6.05.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this Agreement, until a successor Trustee shall have become such pursuant to the applicable provisions of this Agreement, and thereafter "Trustee" shall mean such successor Trustee.

"Uncapped CVI Consideration" has the meaning set forth in the definition of CVI Consideration.

"Uncapped Default Amount" has the meaning set forth in the definition of Default Amount.

"Unit Cap" means 0.2857 (subject to adjustment as provided herein).

"vice president", when used with respect to the general partner of the Partnership or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title of "vice president".

"VWAP" means volume weighted average price.

Section 1.02 Compliance Certificates and Opinions.

Upon any application or request by the Partnership to the Trustee to take any action under any provision of this Agreement, the Partnership shall furnish to the Trustee an Officer's Certificate stating that all conditions precedent, if any, provided for in this Agreement (including any covenants, compliance with which constitutes a condition precedent) relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that, in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Agreement relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Agreement shall include:

(a) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

Section 1.03 Form of Documents Delivered to Trustee .

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Partnership may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the general partner of the Partnership stating that the information with respect to such factual matters is in the possession of the Partnership, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Any certificate, statement or opinion of an officer of the general partner of the Partnership or of counsel may be based, insofar as it relates to accounting matters, upon a certificate or opinion of or representations by an accountant or firm of accountants in the employ of the Partnership, unless such officer or counsel, as the case may be, knows that the certificate or opinion or representations with respect to the accounting matters upon which his certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous. Any certificate or opinion of any independent firm of public accountants filed with the Trustee shall contain a statement that such firm is independent.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Agreement, they may, but need not, be consolidated and form one instrument.

Section 1.04 Acts of Holders .

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Agreement to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Partnership. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Agreement and (subject to Section 4.01) conclusive in favor of the Trustee and the Partnership, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved in any reasonable manner which the Trustee deems sufficient.

(c) The ownership of CVIs shall be proved by the Security Register.

(d) At any time prior to (but not after) the evidencing to the Trustee, as provided in this Section 1.04, of the taking of any action by the Holders of the CVIs specified in this Agreement in connection with such action, any Holder of a CVI the serial number of which is shown by the evidence to be included among the serial numbers of the CVIs the Holders of which have consented to such action may, by filing written notice at the Corporate Trust Office and upon proof of holding as provided in this Section 1.04, revoke such action so far as concerns such CVI. Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any CVI shall bind every future Holder of the same CVI or the Holder of every CVI issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done, suffered or omitted to be done by the Trustee, any Paying Agent or the Company in reliance thereon, whether or not notation of such action is made upon such CVI.

Section 1.05 Notices, etc., to Trustee and Partnership.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Agreement to be made upon, given or furnished to, or filed with:

(a) the Trustee by any Holder or by the Partnership shall be sufficient for every purpose hereunder if made, given, furnished or filed, in writing, to or with the Trustee at its Corporate Trust Office at ; or

(b) the Partnership by the Trustee or by any Holder shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, to the Partnership addressed to it at , or at any other address previously furnished in writing to the Trustee by the Partnership.

Section 1.06 Notice to Holders; Waiver.

Where this Agreement provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at his address as it appears in the Security Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this

Agreement provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of regular mail service or by reason of any other cause, it shall be impracticable to mail notice of any event as required by any provision of this Agreement, then any method of giving such notice as shall be satisfactory to the Trustee shall be deemed to be a sufficient giving of such notice.

Section 1.07 Conflict with Trust Indenture Act.

If any provision hereof limits, qualifies or conflicts with another provision hereof which is required to be included in this Agreement by any of the provisions of the Trust Indenture Act, such required provision shall control.

Section 1.08 Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 1.09 Successors and Assigns.

All covenants and agreements in this Agreement by the Partnership shall bind its successors and assigns, whether so expressed or not.

Section 1.10 Benefits of Agreement.

Nothing in this Agreement or in the CVIs, express or implied, shall give to any Person (other than the parties hereto and their successors hereunder, any Paying Agent and the Holders) any benefit or any legal or equitable right, remedy or claim under this Agreement or under any covenant or provision herein contained, all such covenants and provisions being for the sole benefit of the parties hereto and their successors and of the Holders.

Section 1.11 Governing Law.

This Agreement and the CVIs shall be governed by and construed in accordance with the laws of the State of Delaware.

Section 1.12 Legal Holidays.

In the event that the Maturity Date or the Default Payment Date, as the case may be, shall not be a Business Day, then (notwithstanding any provision of this Agreement or the CVIs to the contrary) payment on the CVIs need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the Maturity Date or the Default Payment Date, as the case may be.

Section 1.13 Separability Clause .

In case any provision in this Agreement or in the CVIs shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 1.14 Tax Treatment . To the extent this Agreement imposes obligations on the Partnership, this Agreement shall be treated as part of the Limited Partnership Agreement of the Partnership as described in Section 761(c) of the Internal Revenue Code of 1986, as amended, and Sections 1.704-1(b)(2)(ii)(h) and 1.761-1(c) of the United States Treasury Regulations. The CVIs shall be treated as an interest in the Partnership for U.S. federal income tax purposes, and neither the Partnership nor any Holder shall take a contrary position on any income tax return, amendment thereof or communication with a taxing authority.

ARTICLE TWO

CVI FORMS

Section 2.01 Forms Generally .

The CVIs and the Trustee's certificate of authentication shall be in substantially the forms set forth in this Article, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Agreement and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may be required by law or any rule or regulation pursuant thereto, all as may be determined by officers executing such CVIs, as evidenced by their execution of the CVIs. Any portion of the text of any CVI may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the CVI.

The definitive CVIs shall be printed, lithographed or engraved on steel engraved borders or produced by any combination of these methods or may be produced in any other manner as determined by the officers executing such CVIs, as evidenced by their execution of such CVIs.

Section 2.02 Form of Face of CVI .

KKR & Co. L.P.

No. Certificate for Contingent Value Interests

This certifies that (the "Holder") is the owner of the number of Contingent Value Interests ("CVIs") of KKR & Co. L.P., a Delaware limited partnership (the "Partnership"), set forth above. Each CVI entitles the Holder, subject to the provisions contained herein and in the Agreement referred to on the reverse hereof, to consideration from the Partnership, in respect of certain adjustments to the Partnership's direct or indirect ownership interests in the Group Partnerships (as defined on the reverse hereof), in an amount and in the form determined pursuant to the provisions set forth on the reverse hereof and as more fully described in the Agreement. Such consideration shall be delivered to the Holder on the Maturity Date or the Default Payment Date, as the case may be (each as defined on the reverse hereof).

Consideration pursuant to this CVI Certificate shall be delivered only to the registered Holder of this CVI Certificate. Such consideration shall be delivered only upon presentation of this CVI Certificate by the Holder hereof, in person or by duly authorized attorney, at the office or agency of the Partnership maintained for that purpose in the Borough of Manhattan, The City of New York, or at any other office or agency maintained by the Partnership for such purpose. The Trustee has initially been appointed as the Paying Agent in the Borough of Manhattan, The City of New York.

Reference is hereby made to the further provisions of this CVI Certificate set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been duly executed by the Trustee referred to on the reverse hereof by manual signature, this CVI Certificate shall not be entitled to any benefit under the Agreement, or be valid or obligatory for any purpose.

THIS CVI CERTIFICATE MAY NOT BE DIRECTLY OR INDIRECTLY TRANSFERRED IN WHOLE OR IN PART (INCLUDING, WITHOUT LIMITATION, BY WAY OF ANY DERIVATIVE OR SIMILAR SECURITY) EXCEPT (1) TO THE PARTNERSHIP OR AN AFFILIATE OF THE PARTNERSHIP, (2) BY OPERATION OF LAW OR (3) AS OTHERWISE EXPRESSLY PERMITTED BY THE AGREEMENT.

IN WITNESS WHEREOF, the Partnership has caused this CVI Certificate to be duly executed.

Dated: ______________________________

KKR & Co. L.P.

By: KKR Management LLC, its general partner

By: ______________________________
Name:
Title:

Attest:

____
Authorized Signature

Section 2.03 Form of Reverse of CVI .

This CVI Certificate is issued under and in accordance with the Contingent Value Interests Agreement, dated as of , 2008 (as amended, supplemented or otherwise modified from time to time, the “Agreement”), between the Partnership and , as trustee (the “Trustee”, which terms includes any successor Trustee under the Agreement), and is subject to the terms and provisions contained in the Agreement, all of which terms and provisions the

Holder of this CVI Certificate consents by acceptance hereof. The Agreement is hereby incorporated herein by reference and made a part hereof. Reference is hereby made to the Agreement for a full statement of the respective rights, limitations of rights, duties, obligations and immunities thereunder of the Partnership, the Trustee and the Holders of the CVIs. Copies of the Agreement can be obtained by contacting the Trustee. All capitalized terms used in this CVI Certificate without definition shall have the meanings assigned to them in the Agreement.

Each CVI represents the right to receive, in respect of certain adjustments to the Partnership's direct or indirect ownership interests in the Group Partnerships, subject to the provisions contained herein, the CVI Consideration (as defined below). The amount and form of the CVI Consideration will be determined by the Partnership in accordance with the provisions herein. Such determination by the Partnership, absent manifest error, shall be final and binding on the Partnership and the Holder. Under certain circumstances, as described below, the Holders of CVIs will not be entitled to any CVI Consideration and the CVIs represented hereby shall terminate and become null and void and the Holder hereof shall have no further rights with respect hereto. The Partnership and the Holder shall treat the CVIs represented hereby as an interest in the Partnership for U.S. federal income tax purposes.

Subject to adjustment as set forth below and to the occurrence of an Automatic Extinguishment Event (as defined below), the Partnership shall deliver to the Holder hereof with respect to each CVI represented hereby on the third Business Day following the earlier of (x) a Fundamental Change (as defined below) and (y) [*Insert third anniversary of closing date*] (such third Business Day, the "Maturity Date") CVI Consideration in the form described below.

The CVI Consideration, if any, shall be satisfied by delivery by the Partnership of a number of common units representing limited partner interests in the Partnership ("Partnership Common Units") having a value equal to the CVI Consideration; provided, however, that the Partnership shall deliver cash to satisfy its obligation to deliver the CVI Consideration instead of Partnership Common Units if (x) the Partnership gives notice to the Trustee at least 10 days prior to the commencement of the Averaging Period (as defined below) that the Group Partnerships have committed to deliver cash to the Partnership in an amount sufficient to satisfy the aggregate CVI Consideration deliverable by the Partnership with respect to all CVIs at the Maturity Date or (y) at the time of issuance thereof, such Partnership Common Units would not be (A) duly authorized, validly issued, fully paid and non-assessable (other than as such non-assessability may be affected by Section 17-607 or Section 17-804 of the Delaware Revised Uniform Limited Partnership Act or the Limited Partnership Agreement of the Partnership), (B) issued in compliance with any preemptive rights or rights of first refusal, (C) authorized for listing on the New York Stock Exchange (or, if the Partnership Common Units are not then listed on the New York Stock Exchange, such other exchange on which Partnership Common Units are then listed), subject to official notice of issuance or (D) issued either in a transaction that satisfied the requirements of Section 3(a)(9) of the Securities Act of 1933, as amended (the "Securities Act"), or pursuant to an effective registration statement under the Securities Act, it being understood that the Partnership shall use its reasonable best efforts to effect the outcomes described in (A) through (D) above. Partnership Common Units issued as CVI Consideration shall be valued (for purposes of calculating the number of Partnership Common Units to be issuable to Holders) at the Common Unit Value. Any CVI Consideration not delivered when due at the Maturity Date shall bear interest at the Default Interest Rate (as defined below).

The Trustee has been initially appointed as Paying Agent. All CVI Consideration to be delivered by the Partnership pursuant to this CVI Certificate shall be subject to and reduced by withholding taxes, if any. The Partnership shall have no obligation to reimburse, equalize or compensate a Holder or other person for such withholding taxes.

Notwithstanding anything herein or in the Agreement to the contrary, if at any time during the period from , 2008 (the "Issue Date") through, but excluding the first day of the Averaging Period, the volume weighted average price ("VWAP") of one Partnership Common Unit on the New York Stock Exchange (or, if the Partnership Common Units are not then listed on the New York Stock Exchange, such other exchange on which the Partnership Common Units are then listed) equals or exceeds the Extinguishment Price for 20 consecutive trading days (the "Automatic Extinguishment Event"), then the CVIs will have no value and will be automatically extinguished and terminated without further consideration or action by the Partnership, the Trustee or the Holders; provided that if during such 20 consecutive trading day period the Ex-Date with respect to any dividend or other distribution (other than the payment of a dividend or other distribution by the Partnership to its unitholders in Partnership Common Units) shall have occurred in respect of a Partnership Common Unit, for purposes of calculating the daily VWAP described above, the daily VWAP for any trading day in such 20 consecutive trading day period preceding the Ex-Date in respect of such dividend or other distribution shall be reduced by the amount of such dividend or other distribution; provided further that any trading day (an "Excluded Day") on which the Purchaser or any of its Affiliates takes any action that it would be prohibited from taking under Section 7.04 during the Prohibited Period shall not be considered a trading day for purposes of the foregoing and the daily VWAP for an Excluded Day shall not be taken into account for purposes of the foregoing (it being understood that consecutive trading days immediately preceding the Excluded Day may continue to be taken into account for purposes of the 20 consecutive trading day period used to determine whether an Automatic Extinguishment Event has occurred; provided however that if an Excluded Day occurs on a trading day that would otherwise have been one of the final 3 consecutive trading days in the 20 consecutive trading day period used to determine whether an Automatic Extinguishment Event has occurred, the 20 consecutive trading day period used to determine whether an Automatic Extinguishment Event has occurred shall begin no earlier than the first trading day following such Excluded Day that is itself not an Excluded Day).

In the event that the Partnership determines that the CVI Consideration or the Default Amount on the Maturity Date or the Default Payment Date, as applicable, is $0.00 or that the Automatic Extinguishment Event has occurred, the Partnership shall give to the Holder of each CVI notice of such determination. Upon making such determination, absent manifest error, this CVI Certificate shall terminate and become null and void and the Holder hereof shall have no further rights with respect hereto. The failure to give such notice or any defect therein shall not affect the validity of such determination.

If at any time an Event of Default occurs and is continuing, either the Trustee or the Holders holding an aggregate of at least 25% of the CVIs then Outstanding, by notice to the Partnership (and to the Trustee if given by the Holders), may declare the CVIs due and payable immediately, and upon such declaration, the Partnership shall deliver to the Holder for each CVI held by the Holder the Default Amount with interest at the Default Interest Rate from the Default Payment Date through the date payment is duly provided for.

The Default Amount and the related interest shall be satisfied by delivery by the Partnership of a number of Partnership Common Units having a value equal to the Default Amount and the related interest, provided, however, that the Partnership shall deliver cash to satisfy its obligation to deliver the Default Amount and related interest instead of Partnership Common Units if (x) the Partnership receives cash directly or indirectly through its subsidiaries from the Group Partnerships on or prior to the date of payment of the Default Amount in an amount adequate to satisfy delivery of the Default Amount in cash, or (y) at the time of issuance thereof, such Partnership Common Units would not be (A) duly authorized, validly issued, fully paid and non-assessable (other than as such non-assessability may be affected by Section 17-607 or Section 17-804 of the Delaware Revised Uniform Limited Partnership Act or the Limited Partnership Agreement of the Partnership), (B) issued in compliance with any preemptive rights or rights of first refusal, (C) authorized for listing on the New York Stock Exchange (or, if the Partnership Common Units are not then listed on the New York Stock Exchange, such other exchange on which Partnership Common Units are then listed), subject to official notice of issuance or (D) issued either in a transaction that satisfied the requirements of Section 3(a)(9) of the Securities Act or pursuant to an effective registration statement under the Securities Act, it being understood that the Partnership shall use its reasonable best efforts to effect the outcomes described in (A) through (D) above. The Partnership Common Units issued in respect of the Default Amount and the related interest shall be valued (for purposes of calculating the number of Partnership Common Units to be issuable to Holders) at the Default VWAP Price.

Notwithstanding anything herein or in the Agreement to the contrary, other than in respect of the Partnership's obligation to deliver interest at the Default Interest Rate under the circumstances provided herein, the Partnership shall in no event be required to deliver (i) CVI Consideration (whether in the form of Partnership Common Units or cash) in excess of the CVI Consideration Cap in order to satisfy its obligations in respect of any CVI, (ii) a Default Amount (whether in the form of Partnership Common Units or cash) in excess of the Default Amount Cap, as applicable, in order to satisfy its obligations in respect of any CVI or (iii) an aggregate number of Partnership Common Units in excess of the Aggregate Unit Cap or cash in an aggregate amount in excess of an amount equal to the product of the Aggregate Unit Cap and the Common Unit Value (or the Default VWAP Price in the event a Default Payment Date occurs) in order to satisfy its obligations in respect of all CVIs authenticated and delivered under the Agreement.

Definitions:

For purposes of the foregoing,

"Aggregate Unit Cap" means [*6% of the sum of the number of Purchaser Common Units outstanding at Closing and the number of Purchaser Common Units then issuable upon exchange (without regard to any restrictions on exchange) by KKR Holdings L.P. or its designees to the Partnership of partner interests in the Group Partnerships (for the avoidance of doubt, any Purchaser Common Units outstanding or issuable under an equity incentive plan shall not be considered outstanding or issuable for purposes of the foregoing calculation)*] Partnership Common Units (subject to adjustment as provided in the Agreement).

"Authorized Newspaper" means The Wall Street Journal (Eastern Edition), or if The Wall Street Journal (Eastern Edition) shall cease to be published, or, if the publication or general circulation of The Wall Street Journal (Eastern Edition) shall be suspended for whatever reason, such other English language newspaper as is selected by the Partnership with general circulation in The City of New York, New York.

"Averaging Period" means the 90 consecutive trading day period ending on the third trading day preceding the Maturity Date.

"Common Unit Value" means (A) if the Partnership Common Units are listed or admitted to trading on any securities exchange, the sum of the daily VWAPs of one Partnership Common Unit on the New York Stock Exchange (or if the Partnership Common Units are not then listed on the New York Stock Exchange, such other exchange on which the Partnership Common Units are then listed) for each of the 90 consecutive trading days during the Averaging Period, divided by 90, (B) if the Partnership Common Units are not then listed or admitted to trading on any securities exchange, the sum of the daily last reported sale prices (or if no sale takes place on any particular day, the average of the closing bid and asked prices on such day) as reported by a reputable quotation source designated by the Partnership for each of the 90 trading days during the Averaging Period, divided by 90 and (C) if the Partnership Common Units are not then listed or admitted to trading on any securities exchange and no such reported sale price or bid and asked prices are available, the average of the high bid and low asked prices on the last day on which such information was available, as reported in the Authorized Newspaper; provided that if during the Averaging Period the Ex-Date with respect to any dividend or other distribution (other than the payment of a dividend or other distribution by the Partnership to its unitholders in Partnership Common Units) shall have occurred in respect of a Partnership Common Unit, for purposes of calculating the Common Unit Value, the daily VWAP, the last reported sale price or the average of the closing bid and asked prices, as applicable, for any trading day in the Averaging Period preceding the Ex-Date in respect of such dividend or other distribution shall be reduced by the amount of such dividend or other distribution.

"CVI Consideration" means, an amount equal to the difference between (A) the Strike Price and (B) the greater of (I) the Floor Price and (II) the Common Unit Value (such difference, the "Uncapped CVI Consideration"); provided (x) if the Common Unit Value equals or exceeds the Strike Price, the CVI Consideration shall be $0 and (y) if the Uncapped CVI Consideration equals or exceeds the CVI Consideration Cap, the CVI Consideration shall be equal to the CVI Consideration Cap.

"CVI Consideration Cap" means the product of the Unit Cap and the Common Unit Value.

"Default Amount" means, an amount equal to the difference between (A) the Strike Price and (B) the greater of (I) the Floor Price and (II) the Default VWAP Price (such difference, the "Uncapped Default Amount"); provided (x) if the Default VWAP Price equals or exceeds the Strike Price, the Default Amount shall be $0 and (y) if the Uncapped Default Amount equals or exceeds the Default Amount Cap, Default Amount shall mean the Default Amount Cap.

"Default Amount Cap" means the product of the Unit Cap and the Default VWAP Price.

"Default Interest Rate" means 8% per annum.

"Default VWAP Price" means (A) if the Partnership Common Units are listed or admitted to trading on any securities exchange, the sum of the daily VWAPs of one Partnership Common Unit on the New York Stock Exchange (or, if the Partnership Common Units are not then listed on the New York Stock Exchange, such other exchange on which the Partnership Common Units are then listed) for each of the 10 consecutive trading days immediately preceding the Default Payment Date, divided by 10; (B) if the Partnership Common Units are not then listed or admitted to trading on any securities exchange, the sum of the daily last reported sale prices (or if no sale takes place on any particular day, the average of the closing bid and asked prices on such day) as reported by a reputable quotation source designated by the Partnership for each of the 10 consecutive trading days immediately preceding the Default Payment Date, divided by 10 and (C) if the Partnership Common Units are not then listed or admitted to trading on any securities exchange and no such reported sale price or bid and asked prices are available, the average of the reported high bid and low asked prices on the last day on which such information was available, as reported in the Authorized Newspaper; provided that if during such 10 consecutive trading day period the Ex-Date with respect to any dividend or other distribution (other than the payment of a dividend or other distribution by the Partnership to its unitholders in Partnership Common Units) shall have occurred in respect of a Partnership Common Unit, for purposes of calculating the Default VWAP Price, the daily VWAP, the last reported sale price or the average of the closing bid and asked prices, as applicable, for any trading day in such 10 consecutive trading day period preceding the Ex-Date in respect of such dividend or other distribution shall be reduced by the amount of such dividend or other distribution.

"Distribution Amount" means the aggregate amount of any dividends or other distributions (other than the payment of a dividend or other distribution by the Partnership to its unitholders in Partnership Common Units) made in respect of a single Partnership Common Unit for which the Ex-Date occurs during the period from the Issue Date through, and including, the last day of the Averaging Period; provided that in the case of any non-cash dividend or other distribution, the value of such dividend or other distribution shall be equal to the fair market value of the dividend or other distribution made in respect of a single Partnership Common Unit as determined by an Independent Financial Expert at the time such dividend or other distribution is made.

"Event of Default" has the meaning set forth in Section 8.01 of the Agreement.

"Ex-Date" means, when used with respect to dividends or other distributions made in respect of a Partnership Common Unit, the first date on which the Partnership Common Units trade on the New York Stock Exchange (or, if the Partnership Common Units are not then listed on the New York Stock Exchange, such other exchange on which Partnership Common Units are then listed) without the right to receive the dividend or other distribution.

"Exchange Act" means The Securities Exchange Act of 1934, as amended.

"Extinguishment Price" means $24 (subject to adjustment as provided herein and in the Agreement) minus the Distribution Amount (taking into account dividends or other distributions for which the Ex-Date occurs during the period from the Issue Date through, and including, the last day of the 20 consecutive trading days used to determine whether an Automatic Extinguishment Event has occurred); provided that in no event shall the Extinguishment Price be less than $0.

"Floor Price" means $17.3056 (subject to adjustment as provided herein and in the Agreement) minus the Distribution Amount; provided that in no event shall the Floor Price be less than $0.

"Fundamental Change means that at any time after the Issue Date any of the following occurs:

(A) consummation of any share exchange, exchange offer, tender offer, consolidation, merger or other business combination involving the Partnership pursuant to which all or substantially all of the Partnership Common Units are converted into cash, securities or other property, (B) any sale, lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of the Partnership and its subsidiaries, taken as a whole, to any Person other than one of its subsidiaries or (C) the Partnership adopts any plan or proposal for its liquidation or dissolution; provided , however , that in respect of (A) above a Fundamental Change will not be deemed to have occurred if (x) at least 90% of the consideration received or to be received by holders of the Partnership Common Units, excluding cash payments for fractional units or pursuant to statutory or contractual appraisal rights, in connection with the transaction or transactions constituting the Fundamental Change consists of shares of common stock or common units that are quoted or listed for trading on a securities exchange or that will be so quoted or listed when issued or exchanged in connection with such transaction or transactions (these securities being referred to as "publicly traded securities") and as a result of this transaction or transactions the Partnership has the right to satisfy the CVI Consideration with such publicly traded securities and (y) the acquirer in any such transaction assumes the obligations of the Partnership relating to the CVIs, and appropriate adjustments are made to the Aggregate Unit Cap, Extinguishment Price, Floor Price, Strike Price and Unit Cap and any other defined terms that require mathematical adjustments as a result of such transaction based on, and to reflect, the number of publicly traded securities into which a Partnership Common Unit is converted in such transaction.

"Group Partnerships" means KKR Management Holdings L.P., a Delaware limited partnership, and KKR Fund Holdings L.P., a Cayman limited partnership (and any future partnership designated as a Group Partnership), and any successors thereto.

"Independent Financial Expert" means an independent nationally recognized investment banking firm, valuation firm or appraisal firm selected by the Partnership.

"Strike Price" means $22.25 (subject to adjustment as provided herein and in the Agreement) minus the Distribution Amount; provided that in no event shall the Strike Price be less than $0.

"Unit Cap" means 0.2857 (subject to adjustment as provided herein and in the Agreement).

Except as set forth herein with respect to adjustments, this CVI Certificate confers no rights with respect to any dividends declared by the Partnership on the Partnership Common Units to holders of record on a record date prior to the date on which Partnership Common Units, if any, are issued in satisfaction of all or a portion of the CVI Consideration.

The Aggregate Unit Cap, Extinguishment Price, Floor Price, Unit Cap and Strike Price shall be subject to adjustment from time to time in certain events, including (i) the payment or declaration of a dividend or other distribution by the Partnership to its unitholders in Partnership Common Units, (ii) the sub-division (by stock split, stock dividend or otherwise) or combination (by reverse stock split or otherwise) of the outstanding Partnership Common Units or (iii) the issuance by reclassification of Partnership Common Units. Upon each such event, the Partnership shall appropriately adjust the Aggregate Unit Cap, Extinguishment Price, Floor Price, Unit Cap and Strike Price. Whenever an adjustment is made as provided herein, the Partnership shall (A) promptly prepare a certificate setting forth such adjustment and a brief statement of the facts accounting for such adjustment, (B) promptly file with the Trustee a copy of such certificate and (C) mail a brief summary thereof to each Holder of a CVI. Such adjustment, absent manifest error, shall be final and binding on the Holder hereof. Each outstanding CVI Certificate shall thereafter be deemed to be amended to provide for the adjusted Aggregate Unit Cap, Extinguishment Price, Floor Price, Unit Cap and Strike Price.

THIS CVI CERTIFICATE MAY NOT BE DIRECTLY OR INDIRECTLY TRANSFERRED IN WHOLE OR IN PART (INCLUDING, WITHOUT LIMITATION, BY WAY OF ANY DERIVATIVE OR SIMILAR SECURITY) EXCEPT (1) TO THE PARTNERSHIP OR AN AFFILIATE OF THE PARTNERSHIP, (2) BY OPERATION OF LAW OR (3) AS OTHERWISE EXPRESSLY PERMITTED BY THE AGREEMENT.

The Agreement permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Partnership and the rights of the Holders of CVIs under the Agreement at any time by the Partnership and the Trustee with the consent of the Holders of a majority of the CVIs at the time Outstanding.

No reference herein to the Agreement and no provision of this CVI Certificate or of the Agreement shall alter or impair the obligation of the Partnership, which is absolute and unconditional, to pay any amounts pursuant to the terms hereof and of the Agreement at the times, place, form of consideration and amount, herein prescribed.

Neither the Partnership nor the Trustee has any duty or obligation to the Holder, except as expressly set forth herein or in the Agreement.

Section 2.04 Form of Trustee's Certificate of Authentication.

TRUSTEE'S CERTIFICATE OF AUTHENTICATION.

This is one of the CVI Certificates referred to in the within-mentioned Agreement.

[Trustee]

By: ______________________________
Name:
Title:

ARTICLE THREE

THE CVIs

Section 3.01 Title and Terms .

(a) The aggregate number of CVI Certificates which may be authenticated and delivered under this Agreement is limited to the number of Seller Common Units issued and outstanding immediately prior to the consummation of the purchase and sale contemplated by Section 1.1 of the Purchase Agreement, except for CVIs authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other CVIs pursuant to Section 3.04, 3.05, 3.06 or 6.06.

(b) The CVIs shall be known and designated as the "Contingent Value Interests" of the Partnership and the Holders shall have no rights except for those explicitly provided for herein and shall not, by virtue of their ownership of CVIs have any of the rights of a unitholder of the Partnership.

(c) Subject to adjustment pursuant to Section 3.01(f) and to the occurrence of an Automatic Extinguishment Event, the Partnership shall deliver to the Holder thereof with respect to each CVI held by such Holder on the Maturity Date, CVI Consideration in the form described below. The CVI Consideration, if any, shall be satisfied by delivery by the Partnership of a number of Partnership Common Units having a value equal to the CVI Consideration; provided, however, that the Partnership shall deliver cash to satisfy its obligation to deliver the CVI Consideration instead of Partnership Common Units if (x) the Partnership gives notice to the Trustee at least 10 days prior to the commencement of the Averaging Period that the Group Partnerships have committed to deliver cash to the Partnership in an amount sufficient to satisfy the aggregate CVI Consideration deliverable by the Partnership with respect to all CVIs at the Maturity Date, or (y) at the time of issuance thereof, such Partnership Common Units would not be (A) duly authorized, validly issued, fully paid and non-assessable (other than as such non-assessability may be affected by Section 17-607 or Section 17-804 of the Delaware Revised Uniform Limited Partnership Act or the Limited Partnership Agreement of the Partnership), g(B) issued in compliance with any preemptive rights or rights of first refusal, (C) authorized for listing on the New York Stock Exchange (or, if the Partnership Common Units are not then listed on the New York Stock Exchange, such other exchange on which Partnership Common Units are then listed), subject to official notice of issuance or (D) issued either in a transaction that satisfied the requirements of Section 3(a)(9) of the Securities Act of 1933, as amended (the " Securities Act "), or pursuant to an effective registration statement under the Securities Act, it being understood that the Partnership shall use its reasonable best efforts to effect the outcomes described in (A) through (D) above. Partnership Common Units issued as CVI Consideration shall be valued (for purposes of calculating the number of Partnership Common Units to be issuable to Holders) at the Common Unit Value. Any CVI Consideration not delivered when due at the Maturity Date shall bear interest at the Default Interest Rate.

(d) Notwithstanding any provision of this Agreement or the CVI Certificates to the contrary, other than in the case of interest on the CVI Consideration or the Default Amount, as applicable, no interest shall accrue on any amounts payable on the CVIs to any Holder.

(e) In the event that the Partnership determines that the CVI Consideration or the Default Amount on the Maturity Date or Default Payment Date, as applicable, is $0.00 or that the Automatic Extinguishment Event has occurred, the Partnership shall give to the Holder of each CVI notice of such determination. Upon making such determination, absent manifest error, this CVI Certificate shall terminate and become null and void and the Holder hereof shall have no further rights with respect hereto. The failure to give such notice or any defect therein shall not affect the validity of such determination.

(f) In the event of the (i) the payment or declaration of a dividend or other distribution by the Partnership to its unitholders in Partnership Common Units, (ii) the sub-division (by stock split, stock dividend or otherwise) or combination (by reverse stock split or otherwise) of the outstanding Partnership Common Units or (iii) the issuance by reclassification of Partnership Common Units, the Partnership shall appropriately adjust the Aggregate Unit Cap, the Extinguishment Price, the Floor Price, the Unit Cap and the Strike Price. Whenever an adjustment is made as provided herein, the Partnership shall (A) promptly prepare a certificate setting forth such adjustment and a brief statement of the facts accounting for such adjustment, (B) promptly file with the Trustee a copy of such certificate and (C) mail a brief summary thereof to each Holder of a CVI. Such adjustment, absent manifest error, shall be final and binding on the Holder hereof. Each outstanding CVI Certificate shall thereafter be deemed to be amended to provide for the adjusted Aggregate Unit Cap, Extinguishment Price, Floor Price, Unit Cap and Strike Price.

(g) If at any time during the period from the Issue Date through, but excluding the first day of the Averaging Period, the VWAP of one Partnership Common Unit on the New York Stock Exchange (or, if the Partnership Common Units are not then listed on the New York Stock Exchange, such other exchange on which the Partnership Common Units are then listed) equals or exceeds the Extinguishment Price for 20 consecutive trading days (the "Automatic Extinguishment Event"), then the CVIs will have no value and will be automatically extinguished and terminated without further consideration or action by the Partnership, the Trustee or the Holders; provided , that if during such 20 consecutive trading day period the Ex-Date with respect to any dividend or other distribution (other than the payment of a dividend or other distribution by the Partnership to its unitholders in Partnership Common Units) shall have occurred in respect of a Partnership Common Unit, for purposes of calculating the daily VWAP described above, the daily VWAP for any trading day in such 20 consecutive trading day period preceding the Ex-Date in respect of such dividend or other distribution shall be reduced by the amount of such dividend or other distribution; provided further that any trading day (an

"Excluded Day") on which the Purchaser or any of its Affiliates takes any action that it would be prohibited from taking under Section 7.04 during the Prohibited Period (as defined below) shall not be considered a trading day for purposes of the foregoing and the daily VWAP for an Excluded Day shall not be taken into account for purposes of the foregoing (it being understood that consecutive trading days immediately preceding the Excluded Day may continue to be taken into account for purposes of the 20 consecutive trading day period used to determine whether an Automatic Extinguishment Event has occurred; provided however that if an Excluded Day occurs on a trading day that would otherwise have been one of the final 3 consecutive trading days in the 20 consecutive trading day period used to determine whether an Automatic Extinguishment Event has occurred, the 20 consecutive trading day period used to determine whether an Automatic Extinguishment Event has occurred shall begin no earlier than the first trading day following such Excluded Day that is itself not an Excluded Day).

(h) Notwithstanding anything herein or in any CVI Certificate to the contrary, other than in respect of the Partnership's obligation to deliver interest at the Default Interest Rate under the circumstances provided herein, the Partnership shall in no event be required to deliver (i) CVI Consideration (whether in the form of Partnership Common Units or cash) in excess of the CVI Consideration Cap in order to satisfy its obligations in respect of any CVI, (ii) a Default Amount (whether in the form of Partnership Common Units or cash) in excess of the Default Amount Cap in order to satisfy its obligations in respect of any CVI or (iii) an aggregate number of Partnership Common Units in excess of the Aggregate Unit Cap or cash in an aggregate amount in excess of an amount equal to the product of the Aggregate Unit Cap and the Common Unit Value (or the Default VWAP Price in the event a Default Payment Date occurs) in order to satisfy its obligations in respect of all CVIs authenticated and delivered hereunder.

Section 3.02 Registrable Form.

The CVIs shall be issuable only in registered form.

Section 3.03 Execution, Authentication, Delivery and Dating.

The CVIs shall be executed on behalf of the Partnership by the chairman of the Board of Directors, the chief-executive officer, any co-chief executive officer, the chief operating officer, the chief financial officer, the general counsel, the chief compliance officer, any president, any vice president, any treasurer, any assistant treasurer, any secretary or any assistant secretary of the Partnership or the general partner of the Partnership, under its seal which may, but need not, be attested. The signature of any of these officers on the CVIs may be manual or facsimile.

CVIs bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the general partner of the Partnership shall bind the Partnership, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such CVIs or did not hold such offices at the date of such CVIs.

At any time and from time to time after the execution and delivery of this Agreement, the Partnership may deliver CVIs executed by the general partner of the Partnership to the Trustee for authentication, together with a Partnership Order for the authentication and delivery of such CVIs; and the Trustee in accordance with such Partnership Order shall authenticate and deliver such CVIs as provided in this Agreement and not otherwise.

Each CVI shall be dated the date of its authentication.

No CVI shall be entitled to any benefit under this Agreement or be valid or obligatory for any purpose unless there appears on such CVI a certificate of authentication substantially in the form provided for herein duly executed by the Trustee by manual signature of an authorized officer, and such certificate upon any CVI shall be conclusive evidence, and the only evidence, that such CVI has been duly authenticated and delivered hereunder and that the Holder is entitled to the benefits of this Agreement.

Section 3.04 Temporary CVIs .

Until CVI Certificates are ready for delivery, the general partner of the Partnership may execute, and upon Partnership Order the Trustee shall authenticate and deliver, temporary CVIs which are printed, lithographed, typewritten, mimeographed or otherwise produced, substantially of the tenor of the CVI Certificates in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such temporary CVIs may determine with the concurrence of the Trustee. Temporary CVIs may contain such reference to any provisions of this Agreement as may be appropriate. Every temporary CVI shall be executed by the general partner of the Partnership and be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with like effect, as the CVI Certificates.

If temporary CVIs are issued, the Partnership will cause CVI Certificates to be prepared without unreasonable delay. After the preparation of CVI Certificates, the temporary CVIs shall be exchangeable for CVI Certificates upon surrender of the temporary CVIs at the office or agency of the Partnership designated for such purpose pursuant to Section 7.02, without charge to the Holder. Upon surrender for cancellation of any one or more temporary CVIs the Partnership shall execute and the Trustee shall authenticate and deliver in exchange therefor a like amount of CVI Certificates. Until so exchanged, the temporary CVIs shall in all respects be entitled to the same benefits under this Agreement as CVI Certificates.

Section 3.05 Registration, Transfer and Exchange .

The Partnership shall cause to be kept at the Corporate Trust Office of the Trustee a register (the register maintained in such office and in any other office or agency designated pursuant to Section 7.02 being herein sometimes referred to as the “Security Register”) in which, subject to such reasonable regulations as it may prescribe, the Partnership shall provide for the registration of CVIs and of transfers of CVIs. The Trustee is hereby initially appointed “Security Registrar” for the purpose of registering CVIs and transfers of CVIs as herein provided.

No CVI nor any beneficial interest therein may be directly or indirectly, sold, assigned, pledged, encumbered or in any other manner transferred or disposed of, in whole or in part (including, without limitation, by way of any derivative or similar security or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the CVI, whether such security or arrangement is to be settled by delivery of CVIs, Partnership Common Units, other securities, cash or otherwise) (any of the foregoing, a "Transfer") except (i) for Transfers to the Partnership and/or any of its Affiliates, (ii) Transfers by operation of law (including a consolidation or merger) or in connection with the dissolution of any corporation or other entity, (iii) a Transfer by KKR Private Equity Investors, L.P. to the holders of Seller Partnership Units in accordance with the terms and conditions of the Purchase Agreement, (iv) the Transfer of any or all of the CVIs on death, by will or intestacy, (v) a Transfer by instrument to an inter vivos or testamentary trust in which the CVIs are to be passed to beneficiaries upon the death of the settlor or testator, as applicable, (vi) Transfers made pursuant to a court order, (vii) if the Holder is a partnership, a distribution from such partnership to its partners or former partners in accordance with their partnership interests or (viii) if the Holder is a limited liability company, a distribution from such limited liability company to its members or former members in accordance with their interest in the limited liability company. Any Transfers other than those expressly permitted under the preceding sentence shall be null and void.

Upon surrender for registration of transfer of any CVI at the office or agency of the Partnership designated pursuant to Section 7.02 in connection with a Transfer expressly permitted under the preceding paragraph, the Partnership shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new CVI Certificates representing the same aggregate number of CVIs represented by the CVI Certificate so surrendered that are to be transferred and the Partnership shall execute and the Trustee shall authenticate and deliver, in the name of the transferor, one or more new CVI Certificates representing the aggregate number of CVIs represented by such CVI Certificate that are not to be transferred.

At the option of the Holder, CVI Certificates may be exchanged for other CVI Certificates that represent in the aggregate the same number of CVIs as the CVI Certificates surrendered at such office or agency. Whenever any CVI Certificates are so surrendered for exchange, the Partnership shall execute, and the Trustee shall authenticate and deliver, the CVI Certificates which the Holder making the exchange is entitled to receive.

All CVIs issued upon any registration of transfer or exchange of CVIs shall be the valid obligations of the Partnership, evidencing the same right, and entitled to the same benefits under this Agreement and subject to the same limitations under this Agreement (including the Transfer restrictions set forth in this Agreement), as the CVIs surrendered upon such registration of transfer or exchange.

Every CVI presented or surrendered for registration of transfer or for exchange shall (if so required by the Partnership or the Security Registrar) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Partnership and the Security Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of CVIs, but the Partnership may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of CVIs, other than exchanges pursuant to Section 3.04 or not involving any transfer.

Section 3.06 Mutilated, Destroyed, Lost and Stolen CVIs .

If (a) any mutilated CVI is surrendered to the Trustee or (b) the Partnership and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any CVI, and there is delivered to the Partnership and the Trustee such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Partnership or the Trustee that such CVI has been acquired by a bona fide purchaser, the Partnership shall execute and upon its written request the Trustee shall authenticate and deliver, in exchange for any such mutilated CVI or in lieu of any such destroyed, lost or stolen CVI, a new CVI Certificate of like tenor and amount of CVIs, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen CVI has become or is to become due and payable within 15 days, the Partnership in its discretion may, instead of issuing a new CVI Certificate, pay such CVI on the Maturity Date or the Default Payment Date, as the case may be.

Upon the issuance of any new CVIs under this Section 3.06, the Partnership may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new CVI issued pursuant to this Section 3.06 in lieu of any destroyed, lost or stolen CVI shall constitute an original additional contractual obligation of the Partnership, whether or not the destroyed, lost or stolen CVI shall be at any time enforceable by anyone, and shall be entitled to all benefits of this Agreement equally and proportionately with any and all other CVIs duly issued hereunder.

The provisions of this Section 3.06 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen CVIs.

Section 3.07 Presentation of CVI Certificate .

Delivery of any CVI Consideration to the Holders of the CVIs shall be made only upon presentation by the Holder thereof at the office or agency of the Partnership maintained for that purpose in the Borough of Manhattan, The City of New York, or the Corporate Trust Office and at any other office or agency maintained by the Partnership for such purpose. The Holder of a CVI shall furnish to the Partnership such forms, certificates or other information as the Partnership may request to establish the legal entitlement of such Holder to an exemption from withholding taxes. In the event the Partnership does not receive such forms, certificates or other evidence establishing a Holder's legal entitlement to exemption from withholding tax, then all payments and disbursements to be made by the Partnership pursuant to this Agreement or the CVIs shall be reduced by and subject to withholding taxes. The Partnership shall have no obligation to reimburse, equalize or compensate a Holder or other Person for withholding taxes.

Section 3.08 Persons Deemed Owners .

The Partnership, the Trustee and any agent of the Partnership or the Trustee may treat the Person in whose name any CVI is registered as the owner of such CVI for the purpose of receiving payment on such CVI and for all other purposes whatsoever, whether or not such CVI be overdue, and neither the Partnership, the Trustee nor any agent of the Partnership or the Trustee shall be affected by notice to the contrary.

Section 3.09 Cancellation .

All CVIs surrendered for payment, registration of transfer or exchange shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly cancelled by it. The Partnership may at any time deliver to the Trustee for cancellation any CVIs previously authenticated and delivered hereunder which the Partnership may have acquired in any manner whatsoever, and all CVIs so delivered shall be promptly cancelled by the Trustee. No CVIs shall be authenticated in lieu of or in exchange for any CVIs cancelled as provided in this Section 3.09, except as expressly permitted by this Agreement. All cancelled CVIs held by the Trustee shall be disposed of as directed by a Partnership Order.

ARTICLE FOUR

THE TRUSTEE

Section 4.01 Certain Duties and Responsibilities .

(a) With respect to the Holders of CVIs issued hereunder, the Trustee, prior to the occurrence of an Event of Default with respect to the CVIs and after the curing or waiving of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Agreement. In case an Event of Default with respect to the CVIs has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) In the absence of bad faith on its part, prior to the occurrence of an Event of Default and after the curing or waiving of all such Events of Default which may have occurred, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Agreement; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Agreement.

(c) No provision of this Agreement shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

(1) this Subsection (c) shall not be construed to limit the effect of Subsections (a) and (b) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(3) no provision of this Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it; and

(4) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders pursuant to Section 8.09 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Agreement.

(d) Whether or not therein expressly so provided, every provision of this Agreement relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

Section 4.02 Certain Rights of Trustee.

The Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Trustee. Subject to the provisions of Trust Indenture Act Sections 3.15(a) through 3.15(d) and Section 4.01 hereof:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Partnership mentioned herein shall be sufficiently evidenced by a Partnership Request or Partnership Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Agreement the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate;

(d) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request or direction of any of the Holders pursuant to this Agreement, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, appraisal, bond, debenture, note, coupon, security, or other paper or document unless requested in writing to do so by the Holders of not less than a majority in aggregate number of the CVIs then Outstanding; provided that, if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by the terms of this Agreement, the Trustee may require reasonable indemnity against such expenses or liabilities as a condition to proceeding; the reasonable expenses of every such investigation shall be paid by the Partnership or, if paid by the Trustee or any predecessor Trustee, shall be repaid by the Partnership upon demand; and

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

(h) the permissive rights of the Trustee to do things enumerated in this Agreement shall not be construed as a duty and the Trustee shall be liable for its negligence, bad faith or willful misconduct;

(i) the Trustee shall not be required to give any note or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises; and

(j) except for (i) a default under Section 8.01(a) and (ii) any other event of which the Trustee has “actual knowledge,” which event, with the giving of notice or the passage of time or both, would constitute an Event of Default, the Trustee shall not be deemed to have notice of any default or event unless specifically notified in writing of such event by the Partnership or the Holders of not less than 25% in aggregate number of CVIs Outstanding; as used herein, the term “actual knowledge” means the actual fact or statement of knowing, without any duty to make any investigation with regard thereto.

No provision of this Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Section 4.03 Not Responsible for Recitals or Issuance of CVIs .

The recitals contained herein and in the CVIs, except the Trustee's certificates of authentication, shall be taken as the statements of the Partnership, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Agreement or of the CVIs. The Trustee shall not be accountable for the use or application by the Partnership of CVIs or the proceeds thereof.

Section 4.04 May Hold CVIs .

The Trustee, any Paying Agent, Security Registrar or any other agent of the Partnership, in its individual or any other capacity, may become the owner or pledgee of CVIs, and, subject to Section 4.07, may otherwise deal with the Partnership with the same rights it would have if it were not Trustee, Paying Agent, Security Registrar or such other agent.

Section 4.05 Money Held in Trust .

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder.

Section 4.06 Compensation, Reimbursement and Indemnification of the Trustee .

The Partnership agrees

(a) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Agreement (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(c) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder, including the enforcement of this Section 4.06.

When the Trustee incurs expenses or renders services after a Default specified in Section 8.01(c) or 8.01(d) occurs, the reasonable expenses and the compensation for services (including the reasonable fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any bankruptcy law.

Section 4.07 Disqualification; Conflicting Interests.

The Trustee shall be subject to the provisions of Section 3.10(b) of the Trust Indenture Act during the period of time provided for therein. Nothing herein shall prevent the Trustee from filing with the Commission the application referred to in the penultimate paragraph of Section 3.10(b) of the Trust Indenture Act.

Section 4.08 Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee hereunder which shall be a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $250,000,000, subject to supervision or examination by Federal or State authority and, to the extent there is such an institution eligible and willing to serve, having an office or agency in The City of New York. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 4.09 Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 4.10.

(b) The Trustee, or any trustee or trustees hereafter appointed, may resign at any time by giving written notice thereof to the Partnership. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by (i) the Partnership, by a Board Resolution or (ii) an Act of the Holders of a majority of the Outstanding CVIs, delivered to the Trustee and to the Partnership.

(d) If at any time:

(1) the Trustee shall fail to comply with Section 4.07 after written request therefor by the Partnership or by any Holder who has been a bona fide Holder of a CVI for at least six months, or

(2) the Trustee shall cease to be eligible under Section 4.08 and shall fail to resign after written request therefor by the Partnership or by any such Holder, or

(3) the Trustee shall become incapable of acting or shall be adjudged bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any case, (i) the Partnership by a Board Resolution may remove the Trustee, or (ii) the Holder of any CVI who has been a bona fide Holder of a CVI for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any reason, the Partnership, by a Board Resolution, shall promptly appoint a successor Trustee. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority of the Outstanding CVIs delivered to the Partnership and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with Section 4.10, become the successor Trustee and supersede the successor Trustee appointed by the Partnership. If no successor Trustee shall have been so appointed by the Partnership or the Holders of the CVIs and so accepted appointment, the Holder of any CVI who has been a bona fide Holder for at least six months may on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Partnership shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee by mailing written notice of such event by first-class mail, postage prepaid, to the Holders of CVIs as their names and addresses appear in the Security Register. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office. If the Partnership fails to send such notice within ten days after acceptance of appointment by a successor Trustee, the successor Trustee shall cause the notice to be mailed at the expense of the Partnership.

Section 4.10 Acceptance of Appointment by Successor.

Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Partnership and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on request of the Partnership or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee, and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder. Upon request of any such successor Trustee, the Partnership shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

Section 4.11 Merger, Conversion, Consolidation or Succession to Business .

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any CVIs shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the CVIs so authenticated with the same effect as if such successor Trustee had itself authenticated such CVIs; and such certificate shall have the full force which it is anywhere in the CVIs or in this Agreement provided that the certificate of the Trustee shall have; provided that the right to adopt the certificate of authentication of any predecessor Trustee shall apply only to its successor or successors by merger, conversion or consolidation.

ARTICLE FIVE

HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

Section 5.01 Partnership to Furnish Trustee Names and Addresses of Holders .

The Partnership shall furnish or cause to be furnished to the Trustee at such times as the Trustee may request in writing, within 30 days after receipt by the Partnership of any such request, a list, in such form as the Trustee may reasonably require, of the names and the addresses of the Holders as of a date not more than 15 days prior to the time such list is furnished; provided , however , that, if and so long as the Trustee shall be the Security Registrar, no such list need be furnished.

Section 5.02 Preservation of Information; Communications to Holders .

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 5.01 and the names and addresses of Holders received by the Trustee in its capacity as Security Registrar. The Trustee may destroy any list furnished to it as provided in Section 5.01 upon receipt of a new list so furnished.

(b) If three or more Holders (hereinafter referred to as "applicants") apply in writing to the Trustee, and furnish to the Trustee reasonable proof that each such applicant has owned a CVI for a period of at least six months preceding the date of such application, and such application states that the applicants desire to communicate with other Holders with respect to their rights under this Agreement or under the CVIs and is accompanied by a copy of the form of proxy or other communication which such applicants propose to transmit, then the Trustee shall, within five Business Days after the receipt of such application at its election, either

(1) afford such applicants access to the information preserved at the time by the Trustee in accordance with Section 5.02 (a), or

(2) inform such applicants as to the approximate number of Holders whose names and addresses appear in the information preserved at the time by the Trustee in accordance with Section 5.02(a), and as to the approximate cost of mailing to such Holders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford such applicants access to such information, the Trustee shall, upon the written request of such applicants, mail to each Holder whose name and address appear in the information preserved at the time by the Trustee in accordance with Section 5.02(a), a copy of the form of proxy or other communication which is specified in such request, with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing, unless within five days after such tender, the Trustee shall mail to such applicants and file with the Commission, together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interests of the Holders or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. If the Commission, after opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or if, after the entry of an order sustaining one or more of such objections, the Commission shall find, after notice and opportunity for hearing, that all the objections so sustained have been met and shall enter an order so declaring, the Trustee shall mail copies of such material to all such Holders with reasonable promptness after the entry of such order and the renewal of such tender otherwise the Trustee shall be relieved of any obligation or duty to such applicants respecting their application.

(c) Every Holder of CVIs, by receiving and holding the same, agrees with the Partnership and the Trustee that neither the Partnership nor the Trustee shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders in accordance with Section 5.02(b), regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under Section 5.02(b).

Section 5.03 Reports by Trustee .

(a) Within 60 days after July 15 of each year commencing with the July 15 occurring after the initial issuance of CVIs hereunder, the Trustee shall transmit by mail to the Holders of CVIs, in the manner and to the extent provided in Section 313(c) of the Trust Indenture Act, and to the Partnership a brief report dated as of such July 15 which satisfies the requirements of Section 313(a) of the Trust Indenture Act.

Section 5.04 Reports by Partnership.

The Partnership shall deliver to the Trustee within 15 days after it files them with the Commission copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may by rules and regulations prescribe) which the Partnership is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act. The Partnership also shall comply with the other provisions of Section 314(a) of the Trust Indenture Act.

The Trustee shall transmit by mail to all Holders, as their names and addresses appear in the Security Register, within 30 days after the filing thereof with the Trustee, such summaries of any information, documents and reports required to be filed by the Partnership pursuant to this Agreement as may be required by rules and regulations prescribed from time to time by the Commission. The Partnership and the Trustee will be deemed to have delivered the information, documents and reports required to be delivered under this Section 5.04 if the Partnership has filed such information, document, or report with the Commission via the EDGAR filing system and such information, document or report is publicly available.

ARTICLE SIX

AMENDMENTS

Section 6.01 Amendments Without Consent of Holders.

Without the consent of any Holders, the Partnership, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more amendments hereto, in form satisfactory to the Trustee, for any of the following purposes:

(a) to convey, transfer, assign, mortgage or pledge to the Trustee as security for the CVIs any property or assets; or

(b) to evidence the succession of another Person to the Partnership, and the assumption by any such successor of the covenants of the Partnership herein and in the CVIs; or

(c) to add to the covenants of the Partnership such further covenants, restrictions, conditions or provisions as the Board of Directors and the Trustee shall consider to be for the protection of the Holders of CVIs, and to make the occurrence, or the occurrence and continuance, of a default in any such additional covenants, restrictions, conditions or provisions an Event of Default permitting the enforcement of all or any of the several remedies provided in this Agreement as herein set forth; provided that in respect of any such additional covenant, restriction, condition or provision such amendment may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such an Event of Default or may limit the remedies available to the Trustee upon such an Event of Default or may limit the right of the Holders of a majority of the Outstanding CVIs to waive such an Event of Default; or

(d) to make any change that would provide any additional rights or benefits to the Holders or that does not adversely affect the legal rights under the Agreement of any Holder; or

(e) to cure any ambiguity, omission, mistake, defect or inconsistency; or

(f) to make any other provisions with respect to matters or questions arising under this Agreement; provided that any such other provisions shall not adversely affect the interests of the Holders; or

(g) to comply with the requirements of the Commission in order to effect or maintain the qualification of the Agreement under the TIA.

Section 6.02 Amendments with Consent of Holders .

With the consent of the Holders of not less than a majority of the Outstanding CVIs, by Act of said Holders delivered to the Partnership and the Trustee, the Partnership, when authorized by a Board Resolution, and the Trustee may enter into one or more amendments hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement or of modifying in any manner the rights of the Holders under this Agreement; provided , however , that no such amendment shall, without the consent of the Holder of each Outstanding CVI affected thereby:

(a) modify the definition of Aggregate Unit Cap, Automatic Extinguishment Event, Averaging Period, CVI Consideration, Common Unit Value, Default Amount, Default Interest Rate, Default Payment Date, Default VWAP Price, Distribution Amount, Extinguishment Price, Floor Price, Maturity Date, Strike Price or Unit Cap or modify Section 3.01(f) in each case in a manner adverse to such Holder or otherwise extend the maturity of the CVIs or reduce the amounts deliverable in respect of the CVIs;

(b) reduce the amount of the Outstanding CVIs, the consent of whose Holders is required for any such amendment; or

(c) modify any of the provisions of this Section, except to increase any such percentage or to provide that certain other provisions of this Agreement cannot be modified or waived without the consent of the Holder of each CVI affected thereby.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed amendment, but it shall be sufficient if such Act shall approve the substance thereof.

Promptly after the execution by the Partnership and the Trustee of any amendment pursuant to the provisions of this Section, the Partnership shall mail a notice thereof by first class mail to the Holders of CVIs at their addresses as they shall appear on the Security Register, setting forth in general terms the substance of such amendment. Any failure of the Partnership to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment.

Section 6.03 Execution of Amendments .

In executing any amendment permitted by this Article, the Trustee shall be entitled to receive, and (subject to Section 4.01) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such amendment is authorized or permitted by this Agreement. The Trustee may, but shall not be obligated to, enter into any such amendment which affects the Trustee's own rights, duties or immunities under this Agreement or otherwise.

Section 6.04 Effect of Amendments .

Upon the execution of any amendment under this Article, this Agreement shall be modified in accordance therewith, and such amendment shall form a part of this Agreement for all purposes; and every Holder of CVIs theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

Section 6.05 Conformity with Trust Indenture Act .

Every amendment executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act as then in effect.

Section 6.06 Reference in CVIs to Amendments .

CVIs authenticated and delivered after the execution of any amendment pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such amendment. If the Partnership shall so determine, new CVIs so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any such amendment may be prepared and executed by the Partnership and authenticated and delivered by the Trustee in exchange for Outstanding CVIs.

ARTICLE SEVEN

COVENANTS

Section 7.01 Payment of Amounts, if Any, to Holders .

The Partnership shall duly and punctually pay the amounts, if any, and issue the Partnership Common Units, if any, in the manner provided for in Section 3.01(c) and Section 3.07 on the CVIs in accordance with the terms of the CVIs and this Agreement.

Section 7.02 Maintenance of Office or Agency .

As long as any of the CVIs remain Outstanding, the Partnership shall maintain in the Borough of Manhattan, The City of New York, an office or agency where CVIs may be presented or surrendered for payment. The Partnership also will maintain in the Borough of Manhattan, The City of New York, an office or agency (i) where CVIs may be surrendered for registration of transfer or exchange and (ii) where notices and demands to or upon the Partnership in respect of the CVIs and this Agreement may be served. The Partnership hereby initially designates the office of the Trustee at as the office or agency of the Partnership where CVIs may be presented for payment, and the Corporate Trust Office as the office or agency where CVIs may be surrendered for registration of transfer or exchange and where such notices or demands may be served, in each case, unless the Partnership shall designate and maintain some other office or agency for one or more of such purposes. The Partnership shall give prompt written notice to the Trustee of any change in the location of any such office or agency. If at any time the Partnership shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Partnership hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Partnership may from time to time designate one or more other offices or agencies (in or outside of The City of New York) where the CVIs may be presented or surrendered for any or all such purposes, and may from time to time rescind such designation; provided , however , that no such designation or rescission shall in any manner relieve the Partnership of its obligations as set forth in the preceding paragraph. The Partnership shall give prompt written notice to the Trustee of any such designation or rescission and any change in the location of any such office or agency.

Section 7.03 CVI Consideration or Default Amount to Be Held in Trust .

If the Partnership shall at any time act as its own Paying Agent, it shall, on or before the Maturity Date or the Default Payment Date, as the case may be, segregate and hold in trust for the benefit of the Persons entitled thereto an amount of cash, if any, and a number of Partnership Common Units, if any, sufficient to deliver the CVI Consideration, if any, or the Default Amount, if any, as the case may be, so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided, and will promptly notify the Trustee of its action or failure so to act.

Whenever the Partnership shall have one or more Paying Agents for the CVIs, it shall, on or before the Maturity Date or the Default Payment Date, as the case may be, deposit with a Paying Agent an amount in cash in same day funds and/or a number of Partnership Common Units sufficient to deliver the CVI Consideration, if any, so becoming due, such cash and Partnership Common Units to be held in trust for the benefit of the Persons entitled to such amount, and (unless such Paying Agent is the Trustee) the Partnership shall promptly notify the Trustee of such action or any failure so to act.

The Partnership shall cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that (A) such Paying Agent will hold all sums held by it for the delivery of any consideration deliverable on CVIs in trust for the benefit of the Persons entitled thereto until such sums shall be delivered to such Persons or otherwise disposed of as herein provided and (B) that it shall give the Trustee notice of any failure by the Partnership (or by any other obligor on the CVIs) to deliver any such consideration on the CVIs when the same shall be due and payable.

Any cash or Partnership Common Units deposited with the Trustee or any Paying Agent, or then held by the Partnership, in trust for the delivery of the consideration on any CVI and remaining unclaimed for one year after the Maturity Date or the Default Payment Date, as the case may be, shall be paid to the Partnership on Partnership Request, or (if then held by the Partnership) shall be discharged from such trust; and the Holder of such CVI shall thereafter, as an unsecured general creditor, look only to the Partnership for delivery thereof and all liability of the Trustee or such Paying Agent with respect to such trust money or Partnership Common Units shall thereupon cease.

Section 7.04 Certain Purchases and Sales .

The Partnership shall not, and shall not permit any of its Affiliates to, (i) purchase any Partnership Common Units in open market transactions, privately negotiated transactions or otherwise or (ii) enter into any derivative or similar transaction that has the effect of providing such person with any of the economic consequences of ownership of Purchaser Common Units or that is otherwise designed or structured for the purpose of avoiding the provisions of this Section 7.04, in each case on any day during the period commencing 10 trading days before the Averaging Period and ending on the last day of the Averaging Period (the "Prohibited Period"), except with respect to (A) employee benefit plans and other incentive compensation arrangements, (B) transactions contemplated by the Exchange Agreement, dated , among the Partnership, KKR Management Holdings L.P., KKR Fund Holdings L.P. and KKR Holdings L.P, as such agreement may be amended or restated from time to time, (C) transactions involving the matters referred to in clauses (i) and (ii) (1) by an entity in which the Partnership or any of its Affiliates has an equity interest but no discretion over the investment decisions made by such entity and (2) transactions in broad-based indices, or managed funds or vehicles whose investment strategies require them to track such indices, that include the Partnership Common Units.

In addition, the Partnership shall not, and shall not permit any of its Affiliates to, cause any portfolio company of any investment fund or investment vehicle that is from time-to-time managed, sponsored or otherwise advised by the Partnership and/or one or more of its Affiliates to take any action that the Partnership would be prohibited from taking under this Section 7.04.

On or prior to the Issue Date, the Partnership shall adopt policies and procedures reasonably designed to ensure compliance with this Section 7.04, which policies and procedures shall be approved by the Board of Directors.

Section 7.05 Written Statement to Trustee .

The Partnership shall deliver to the Trustee, within 120 days after the end of each fiscal year, a brief certificate from the principal executive officer, principal financial officer or principal accounting officer as to his or her knowledge of the Partnership's compliance with all conditions and covenants under this Agreement. For purposes of this Section, such compliance shall be determined without regard to any period of grace or requirement of notice under this Agreement.

ARTICLE EIGHT

REMEDIES OF THE TRUSTEE AND HOLDERS ON EVENT OF DEFAULT

Section 8.01 Event of Default Defined; Acceleration of Maturity; Waiver of Default .

"Event of Default", with respect to CVIs, means any of the following events which shall have occurred and be continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) material default in the performance, or material breach, of any covenant or warranty of the Partnership relating to the CVIs (other than Section 5.04), and continuance of such material default or material breach for a period of 60 days after there has been given, by registered or certified mail, to the Partnership by the Trustee or to the Partnership and the Trustee by the Holders of at least 25% of the CVIs then Outstanding, a written notice specifying such material default or material breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder;

(b) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Partnership in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee or sequestrator (or similar official) of the Partnership or for any substantial part of its property or ordering the winding up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(c) the Partnership shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee or sequestrator (or similar official) of the Partnership or for any substantial part of its property, or make any general assignment for the benefit of creditors.

If at any time an Event of Default occurs and is continuing, either the Trustee or the Holders holding an aggregate of at least 25% of the CVIs then Outstanding, by notice to the Partnership (and to the Trustee if given by the Holders), may declare the CVIs due and payable immediately, and upon such declaration, the Partnership shall deliver to the Holder for each CVI held by the Holder the Default Amount with interest at the Default Interest Rate from the Default Payment Date through the date payment is duly provided for. The Default Amount and the related interest shall be satisfied by delivery by the Partnership of a number of Partnership Common Units having a value equal to the Default Amount and the related interest, provided, however, that the Partnership shall deliver cash to satisfy its obligation to deliver the Default Amount and related interest instead of Partnership Common Units if (x) the Partnership receives cash directly indirectly through its subsidiaries from the Group Partnerships on or prior to the date of payment of the Default Amount in an amount adequate to satisfy delivery of the Default Amount in cash, or (y) at the time of issuance thereof, such Partnership Common Units would not be (A) duly authorized, validly issued, fully paid and non-assessable (other than as such non-assessability may be affected by Section 17-607 or Section 17-804 of the Delaware Revised Uniform Limited Partnership Act or the Limited Partnership Agreement of the Partnership), (B) issued in compliance with any preemptive rights or rights of first refusal, (C) authorized for listing on the New York Stock Exchange (or, if the Partnership Common Units are not then listed on the New York Stock Exchange, such other exchange on which Partnership Common Units are then listed), subject to official notice of issuance or (D) issued either in a transaction that satisfied the requirements of Section 3(a)(9) of the Securities Act or pursuant to an effective registration statement under the Securities Act, it being understood that the Partnership shall use its reasonable best efforts to effect the outcomes described in (A) through (D) above. The Partnership Common Units issued in respect of the Default Amount and the related interest shall be valued (for purposes of calculating the number of Partnership Common Units to be issuable to Holders) at the Default VWAP Price.

The foregoing provisions, however, are subject to the condition that if, at any time after the CVIs shall have been so declared due and payable, and before any judgment or decree for the payment of the consideration due shall have been obtained or entered as hereinafter provided, the Partnership shall pay or shall deposit with the Trustee an amount of cash and/or number of Partnership Common Units sufficient to satisfy its obligation to deliver consideration owed in respect of CVIs which shall have become due otherwise than by acceleration (with interest upon such overdue amount at the Default Interest Rate to the date of such payment or deposit) and such amount as shall be sufficient to cover reasonable compensation to the Trustee, its agents, attorneys and counsel, and all other expenses and liabilities incurred and all advances made, by the Trustee except as a result of negligence or bad faith, and if any and all Events of Default under this Agreement, other than the nonpayment of the amounts which shall have become due by acceleration, shall have been cured, waived or otherwise remedied as provided herein, then and in every such case the Holders of a majority of all the CVIs then Outstanding, by written notice to the Partnership and to the Trustee, may waive all defaults with respect to the CVIs and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereof.

Section 8.02 Collection of Indebtedness by Trustee; Trustee May Prove Debt .

The Partnership covenants that in case default shall be made in the delivery of consideration owed in respect of all or any part of the CVIs when the same shall have become due and payable; whether at the Maturity Date, the Default Payment Date or otherwise, then upon demand of the Trustee, the Partnership will deliver to the Trustee (i) for the benefit of the Holders of the CVIs the whole amount, in cash or Partnership Common Units of the Partnership (at the option of the Partnership) that then shall have become due and payable on all CVIs (with interest from the date due and payable to the date of such payment upon the overdue amount at the Default Interest Rate); and (ii) such further amount as shall be sufficient to cover the costs and expenses of collection, including reasonable compensation to the Trustee and each predecessor Trustee, their respective agents, attorneys and counsel, and any expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee except as a result of its negligence or bad faith (for the avoidance of doubt, the amounts referred to in the clause (ii) shall be payable even in the event that the CVI Consideration or the Default Amount, as applicable, is equal to the CVI Consideration Cap or the Default Amount Cap, as applicable).

In case the Partnership shall fail forthwith to pay such amounts upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any action or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against the Partnership or other obligor upon such CVIs and collect in the manner provided by law out of the property of the Partnership or other obligor upon such CVIs, wherever situated, the moneys adjudged or decreed to be payable.

In case there shall be pending proceedings relative to the Partnership or any other obligor upon the CVIs under Title 11 of the United States Code or any other applicable Federal or State bankruptcy, insolvency or other similar law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Partnership or its property or such other obligor, or in case of any other judicial proceedings relative to the Partnership or other obligor upon the CVIs, or to the creditors or property of the Partnership or such other obligor, the Trustee, irrespective of whether the principal of any CVIs shall then be due and payable as therein expressed or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section, shall be entitled and empowered, by intervention in such proceedings or otherwise:

(a) to file and prove a claim or claims for the whole amount owing and unpaid in respect of the CVIs, and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee and each predecessor Trustee, and their respective agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee, except as a result of negligence or bad faith) and of the Holders allowed in any judicial proceedings relative to the Partnership or other obligor upon the CVIs, or to the creditors or property of the Partnership or such other obligor;

(b) unless prohibited by applicable law and regulations, to vote on behalf of the Holders in any election of a trustee or a standby trustee in arrangement, reorganization, liquidation or other bankruptcy or insolvency proceedings or person performing similar functions in comparable proceedings; and

(c) to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute all amounts receivable with respect to the claims of the Holders and of the Trustee on their behalf and any trustee, receiver, or liquidator, custodian or other similar official is hereby authorized by each of the Holders to make payments to the Trustee, and, in the event that the Trustee shall consent to the making of payments directly to the Holders, to pay to the Trustee such amounts as shall be sufficient to cover reasonable compensation to the Trustee, each predecessor Trustee and their respective agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee except as a result of negligence or bad faith and all other amounts due to the Trustee or any predecessor Trustee pursuant to Section 4.06.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the CVIs or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding except, as aforesaid, to vote for the election of a trustee in bankruptcy or similar person.

All rights of action and of asserting claims under this Agreement, or under any of the CVIs, may be enforced by the Trustee without the possession of any of the CVIs or the production thereof at any trial or other proceedings relative thereto, and any such action or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, subject to the payment of the expenses, disbursements and compensation of the Trustee, each predecessor Trustee and their respective agents and attorneys, shall be for the ratable benefit of the Holders.

In any proceedings brought by the Trustee (and also any proceedings involving the interpretation of any provision of this Agreement to which the Trustee shall be a party) the Trustee shall be held to represent all the Holders, and it shall not be necessary to make any Holders of such CVIs parties to any such proceedings.

Section 8.03 Application of Proceeds .

Any monies (including Partnership Common Units) collected by the Trustee pursuant to this Article in respect of any CVIs shall be applied in the following order at the date or dates fixed by the Trustee upon presentation of the several CVIs in respect of which monies (including Partnership Common Units) have been collected and stamping (or otherwise noting) thereon the payment in exchange for the presented CVIs if only partially paid or upon surrender thereof if fully paid:

FIRST: To the payment of costs and expenses in respect of which monies have been collected, including reasonable compensation to the Trustee and each predecessor Trustee and their respective agents and attorneys and of all expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee except as a result of negligence or bad faith, and all other amounts due to the Trustee or any predecessor Trustee pursuant to Section 4.06;

SECOND: To the payment of the whole amount then owing and unpaid upon all the CVIs, with interest at the Default Interest Rate on all such amounts, and in case such moneys shall be insufficient to pay in full the whole amount so due and unpaid upon the CVIs, then to the payment of such amounts without preference or priority of any CVI over any other CVI, ratably to the aggregate of such amounts due and payable; and

THIRD: To the payment of the remainder, if any, to the Partnership or any other person lawfully entitled thereto, including as a result of a breach of this Agreement.

Section 8.04 Suits for Enforcement .

In case an Event of Default or any other breach of this Agreement has occurred, has not been waived and is continuing, the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Agreement by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Agreement or in aid of the exercise of any power granted in this Agreement or to enforce any other legal or equitable right vested in the Trustee by this Agreement or by law.

Section 8.05 Restoration of Rights on Abandonment of Proceedings .

In case the Trustee shall have proceeded to enforce any right under this Agreement and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Partnership and the Trustee shall be restored respectively to their former positions and rights hereunder, and all rights, remedies and powers of the Partnership, the Trustee and the Holders shall continue as though no such proceedings had been taken.

Section 8.06 Limitations on Suits by Holders .

No Holder of any CVI shall have any right by virtue or by availing itself of any provision of this Agreement to institute any action or proceeding at law or in equity or in bankruptcy or otherwise upon or under or with respect to this Agreement, or for the appointment of a trustee, receiver, liquidator, custodian or other similar official or for any other remedy hereunder, unless such Holder previously shall have given to the Trustee written notice of default and of the continuance thereof as hereinbefore provided, and unless also the Holders of not less than 25% of the CVIs then Outstanding shall have made written request upon the Trustee to institute such action or proceedings in its own name as trustee hereunder and shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby and the Trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such action or proceeding and no direction inconsistent with such written request shall have been given to the Trustee pursuant to Section 8.09; it being understood and intended, and being expressly covenanted by the taker and Holder of every CVI with every other taker and Holder and the Trustee, that no one or more Holders of CVIs shall have any right in any manner whatever by virtue or by availing itself or themselves of any provision of this Agreement to effect, disturb or prejudice the rights of any other such Holder of CVIs, or to obtain or seek to obtain priority over or preference to any other such Holder or to enforce any right under this Agreement, except in the manner herein provided and for the equal, ratable and common benefit of all Holders of CVIs. For the protection and enforcement of the provisions of this Section, each and every Holder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

Section 8.07 Unconditional Right of Holders to Institute Certain Suits .

Notwithstanding any other provision in this Agreement and any provision of any CVI, the right of any Holder of any CVI to receive payment of the amounts payable in respect of such CVI on or after the respective due dates expressed in such CVI, or to institute suit for the enforcement of any such payment on or after such respective dates or the enforcement of any of the other provisions hereof, shall not be impaired or affected without the consent of such Holder.

Section 8.08 Powers and Remedies Cumulative; Delay or Omission Not Waiver of Default .

Except as provided in Section 8.06, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

No delay or omission of the Trustee or of any Holder to exercise any right or power accruing upon any Event of Default or any other breach of the provisions hereunder occurring and continuing as aforesaid shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and, subject to Section 8.06, every power and remedy given by this Agreement or by law to the Trustee or to the Holders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Holders.

Section 8.09 Control by Holders .

The Holders of a majority of the CVIs at the time Outstanding shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee with respect to the CVIs by this Agreement; provided that such direction shall not be otherwise than in accordance with law and the provisions of this Agreement; and provided further that (subject to the provisions of Section 4.01) the Trustee shall have the right to decline to follow any such direction if the Trustee, being advised by counsel, shall determine that the action or proceeding so directed may not lawfully be taken or if the Trustee in good faith by its board of directors, the executive committee, or a trust committee of directors or Responsible Officers of the Trustee shall determine that the action or proceedings so directed would involve the Trustee in personal liability or if the Trustee in good faith shall so determine that the actions or forbearances specified in or pursuant to such direction would be unduly prejudicial to the interests of Holders of the CVIs not joining in the giving of said direction, it being understood that (subject to Section 4.01) the Trustee shall have no duty to ascertain whether or not such actions or forbearances are unduly prejudicial to such Holders.

Nothing in this Agreement shall impair the right of the Trustee in its discretion to take any action deemed proper by the Trustee and which is not inconsistent with such direction or directions by Holders.

Section 8.10 Waiver of Past Defaults .

Prior to the declaration of the acceleration of the maturity of the CVIs as provided in Section 8.01, in the case of a default or an Event of Default specified in clause (a), (b) or (c) of Section 8.01, the Holders of a majority of all the CVIs then Outstanding may waive any such default or Event of Default, and its consequences, except a default in respect of a covenant or provisions hereof which cannot be modified or amended without the consent of the Holder of each CVI affected. In the case of any such waiver, the Partnership, the Trustee and the Holders of the CVIs shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Upon any such waiver, such default shall cease to exist and be deemed to have been cured and not to have occurred, and any Event of Default arising therefrom shall be deemed to have been cured, and not to have occurred for every purpose of this Agreement; but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

Section 8.11 Trustee to Give Notice of Default, but May Withhold in Certain Circumstances .

The Trustee shall transmit to the Holders, as the names and addresses of such Holders appear on the Security Register, notice by mail of all defaults which have occurred, such notice to be transmitted within 45 days after the occurrence thereof unless such defaults shall have been cured before the giving of such notice (the term "default" or "defaults" for the purposes of this Section being hereby defined to mean any event or condition which is, or with notice or lapse of time or both would become, an Event of Default); provided that, except in the case of default in the payment of the amounts payable in respect of any of the CVIs, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or trustees and/or Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Holders.

Section 8.12 Right of Court to Require Filing of Undertaking to Pay Costs .

All parties to this Agreement agree, and each Holder of any CVI by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Agreement or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith or the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder or group of Holders holding in the aggregate more than 10% of the CVIs Outstanding or to any suit instituted by any Holder for the enforcement of the payment of any CVI on or after the due date expressed in such CVI.

ARTICLE NINE

CONSOLIDATION, MERGER, SALE OR CONVEYANCE

Section 9.01 Partnership May Consolidate, Etc .

The Partnership shall not consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, unless:

(1) in case the Partnership shall consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, the Person formed by such consolidation or into which the Partnership is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Partnership substantially as an entirety (the "Surviving Person") shall be a corporation, limited liability company, statutory trust or association, real east investment trust, unincorporated business, including a partnership (whether general or limited (including a limited liability partnership or a limited liability limited partnership)) formed under the laws of the United States of America, any state thereof or the District of Columbia and shall expressly assume payment of amounts on all the CVIs and the performance of every covenant of this Agreement on the part of the Partnership to be performed or observed;

(2) immediately after giving effect to such transaction and treating any indebtedness which becomes an obligation of the Surviving Person, the Partnership or any Subsidiary as a result of such transaction as having been incurred by the Surviving Person, the Partnership or such Subsidiary at the time of such transaction, no Event of Default shall have happened and be continuing; and

(3) the Partnership has delivered to the Trustee an Officer's Certificate, stating that such consolidation, merger, conveyance, transfer or lease complies with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

Section 9.02 Successor Substituted .

Upon any consolidation of or merger by the Partnership with or into any other Person, or any conveyance, transfer or lease of the properties and assets substantially as an entirety to any Person in accordance with Section 9.01, the Surviving Person shall succeed to, and be substituted for, and may exercise every right and power of, the Partnership under this Agreement with the same effect as if the Surviving Person had been named as the Partnership herein, and thereafter, except in the case of a lease, the predecessor corporation shall be relieved of all obligations and covenants under this Agreement and the CVIs.

Section 9.03 Opinion of Counsel to Trustee .

The Trustee, subject to the provisions of Sections 4.01 and 4.02, may receive an Opinion of Counsel, prepared in accordance with Sections 1.03 and 1.04, as conclusive evidence that any such consolidation, merger, sale, lease or conveyance, and any such assumption, and any such liquidation or dissolution, complies with the applicable provisions of this Agreement.

ARTICLE TEN

DISCHARGE OF AGREEMENT

Section 10.01 Discharge of Liability on CVIs .

When (i) the Partnership delivers to the Trustee all outstanding CVIs (other than CVIs replaced pursuant to Section 3.06) for cancellation, (ii) all outstanding CVIs have become due and payable and either (A) the Partnership irrevocably deposits with the Trustee or the Paying Agent (if the Paying Agent is not the Partnership or any of its Affiliates) cash and/or Partnership Common Units sufficient to deliver all consideration, if any, due and owing on all outstanding CVIs (other than CVIs replaced pursuant to Section 3.06 or CVIs held by the Partnership or any Affiliate thereof) or (B) no amounts are due and owing on any CVI, or (iii) an Automatic Extinguishment Event shall have occurred and if in all cases the Partnership delivers any other sums payable hereunder by the Partnership, then this Agreement shall, subject to Section 4.06, cease to be of further effect; provided that the Partnership shall not be relieved or released from any liabilities or damages arising out of its breach of Section 7.04. The Trustee shall join in the execution of a document prepared by the Partnership acknowledging satisfaction and discharge of this Agreement on demand of the Partnership accompanied by an Officer’s Certificate and Opinion of Counsel and at the cost and expense of the Partnership.

* * * * * * *

This Agreement may be signed in any number of counterparts with the same effect as if the signatures to each counterpart were upon a single instrument, and all such counterparts together shall be deemed an original of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

KKR & CO. L.P.

By: KKR Management LLC, its general partner

By: ______________________________
Title:

Attest: ______________________________
Title:

[TRUSTEE]

By: ______________________________
Title:

Attest: ______________________________
Title:

Exhibit 10.4

FORM OF

TAX RECEIVABLE AGREEMENT

dated as of

, 2008

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This TAX RECEIVABLE AGREEMENT (as amended from time to time, this " Agreement "), dated as of , 2008, is hereby entered into by and among KKR Holdings L.P., a Cayman limited partnership (" KKR Holdings "), KKR Management Holdings Corp., a Delaware corporation (" Management Holdings "), KKR & Co. L.P., a Delaware limited partnership (" Parent "), KKR Management Holdings, L.P., a Delaware limited partnership (" Group Partnership I "), and together with all other Persons (as defined herein) who execute and deliver a joinder contemplated in Section 7.14.

RECITALS

WHEREAS, the Limited Partners (as defined herein) will hold limited partner interests (" Group Partnership Units ") in each of Group Partnerships (as defined herein);

WHEREAS, Management Holdings is the general partner of Group Partnership I;

WHEREAS, KKR Holdings or a KKR Holdings Affiliated Person (as defined herein) shall be entitled to surrender Group Partnership Units held by KKR Holdings or a KKR Holdings Affiliated Person to the Group Partnerships in exchange for the delivery by the Group Partnerships of Common Units of Parent (the " Common Units ") pursuant to the provisions of the Exchange Agreement (as defined herein);

WHEREAS, the Group Partnerships, and each of its direct and indirect subsidiaries, may have in effect an election under Section 754 of the Internal Revenue Code of 1986, as amended (the " Code "), for each Taxable Year in which an exchange of Group Partnership Units for Common Units of Parent (the " Common Units ") occurs pursuant to the provisions of the Exchange Agreement (as defined herein), which elections are intended generally to result in an adjustment to the tax basis of the assets owned by the Group Partnerships (with respect to the Corporate Holdcos) at the time of an exchange of Group Partnership Units for Common Units or any other acquisition of Group Partnership Units for cash or other consideration (collectively, an " Exchange ") (any such time, an " Exchange Date ") by reason of such Exchange and the receipt of payments under this Agreement;

WHEREAS, the income, gain, loss, expense and other Tax items of (i) the Group Partnerships with respect to each Corporate Holdco may be affected by the Basis Adjustment (defined below) and (ii) the Corporate Holdcos may be affected by the Imputed Interest (as defined below);

WHEREAS, the parties to this Agreement desire to make certain arrangements with respect to the effect of the Basis Adjustment and Imputed Interest on the actual liability for Taxes of the Corporate Holdcos;

NOW, THEREFORE, in consideration of the foregoing and the respective covenants and agreements set forth herein, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Definitions . As used in this Agreement, the terms set forth in this Article I shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined).

" Affiliate " means, with respect to any Person, any other Person that directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such first Person.

" Agreed Rate " means LIBOR plus 100 basis points.

" Agreement " is defined in the Preamble of this Agreement.

" Amended Schedule " is defined in Section 2.04(b) of this Agreement.

" Basis Adjustment " means the adjustment to the tax basis of an Exchange Date Asset under Section 732 of the Code (in situations where, as a result of one or more Exchanges, a Group Partnership becomes an entity that is disregarded as separate from its owner for tax purposes), Section 1012 of the Code, or Sections 743(b) and 754 of the Code, where applicable, (in situations where, following an Exchange, a Group Partnership remains in existence as an entity for tax purposes) and, in each case, comparable sections of state, local and foreign tax laws (as calculated under Section 2.01 of this Agreement) as a result of an Exchange and the payments made pursuant to this Agreement. Notwithstanding any other provision of this Agreement, the amount of any Basis Adjustment resulting from an Exchange of one or more Group Partnership Units shall be determined without regard to any Pre-Exchange Transfer of such Group Partnership Units and as if any such Pre-Exchange Transfer had not occurred.

" Business Day " means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States of America or the State of New York shall not be regarded as a Business Day.

" Change of Control " means the occurrence of any Person, other than a Person approved by the current Managing Partner (as defined below), becoming the general partner of the Parent.

" Common Units " is defined in the Recitals of this Agreement.

" Code " is defined in the Recitals of this Agreement.

" Control " means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Corporate Holdco Return" means the federal Tax Return and/or state and/or local and/or foreign Tax Return, as applicable, of each of the Corporate Holdcos filed with respect to Taxes of any Taxable Year.

"Corporate Holdcos" mean Parent or any direct or indirect subsidiary thereof that is at any time treated as a domestic corporation for United States federal income tax purposes, including, but not limited to, Management Holdings.

"Default Rate" means LIBOR plus 500 basis points.

"Determination" shall have the meaning ascribed to such term in Section 1313(a) of the Code or similar provision of state, local and foreign tax law, as applicable, or any other event (including the execution of a Form 870-AD) that finally and conclusively establishes the amount of any liability for Tax.

"Early Termination Date" means the date of an Early Termination Notice for purposes of determining the Early Termination Payment.

"Early Termination Notice" is defined in Section 4.02 of this Agreement.

"Early Termination Schedule" is defined in Section 4.02 of this Agreement.

"Early Termination Payment" is defined in Section 4.03(b) of this Agreement.

"Early Termination Rate" means the lesser of (i) 6.5% and (ii) LIBOR plus 100 basis points.

"Exchange" is defined in the Recitals of this Agreement.

"Exchange Agreement" means the Exchange Agreement, dated as of the date hereof, among the Parent, the Group Partnerships and KKR Holdings.

"Exchange Basis Schedule" is defined in Section 2.02 of this Agreement.

"Exchange Date" is defined in the Recitals of this Agreement.

"Exchange Date Assets" means (i) any assets owned by the Group Partnerships on an Exchange Date and allocable to the interests in the Group Partnerships that are Exchanged, and (ii) any asset whose tax basis is determined, in whole or in part, by reference to the adjusted basis of any asset referred to in clause (i).

"Exchange Payment" is defined in Section 5.01.

"Expert" is defined in Section 7.09 of this Agreement.

"Group Partnership I" is defined in the Preamble of this Agreement.

"Group Partnership II" means KKR Fund Holdings L.P., a Cayman limited partnership.

" Group Partnership Agreements " means, collectively, the Amended and Restated Limited Group Partnership Agreement of Group Partnership I and the Amended and Restated Limited Group Partnership Agreement of Group Partnership II (and the partnership agreement then in effect of any future partnership designated as a Group Partnership), as they may each be amended, supplemented or restated from time to time.

" Group Partnership Units " means limited partner interests in the Group Partnerships.

" Group Partnerships " means, collectively, Group Partnership I and Group Partnership II (and any future partnership designated as a Group Partnership hereunder).

" Imputed Interest " shall mean any interest imputed under Section 1272, 1274 or 483 or other provision of the Code and any similar provision of state, local and foreign tax law with respect to a Corporate Holdco's payment obligations under this Agreement.

" KKR Holdings " is defined in the Preamble of this Agreement.

" KKR Holdings Affiliated Person " means each Person that is as of the date of this Agreement or becomes from time to time (i) a general partner or a limited partner of KKR Holdings or (ii) a general partner or limited partner of any Person included in clause (i) above.

" LIBOR " means for each month (or portion thereof) during any period, an interest rate per annum equal to the rate per annum reported, on the date two days prior to the first day of such month, on the Telerate Page 3750 (or if such screen shall cease to be publicly available, as reported on Reuters Screen page "LIBO" or by any other publicly available source of such market rate) for London interbank offered rates for U.S. dollar deposits for such month (or portion thereof).

" Limited Partner " means each Person that is as of the date of this Agreement or becomes from time to time a limited partner of each of the Group Partnerships pursuant to the terms of the Group Partnership Agreements including, for the avoidance of doubt, any person to whom KKR Holdings distributes Group Partnership Units.

" Management Holdings " is defined in the Preamble of this Agreement.

" Managing Partner " means KKR Management LLC, a Delaware limited liability company and the general partner of the Parent.

" Market Value " shall mean the closing price of the Common Units on the applicable Exchange Date on the national securities exchange or interdealer quotation system on which such Common Units are then traded or listed, as reported by the Wall Street Journal; provided that if the closing price is not reported by the Wall Street Journal for the applicable Exchange Date, then the Market Value shall mean the closing price of the Common Units on the Business Day immediately preceding such Exchange Date on the national securities exchange or interdealer quotation system on which such Common Units are then traded or listed, as reported by the Wall Street Journal; provided further, that if the Common Units are not then listed on a national securities exchange or interdealer quotation system, " Market Value " shall mean the cash consideration paid for Common Units, or the fair market value of the other property delivered for Common Units, as determined by the board of directors of the Managing Partner in good faith.

" Material Objection Notice " has the meaning set forth in Section 4.02.

" Non-Stepped Up Tax Basis " means, with respect to any asset at any time, the tax basis that such asset would have had at such time if no Basis Adjustment had been made.

" Non-Stepped Up Tax Liability " means, with respect to any Taxable Year, the liability for Taxes of each of the Corporate Holdcos or any Group Partnership in which each of the Corporate Holdcos own an interest, but only with respect to Taxes imposed on such Group Partnership and allocable to the Corporate Holdco using the same methods, elections, conventions and similar practices used on the relevant Corporate Holdco Return, but using the Non-Stepped Up Tax Basis instead of the tax basis of the Exchange Date Assets and excluding any deduction attributable to the Imputed Interest.

" Objection Notice " has the meaning set forth in Section 2.04(a).

" Parent " is defined in the Preamble of this Agreement.

" Payment Date " means any date on which a payment is required to be made pursuant to this Agreement.

" Person " means any individual, corporation, firm, partnership, joint venture, limited liability company, estate, trust, business association, organization, governmental entity or other entity.

" Pre-Exchange Transfer " means any transfer (including upon the death of a Limited Partner) of one or more Group Partnership Units (i) that occurs prior to an Exchange of such Group Partnership Units, and (ii) to which Section 743(b) of the Code applies.

" Realized Tax Benefit " means, for a Taxable Year, the excess, if any, of the Non-Stepped Up Tax Liability over the actual liability for Taxes of each of the Corporate Holdcos or any Group Partnership in which such Corporate Holdco owns an interest, but only with respect to Taxes imposed on such Group Partnership and allocable to such Corporate Holdco for such Taxable Year using the "with or without" methodology. If all or a portion of the actual tax liability for Taxes for the Taxable Year arises as a result of an audit by a Taxing Authority of any Taxable Year, such liability shall not be included in determining the Realized Tax Benefit unless and until there has been a Determination.

" Realized Tax Detriment " means, for a Taxable Year, the excess, if any, of the actual liability for Taxes of each of the Corporate Holdcos or any Group Partnership in which such Corporate Holdco owns an interest, but only with respect to Taxes imposed on such Group Partnership and allocable to such Corporate Holdco over the Non-Stepped Up Tax Liability for such Taxable Year using the "with or without" methodology. If all or a portion of the actual tax liability for Taxes for the Taxable Year arises as a result of an audit by a Taxing Authority of any Taxable Year, such liability shall not be included in determining the Realized Tax Detriment unless and until there has been a Determination.

" Reconciliation Dispute " has the meaning set forth in Section 7.09.

" Reconciliation Procedures " shall mean those procedures set forth in Section 7.09 of this Agreement.

" Schedule " means any Exchange Basis Schedule, Tax Benefit Schedule and the Early Termination Schedule.

" Subsidiaries " means, with respect to any Person, as of any date of determination, any other Person as to which such Person owns, directly or indirectly, or otherwise controls more than 50% of the voting power or other similar interests or the sole general partner interest or managing member or similar interest of such Person.

" Tax Benefit Payment " is defined in Section 3.01(b) of this Agreement.

" Tax Benefit Schedule " is defined in Section 2.03 of this Agreement.

" Tax Return " means any return, declaration, report or similar statement required to be filed with respect to Taxes (including any attached schedules), including, without limitation, any information return, claim for refund, amended return and declaration of estimated Tax.

" Taxable Year " means a taxable year as defined in Section 441(b) of the Code or comparable section of state, local or foreign tax law, as applicable, (and, therefore, for the avoidance of doubt, may include a period of less than 12 months for which a Tax Return is made) ending on or after an Exchange Date in which there is a Basis Adjustment due to an Exchange.

" Taxes " means any and all U.S. federal, state, local and foreign taxes, assessments or similar charges measured with respect to net income or profits and any interest related to such Tax.

" Taxing Authority " shall mean any domestic, foreign, federal, national, state, county or municipal or other local government, any subdivision, agency, commission or authority thereof, or any quasi-governmental body exercising any taxing authority or any other authority exercising Tax regulatory authority.

" Treasury Regulations " means the final, temporary and proposed regulations under the Code promulgated from time to time (including corresponding provisions and succeeding provisions) as in effect for the relevant taxable period.

" Valuation Assumptions " shall mean, as of an Early Termination Date, the assumptions that (1) in each Taxable Year ending on or after such Early Termination Date, each of the Corporate Holdcos will have taxable income sufficient to fully utilize the deductions arising from the basis Adjustment and the Imputed Interest during such Taxable Year, (2) the federal income tax rates and state, local and foreign income tax rates that will be in effect for each such Taxable Year will be those specified for each such Taxable Year by the Code and other law as in effect on the Early Termination Date, (3) any loss carryovers or carryback generated by the Basis Adjustment or the Imputed Interest and available as of the date of the Early Termination Schedule will be utilized by each of the Corporate Holdcos on a pro rata basis from the date of the Early Termination Schedule through the scheduled expiration date of such loss carryovers or carrybacks, (4) any non-amortizable assets are deemed to be disposed of (A) with respect to private equity fund related assets, pro-rata over the number of years remaining under the original fund agreement until expected liquidation (without extensions) of the applicable fund under the terms of the applicable fund agreement (or, if such expected liquidation date has passed, on the Early Termination Date) and (B) with respect to all other assets, on the fifteenth anniversary of the earlier of the Basis Adjustment and the Early Termination Date and (5) if an Early Termination is effected prior to an Exchange of Group Partnership Units, clause (i) of Section 2.01 shall be read to include the Market Value of the Common Units and cash that would be transferred if the Exchange occurred on the Early Termination Date.

ARTICLE II

DETERMINATION OF REALIZED TAX BENEFIT

Section 2.01 Basis Adjustment . Each of the Corporate Holdcos and the Group Partnerships, on the one hand, and KKR Holdings, on the other hand, acknowledge that, as a result of an Exchange, each of the Corporate Holdcos' basis in the applicable Exchange Date Assets shall be increased by the excess, if any, of (i) the sum of (x) the Market Value of the Common Units, cash or other consideration transferred to the applicable Limited Partner pursuant to the Exchange as payment for the exchanged Group Partnership Units, plus (y) the amount of payments made pursuant to this Agreement with respect to such Exchange plus (z) the amount of debt allocated to the Group Partnership Units acquired pursuant to such Exchange over (ii) each of the Corporate Holdcos' share of the basis of the Exchange Date Assets immediately after the Exchange attributable to the Group Partnership Units exchanged, determined as if (x) each Group Partnership remains in existence as an entity for tax purposes, and (y) no Group Partnership made the election provided by Section 754 of the Code. For the avoidance of doubt, payments made under this Agreement shall not be treated as resulting in a Basis Adjustment to the extent such payments are treated as Imputed Interest.

Section 2.02 Exchange Basis Schedule . Within 90 calendar days after the filing of the U.S. federal income tax return of each of the Corporate Holdco for each Taxable Year in which any Exchange has been effected, each of the Corporate Holdcos shall deliver to the applicable Limited Partner a schedule (the " Exchange Basis Schedule ") that shows for purposes of Taxes, (i) the actual unadjusted tax basis of the Exchange Date Assets as of each applicable Exchange Date, (ii) the Basis Adjustment with respect to the Exchange Date Assets as a result of the Exchanges effected in such Taxable Year, calculated in the aggregate, (iii) the period or periods, if any, over which the Exchange Date Assets are amortizable and/or depreciable and (iv) the period or periods, if any, over which each Basis Adjustment is amortizable and/or depreciable (which, for non-amortizable assets shall be based on the Valuation Assumptions).

Section 2.03 Tax Benefit Schedule . Within 90 calendar days after the filing of the U.S. federal income tax return of the of each of the Corporate Holdcos for any Taxable Year in which there is a Realized Tax Benefit or Realized Tax Detriment, each of the Corporate

Holdcos shall provide to the applicable Limited Partner a schedule showing the calculation of the aggregate Realized Tax Benefit or Realized Tax Detriment for such Taxable Year and the portion thereof allocable to the applicable Limited Partner (a " Tax Benefit Schedule "). The Schedule will become final as provided in Section 2.04(a) and may be amended as provided in Section 2.04(b) (subject to the procedures set forth in Section 2.04(b)).

Section 2.04 Procedures, Amendments .

(a) Procedure . Every time each of the Corporate Holdcos delivers to the applicable Limited Partner an applicable Schedule under this Agreement, including any Amended Schedule delivered pursuant to Section 2.04(b), but excluding any Early Termination Schedule or amended Early Termination Schedule, each of the Corporate Holdcos shall also (x) deliver to the applicable Limited Partner schedules and work papers providing reasonable detail regarding the preparation of the Schedule and (y) allow such Limited Partner reasonable access at no cost to the appropriate representatives at each of the Corporate Holdcos in connection with a review of such Schedule. The applicable Schedule shall become final and binding on all parties unless the Limited Partner, within 30 calendar days after receiving an Exchange Basis Schedule or amendment thereto or 30 calendar days after receiving a Tax Benefit Schedule or amendment thereto, provides such Corporate Holdco with notice of a material objection to such Schedule (" Objection Notice ") made in good faith. If the parties, for any reason, are unable to successfully resolve the issues raised in such notice within 30 calendar days of receipt by such Corporate Holdco of an Objection Notice, if with respect to an Exchange Basis Schedule, or 30 calendar days of receipt by such Corporate Holdco of an Objection Notice, if with respect to a Tax Benefit Schedule, after such Schedule was delivered to the applicable Limited Partner, such Corporate Holdco and the applicable Limited Partner shall employ the reconciliation procedures as described in Section 7.09 of this Agreement (the " Reconciliation Procedures ").

(b) Amended Schedule . The applicable Schedule for any Taxable Year may be amended from time to time by each of the Corporate Holdcos (i) in connection with a Determination affecting such Schedule, (ii) to correct material inaccuracies in the Schedule identified as a result of the receipt of additional factual information relating to a Taxable Year after the date the Schedule was provided to the applicable Limited Partner, (iii) to comply with the Expert's determination under the Reconciliation Procedures, (iv) to reflect a material change in the Realized Tax Benefit or Realized Tax Detriment for such Taxable Year attributable to a carryback or carryforward of a loss or other tax item to such Taxable Year, (v) to reflect a material change in the Realized Tax Benefit or Realized Tax Detriment for such Taxable Year attributable to an amended Tax Return filed for such Taxable Year, or (vi) to adjust the Exchange Basis Schedule to take into account payments made pursuant to this Agreement (such Schedule, an " Amended Schedule ").

ARTICLE III

TAX BENEFIT PAYMENTS

Section 3.01 Payments .

(a) Payments . Within five (5) calendar days of a Tax Benefit Schedule delivered to an applicable Limited Partner becoming final in accordance with Section 2.04(a), each of the Corporate Holdcos shall pay to the applicable Limited Partner for such Taxable Year the portion of the Tax Benefit Payment determined pursuant to Section 3.01(b) that is allocable to such Limited Partner. Each such payment shall be made by wire transfer of immediately available funds to a bank account of the applicable Limited Partner previously designated by such Limited Partner to each of the Corporate Holdcos or as otherwise agreed by the Corporate Holdco and the applicable Limited Partner. For the avoidance of doubt, no Tax Benefit Payment shall be made in respect of estimated tax payments, including, without limitation, federal income tax payments.

(b) A " Tax Benefit Payment " means an amount, not less than zero, equal to 85% of the sum of the Net Tax Benefit and the Interest Amount. The " Net Tax Benefit " shall equal: (1) the Corporate Holdco's Realized Tax Benefit, if any, for a Taxable Year plus (2) the amount of the excess Realized Tax Benefit reflected on an Amended Tax Benefit Schedule for a previous Taxable Year over the Realized Tax Benefit (or Realized Tax Detriment (expressed as a negative number)) reflected on the Tax Benefit Schedule for such previous Taxable Year, minus (3) an amount equal to each of the Corporate Holdco's Realized Tax Detriment (if any) for the current or any previous Taxable Year, minus (4) the amount of the excess Realized Tax Benefit reflected on a Tax Benefit Schedule for a previous Taxable Year over the Realized Tax Benefit (or Realized Tax Detriment (expressed as a negative number)) reflected on the Amended Tax Benefit Schedule for such previous Taxable Year; provided , however , that to the extent of the amounts described in 3.01(b)(2), (3) and (4) were taken into account in determining any Tax Benefit Payment in a preceding Taxable Year, such amounts shall not be taken into account in determining a Tax Benefit Payment attributable to any other Taxable Year; provided , further , for the avoidance of doubt, no applicable Limited Partner shall be required to return any portion of any previously made Tax Benefit Payment. The " Interest Amount " shall equal the interest on the Net Tax Benefit calculated at the Agreed Rate from the due date (without extensions) for filing the Corporate Holdco Return with respect to Taxes for such Taxable Year until the Payment Date. Notwithstanding the foregoing, for each Taxable Year ending on or after the date of a Change of Control, all Tax Benefit Payments, whether paid with respect to Group Partnership Units that were exchanged (i) prior to the date of such Change of Control or (ii) on or after the date of such Change of Control, shall be calculated by utilizing Valuation Assumptions (1), (3), and (4), substituting in each case the terms "the closing date of a Change of Control" for an "Early Termination Date".

Section 3.02 No Duplicative Payments . It is intended that the above provisions of this Agreement will not result in duplicative payment of any amount (including interest) required under this Agreement. It is also intended that the provisions of this Agreement provide that 85% of each of the Corporate Holdcos' Realized Tax Benefit and Interest Amount is paid to the Limited Partners pursuant to this Agreement. The provisions of this Agreement shall be construed in the appropriate manner as such intentions are realized.

Section 3.03 Pro Rata Payments . For the avoidance of doubt, to the extent each of the Corporate Holdcos' deduction with respect to the Basis Adjustment is limited in a particular Taxable Year or such Corporate Holdco lacks sufficient funds to satisfy its obligations to make all Tax Benefit Payments due in a particular taxable year, the limitation on the deduction, or the Tax Benefit Payments that may be made, as the case may be, shall be taken into account or made for each applicable Limited Partner on a pro rata basis based upon the amount of deductions for such Taxable Year arising out of the Basis Adjustment attributable to the Exchange by such applicable Limited Partner relative to the total amount of deductions for such Taxable Year arising out of the aggregate Basis Adjustments attributable to Exchanges by all of the applicable Limited Partners.

ARTICLE IV

TERMINATION

Section 4.01 Early Termination and Breach of Agreement .

(a) Each of the Corporate Holdcos may terminate this Agreement with respect to all of the Group Partnership Units held (or previously held and exchanged) by all Limited Partners at any time by paying to all of the applicable Limited Partners the Early Termination Payment; provided , however , that this Agreement shall terminate only upon the receipt of the Early Termination Payment by all Limited Partners, and provided , further , that each of the Corporate Holdcos may withdraw any notice to execute its termination rights under this Section 4.01(a) prior to the time at which any Early Termination Payment has been paid. Upon payment of the Early Termination Payments by a Corporate Holdco, neither the applicable Limited Partners nor the Corporate Holdco shall have any further payment obligations under this Agreement in respect of such Limited Partners, other than for any (a) Tax Benefit Payment agreed to by such Corporate Holdco and the applicable Limited Partner as due and payable but unpaid as of the Early Termination Notice and (b) Tax Benefit Payment due for the Taxable Year ending with or including the date of the Early Termination Notice (except to the extent that the amount described in clause (b) is included in the Early Termination Payment). If an Exchange occurs after such Corporate Holdco exercises its termination rights under this Section 4.01 (a), such Corporate Holdco shall have no obligations under this Agreement with respect to such Exchange.

(b) In the event that a Corporate Holdco breaches any of its material obligations under this Agreement, whether as a result of failure to make any payment when due, failure to honor any other material obligation required hereunder or by operation of law as a result of the rejection of this Agreement in a case commenced under the Bankruptcy Code or otherwise, then all obligations hereunder shall be accelerated and such obligations shall be calculated as if an Early Termination Notice had been delivered on the date of such breach and shall include, but not be limited to, (1) the Early Termination Payment calculated as if an Early Termination Notice had been delivered on the date of a breach, (2) any Tax Benefit Payment agreed to by such Corporate Holdco and any Limited Partners as due and payable but unpaid as of the date of a breach, and (3) any Tax Benefit Payment due for the Taxable Year ending with or including the date of a breach. Notwithstanding the foregoing, in the event that a Corporate Holdco breaches this Agreement, the Limited Partners shall be entitled to elect to receive the amounts set forth in (1), (2) and (3), above or to seek specific performance of the terms hereof. The parties agree that the failure to make any payment due pursuant to this Agreement within three months of the date such payment is due shall be deemed to be a breach of a material obligation under this Agreement for all purposes of this Agreement, and that it will not be considered to be a breach of a material obligation under this Agreement to make a payment due pursuant to this Agreement within three months of the date such payment is due.

(c) The undersigned parties agree that the aggregate value of the Tax Benefit Payments cannot be ascertained with any reasonable certainty for U.S. federal income tax purposes.

Section 4.02 Early Termination Notice . If a Corporate Holdco chooses to exercise its right of early termination under Section 4.01 above, such Corporate Holdco shall deliver to the applicable Limited Partners notice of such intention to exercise such right (" Early Termination Notice ") and a schedule (the " Early Termination Schedule ") specifying such Corporate Holdco's intention to exercise such right and showing in reasonable detail the calculation of the Early Termination Payment. The applicable Early Termination Schedule shall become final and binding on all parties unless the Limited Partner, within 30 calendar days after receiving the Early Termination Schedule thereto provides such Corporate Holdco with notice of a material objection to such Schedule made in good faith (" Material Objection Notice "). If the parties, for any reason, are unable to successfully resolve the issues raised in such notice within 30 calendar days after receipt by such Corporate Holdco of the Material Objection Notice, such Corporate Holdco and the Limited Partner shall employ the Reconciliation Procedures as described in Section 7.09 of this Agreement.

Section 4.03 Payment upon Early Termination . (a) Within three calendar days after agreement between the applicable Limited Partner and a Corporate Holdco of the Early Termination Schedule, such Corporate Holdco shall pay to the applicable Limited Partner an amount equal to the Early Termination Payment. Such payment shall be made by wire transfer of immediately available funds to a bank account designated by the applicable Limited Partner or as otherwise agreed by the Corporate Holdco and the applicable Limited Partner.

(b) The " Early Termination Payment " as of the date of the delivery of an Early Termination Schedule shall equal with respect to the applicable Limited Partner the present value, discounted at the Early Termination Rate as of such date, of all Tax Benefit Payments that would be required to be paid by a Corporate Holdco to the applicable Limited Partner beginning from the Early Termination Date assuming the Valuation Assumptions are applied.

ARTICLE V

SUBORDINATION AND LATE PAYMENTS

Section 5.01 Subordination . Notwithstanding any other provision of this Agreement to the contrary, any Tax Benefit Payment or Early Termination Payment required to be made by a Corporate Holdco to the applicable Limited Partner under this Agreement (an " Exchange Payment ") shall rank subordinate and junior in right of payment to any principal, interest or other amounts due and payable in respect of any current or future obligations in respect of indebtedness for borrowed money of such Corporate Holdco and its Subsidiaries (" Senior Obligations ") and shall rank pari passu with all current or future unsecured obligations of such Corporate Holdco that are not Senior Obligations.

Section 5.02 Late Payments by Corporate Holdco . The amount of all or any portion of any Tax Benefit Payment not made to the applicable Limited Partner when due under the terms of this Agreement shall be payable together with any interest thereon, computed at the Default Rate and commencing from the date on which such Exchange Payment was due and payable.

ARTICLE VI

NO DISPUTES; CONSISTENCY; COOPERATION

Section 6.01 KKR Holdings Participation in Corporate Holdco's and Group Partnerships' Tax Matters . Except as otherwise provided herein, each of the Corporate Holdcos and the Group Partnerships shall have full responsibility for, and sole discretion over, all Tax matters concerning each of the Corporate Holdcos and the Group Partnerships, respectively, including without limitation the preparation, filing or amending of any Tax Return and defending, contesting or settling any issue pertaining to Taxes. Notwithstanding the foregoing, each of the Corporate Holdcos shall notify KKR Holdings of, and keep KKR Holdings reasonably informed with respect to the portion of any audit of such Corporate Holdco and the Group Partnerships by a Taxing Authority the outcome of which is reasonably expected to KKR Holdings' rights and obligations under this Agreement, and shall provide to KKR Holdings reasonable opportunity to provide information and other input to such Corporate Holdco, the Group Partnerships and their respective advisors concerning the conduct of any such portion of such audit; provided , however , that each of the Corporate Holdcos and the Group Partnerships shall not be required to take any action that is inconsistent with any provision of any of the Group Partnership Agreements.

Section 6.02 Consistency . Each of the Corporate Holdcos and the applicable Limited Partner agree to report and cause to be reported for all purposes, including federal, state, local and foreign Tax purposes and financial reporting purposes, all Tax-related items (including without limitation the Basis Adjustment and each Tax Benefit Payment) in a manner consistent with that specified by each of the Corporate Holdcos in any Schedule required to be provided by or on behalf of each of the Corporate Holdcos under this Agreement.

Section 6.03 Cooperation . Each Limited Partner will (a) furnish to each of the Corporate Holdcos in a timely manner such information, documents and other materials as each such Corporate Holdco may reasonably request for purposes of making any determination or computation necessary or appropriate under this Agreement, preparing any Tax Return or contesting or defending any audit, examination or controversy with any Taxing Authority, (b) make itself available to each of the Corporate Holdcos and its representatives to provide explanations of documents and materials and such other information as each of the Corporate Holdcos or its representatives may reasonably request in connection with any of the matters described in clause (a) above, and (c) reasonably cooperate in connection with any such matter, and each of the Corporate Holdcos shall reimburse the applicable Limited Partner for any reasonable third-party costs and expenses incurred pursuant to this Section.

ARTICLE VII

MISCELLANEOUS

Section 7.01 Notices . All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be deemed duly given and received (a) on the date of delivery if delivered personally, or by facsimile upon confirmation of transmission by the sender's fax machine if sent on a Business Day (or otherwise on the next Business Day) or (b) on the first Business Day following the date of dispatch if delivered by a recognized next-day courier service. All notices hereunder shall be delivered as set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice:

If to the Parent:

KKR & Co. L.P.
9 West 57 th Street, Suite 4200
New York, NY 10019
Attention: Chief Financial Officer
Fax: 212-750-0003
Phone: 212-750-8300

with a copy to:

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017
(T) (212) 455-2000
(F) (212) 735-2502
Attention: Joseph H. Kaufman, Esq.

If to a Corporate Holdco or either Group Partnership, to:

c/o KKR & Co. L.P.

9 West 57th Street, Suite 4200
New York, NY 10019
Attention: Chief Financial Officer
Fax: 212-750-0003
Phone: 212-750-8300

with a copy to:

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017
(T) (212) 455-2000
(F) (212) 735-2502
Attention: Joseph H. Kaufman, Esq.

If to KKR Holdings:

KKR Holdings L.P.
9 West 57 th Street, Suite 4200
New York, NY 10019
Attention: Chief Financial Officer
Fax: 212-750-0003
Phone: 212-750-8300

with a copy to:

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017
(T) (212) 455-2000
(F) (212) 735-2502
Attention: Joseph H. Kaufman, Esq.

If to any Limited Partner, to the attention of such Limited Partner at:

c/o KKR Holdings L.P.
9 West 57 th Street, Suite 4200
New York, NY 10019
Attention: Chief Financial Officer
Fax: 212-750-0003
Phone: 212-750-8300

with a copy to:

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017
(T) (212) 455-2000
(F) (212) 735-2502
Attention: Joseph H. Kaufman, Esq.

Any party may change its address or fax number by giving the other party written notice of its new address or fax number in the manner set forth above.

Section 7.02 Counterparts . This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart. Delivery of an executed signature page to this Agreement by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Agreement.

Section 7.03 Entire Agreement; Third Party Beneficiaries . This Agreement constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof. This Agreement shall be binding upon and inure solely to the benefit of each party hereto and their respective successors and permitted assigns, except that each Limited Partner shall be entitled to receive the benefits of this Agreement and shall be bound by the terms and provisions of this Agreement by reason of such Limited Partner's election to participate in any Exchange. Except as provided in this Section 7.03, nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 7.04 Governing Law. This Agreement shall be governed by, and construed in accordance with, the law of the State of New York.

Section 7.05 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

Section 7.06 Successors; Assignment; Amendments; Waivers.

(a) Neither KKR Holdings nor any Limited Partner may assign this Agreement to any person without the prior written consent of each of the Corporate Holdcos; provided, however, (i) that, to the extent Group Partnership Units are effectively transferred in accordance with the terms of the Group Partnership Agreements or any other agreement the applicable Limited Partner may have entered into with the Parent or are transferred to a KKR Affiliate, the Managing Partner, the Corporate Holdco and/or either of the Group Partnerships, the transferring Limited Partner or KKR Holdings shall assign to the transferee of such Group Partnership Units the transferring Limited Partner's or KKR Holdings' rights under this Agreement with respect to such transferred Group Partnership Units and (ii) that, once an Exchange has occurred, any and all payments that may become payable to a Limited Partner pursuant to this Agreement with respect to such Exchange may be assigned to any Person or Persons, as long as any such Person has executed and delivered, or, in connection with such assignment, executes and delivers, a joinder to this Agreement, in form and substance reasonably satisfactory to each Corporate Holdco, agreeing to be bound by Section 7.12 and acknowledging specifically the last sentence of the next paragraph. For the avoidance of doubt: (A) to the extent KKR Holdings transfers Group Partnership Units to a KKR Holdings Affiliate pursuant to the relevant Group Partnership Agreements, the KKR Holdings Affiliate receiving such Group Partnership Units shall have all rights under this Agreement with respect to such transferred Group Partnership Units as KKR Holdings has, under this Agreement, with respect to the other Group Partnership Units held by him; and (B) the requirement to execute and deliver a joinder pursuant to this Section 7.06(a) shall not be construed as requiring such execution and delivery prior to an assignment becoming effective.

(b) No provision of this Agreement may be amended unless such amendment is approved in writing by each of the Corporate Holdcos, on behalf of themselves and the respective Group Partnerships they Control, and by KKR Holdings. No provision of this Agreement may be waived unless such waiver is in writing and signed by the party against whom the waiver is to be effective.

(c) All of the terms and provisions of this Agreement shall be binding upon, shall inure to the benefit of and shall be enforceable by the parties hereto, each Limited Partner and their respective successors, assigns, heirs, executors, administrators and legal representatives. Each of the Corporate Holdcos shall require and cause any direct or indirect successor (whether by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of such Corporate Holdco, by written agreement, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that each Corporate Holdco would be required to perform if no such succession had taken place.

Section 7.07 Titles and Subtitles . The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

Section 7.08 Resolution of Disputes .

(a) Any and all disputes which cannot be settled amicably, including any ancillary claims of any party, arising out of, relating to or in connection with the validity, negotiation, execution, interpretation, performance or non-performance of this Agreement (including the validity, scope and enforceability of this arbitration provision) shall be finally settled by arbitration conducted by a single arbitrator in New York in accordance with the then-existing Rules of Arbitration of the International Chamber of Commerce. If the parties to the dispute fail to agree on the selection of an arbitrator within thirty (30) days of the receipt of the request for arbitration, the International Chamber of Commerce shall make the appointment. The arbitrator shall be a lawyer and shall conduct the proceedings in the English language.

Performance under this Agreement shall continue if reasonably possible during any arbitration proceedings.

(b) Notwithstanding the provisions of paragraph (a), each of the Corporate Holdcos may bring an action or special proceeding in any court of competent jurisdiction for the purpose of compelling a party to arbitrate, seeking temporary or preliminary relief in aid of an arbitration hereunder, and/or enforcing an arbitration award and, for the purposes of this paragraph (b), each Limited Partner shall be deemed to (i) expressly consent to the application of paragraph (c) of this Section 7.08 to any such action or proceeding, (ii) agree that proof shall not be required that monetary damages for breach of the provisions of this Agreement would be difficult to calculate and that remedies at law would be inadequate, and (iii) irrevocably appoint each of the Corporate Holdcos as such Limited Partner’s agent for service of process in connection with any such action or proceeding and agrees that service of process upon such agent, who shall promptly advise such Limited Partner of any such service of process, shall be deemed in every respect effective service of process upon the Limited Partner in any such action or proceeding.

(c) (i) EACH LIMITED PARTNER IS HEREBY DEEMED TO IRREVOCABLY SUBMIT TO THE JURISDICTION OF COURTS LOCATED IN NEW YORK, NEW YORK FOR THE PURPOSE OF ANY JUDICIAL PROCEEDING BROUGHT IN ACCORDANCE WITH THE PROVISIONS OF PARAGRAPH (B) OF THIS SECTION 7.08, OR ANY JUDICIAL PROCEEDING ANCILLARY TO AN ARBITRATION OR CONTEMPLATED ARBITRATION ARISING OUT OF OR RELATING TO OR CONCERNING THIS AGREEMENT. Such ancillary judicial proceedings include any suit, action or proceeding to compel arbitration, to obtain temporary or preliminary judicial relief in aid of arbitration, or to confirm an arbitration award. The parties acknowledge that the fora designated by this paragraph (c) have a reasonable relation to this Agreement, and to the parties' relationship with one another.

(d) The parties hereby waive, to the fullest extent permitted by applicable law, any objection which they now or hereafter may have to personal jurisdiction or to the laying of venue of any such ancillary suit, action or proceeding brought in any court referred to in paragraph (c) (i) of this Section 7.08 and such parties agree not to plead or claim the same.

Section 7.09 Reconciliation . In the event that a Corporate Holdco and KKR Holdings are unable to resolve a disagreement with respect to the matters governed by Sections 2.04, 4.02 and 6.02 within the relevant period designated in this Agreement (" Reconciliation Dispute "), the Reconciliation Dispute shall be submitted for determination to a nationally recognized expert (the " Expert ") in the particular area of disagreement mutually acceptable to both parties. The Expert shall be a partner in a nationally recognized accounting firm or a law firm, and the Expert shall not, and the firm that employs the Expert shall not, have any material relationship with such Corporate Holdco or Limited Partner or other actual or potential conflict of interest. If the parties are unable to agree on an Expert within fifteen (15) days of receipt by the respondent(s) of written notice of a Reconciliation Dispute, the Expert shall be appointed by the International Chamber of Commerce Centre for Expertise. The Expert shall resolve any matter relating to the Exchange Basis Schedule or an amendment thereto or the Early Termination Schedule or an amendment thereto within 30 calendar days and shall resolve any matter relating to a Tax Benefit Schedule or an amendment thereto within 15 calendar days or as soon thereafter as is reasonably practicable, in each case after the matter has been submitted to the Expert for resolution. Notwithstanding the preceding sentence, if the matter is not resolved before any payment that is the subject of a disagreement is due or any Tax Return reflecting the subject of a disagreement is due, such payment shall be made on the date prescribed by this Agreement and such Tax Return may be filed as prepared by such Corporate Holdco, subject to adjustment or amendment upon resolution. The costs and expenses relating to the engagement of such Expert or amending any Tax Return shall be borne by the Corporate Holdco; except as provided in the next sentence. Each of the Corporate Holdcos and each applicable Limited Partner shall bear their own costs and expenses of such proceeding, unless the Limited Partner has a prevailing position that is more than 10% of the payment at issue, in which case the Corporate Holdco shall reimburse such Limited Partner for any reasonable out-of-pocket costs and expenses in such proceeding. Any dispute as to whether a dispute is a Reconciliation Dispute within the meaning of this Section 7.09 shall be decided by the Expert. The Expert shall finally determine any Reconciliation Dispute and the determinations of the Expert pursuant to this Section 7.09 shall be binding on the Corporate Holdco and the applicable Limited Partner and may be entered and enforced in any court having jurisdiction.

Section 7.10 Withholding. Each Corporate Holdco shall be entitled to deduct and withhold from any payment payable pursuant to this Agreement such amounts as such Corporate Holdco is required to deduct and withhold with respect to the making of such payment under the Code, or any provision of state, local or foreign tax law. To the extent that amounts are so withheld and paid over to the appropriate Taxing Authority by such Corporate Holdco, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the applicable Limited Partner.

Section 7.11 Affiliated Corporations of Parent; Admission of Corporate Holdco into a Consolidated Group; Transfers of Corporate Assets.

(a) The Parent Group Partnership shall cause each entity that is a Corporate Holdco and that is not already a party to this Agreement to execute and deliver a joinder to this Agreement providing that all provisions of this Agreement shall correspondingly apply to such Corporate Holdco, including the payment of Tax Benefit Payments by such Corporate Holdco with respect to any Realized Tax Benefit attributable to Group Partnership interests that are part of an Exchange.

(b) If any Group Partnership Interest was acquired in an Exchange by an entity prior to such entity becoming a Corporate Holdco, such Exchange shall be treated for purposes of this Agreement as having occurred immediately after such entity became a Corporate Holdco at the Fair Market Value in existence at the time of such prior Exchange, and the entity that is now a Corporate Holdco shall be required to make the same Tax Benefit Payments pursuant to the terms of this Agreement that it would have been required to make had it been treated as a Corporate Holdco on the date of such Exchange; provided, however, that such Tax Benefit Payments shall be payable only with respect to (i) Exchange Date Assets that are still owned at the time such entity becomes a Corporate Holdco, and (ii) taxable years of such entity ending on or after it becomes a Corporate Holdco.

(c) If a Corporate Holdco becomes a member of an affiliated or consolidated group of corporations that files a consolidated income tax return pursuant to Sections 1501 et seq. of the Code or any corresponding provisions of state, local or foreign law, then: (i) the provisions of this Agreement shall be applied with respect to the group as a whole; and (ii) Tax Benefit Payments shall be computed with reference to the consolidated taxable income and consolidated tax liability of the group as a whole.

(d) If any entity that is obligated to make an Exchange Payment hereunder transfers one or more assets to a corporation with which such entity does not file a consolidated tax return pursuant to Section 1501 of the Code, such entity, for purposes of calculating the amount of any Exchange Payment (e.g., calculating the gross income of the entity and determining the Realized Tax Benefit of such entity) due hereunder, shall be treated as having disposed of such asset in a fully taxable transaction on the date of such contribution. The consideration deemed to be received by such entity shall be equal to the Fair Market Value of the contributed asset, plus (i) the amount of debt to which such asset is subject, in the case of a contribution of an encumbered asset or (ii) the amount of debt allocated to such asset, in the case of a contribution of a partner interest.

Section 7.12 Confidentiality. Each Limited Partner and assignee shall be deemed to acknowledge and agree that the information of each Corporate Holdco is confidential and, except in the course of performing any duties as necessary for such Corporate Holdco and its Affiliates, as required by law or legal process or to enforce the terms of this Agreement, it shall keep and retain in the strictest confidence and not to disclose to any Person all confidential matters, acquired pursuant to this Agreement, of such Corporate Holdco or any Person included within the Parent and their respective Affiliates and successors and the other Limited Partners, including, without limitation, the identity of the beneficial holders of interests in any fund or account managed by the Parent or any of its Subsidiaries, confidential information concerning the Parent, any Person included within the Parent and their respective Affiliates and successors, the other Limited Partners and any fund, account or investment managed by any Person included within the Parent, including marketing, investment, performance data, fund management, credit and financial information, and other business affairs of such Corporate Holdco, any Person included within the Parent and their respective Affiliates and successors, the other Limited Partners and any fund, account or investment managed directly or indirectly by any Person included within such Corporate Holdco learned by the Limited Partner heretofore or hereafter. This clause 7.12 shall not apply to (i) any information that has been made publicly available by such Corporate Holdco or any of its Affiliates, becomes public knowledge (except as a result of an act of such Limited Partner in violation of this Agreement) or is generally known to the business community and (ii) the disclosure of information to the extent necessary for a Limited Partner to prepare and file his or her tax returns, to respond to any inquiries regarding the same from any taxing authority or to prosecute or defend any action, proceeding or audit by any taxing authority with respect to such returns. Notwithstanding anything to the contrary herein, each Limited Partner (and each employee, representative or other agent of such Limited Partner) may disclose to any and all Persons, without limitation of any kind, the tax treatment and tax structure of (x) each Corporate Holdco and (y) any of its transactions, and all materials of any kind (including opinions or other tax analyses) that are provided to the Limited Partners relating to such tax treatment and tax structure.

If a Limited Partner or assignee commits a breach, or threatens to commit a breach, of any of the provisions of this Section 7.12, the Corporate Holdco shall have the right and remedy to have the provisions of this Section 7.12 specifically enforced by injunctive relief or otherwise by any court of competent jurisdiction without the need to post any bond or other security, it being acknowledged and agreed that any such breach or threatened breach shall cause irreparable injury to such Corporate Holdco or any of its Subsidiaries or the other Limited Partners and the accounts and funds managed by such Corporate Holdco and that money damages alone shall not provide an adequate remedy to such Persons. Such rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available at law or in equity.

Section 7.13 Group Partnership Agreement. This Agreement shall be treated as part of the partnership agreement of each Group Partnership as described in Section 761(c) of the Code, and Sections 1.704-1(b)(2)(ii)(h) and 1.761-1(c) of the Treasury Regulations.

Section 7.14 Group Partnerships. Management Holdings hereby agrees that, to the extent it acquires a general partner interest, managing member interest or similar interest in any Person after the date hereof, it shall cause such Person to execute and deliver a joinder to this Agreement and become a "Group Partnership" for all purposes of this Agreement.

Section 7.15 Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

[Signatures on following pages]

IN WITNESS WHEREOF, Management Holdings and each Limited Partner have duly executed this Agreement as of the date first written above.

KKR HOLDINGS L.P.

By: KKR Holdings GP Limited, its general partner

By: ______________________________
Name:
Title:

KKR MANAGEMENT HOLDINGS CORP.

By: ______________________________
Name:
Title:

KKR & CO. L.P.

By: KKR Management LLC, its general partner

By: ______________________________
Name:
Title:

KKR MANAGEMENT HOLDINGS L.P.

By: KKR Management Holdings Corp., its general partner

By: ______________________________
Name:
Title:

FORM OF EXCHANGE AGREEMENT

EXCHANGE AGREEMENT (the " Agreement "), dated as of , 2008, among KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and KKR Holdings L.P.(1)

WHEREAS, this Agreement governs the terms and conditions for the exchange of certain Group Partnership Units for Common Units, on the terms and subject to the conditions set forth herein;

WHEREAS, the right to exchange Group Partnership Units set forth in Section 2.1(a) below, once exercised, represents a several, and not a joint and several, obligation of the Group Partnerships (on a *pro rata* basis), and no Group Partnership shall have any obligation or right to acquire Group Partnership Units issued by another Group Partnership;

NOW, THEREFORE, in consideration of the mutual covenants and undertakings contained herein and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I.
DEFINITIONS

Section 1.1 Definitions .

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

" Agreement " has the meaning set forth in the preamble of this Agreement.

" Business Day " means each day that is not a Saturday, Sunday or other day on which banking institutions in the Cayman Islands and New York, New York are authorized or required by law to close.

" Code " means the Internal Revenue Code of 1986, as amended.

" Common Unit " means a partnership interest in the Issuer representing a fractional part of the partnership interests in the Issuer of all limited partners of the Issuer having

(1) To the extent that it is ultimately determined that KKR Holdings L.P. will not hold a direct interest in the Issuer, this agreement will be modified to reflect the appropriate entity.

the rights and obligations specified with respect to Common Units in the Issuer Partnership Agreement.

"Exchange" has the meaning set forth in Section 2.1(a) of this Agreement.

"Exchange Rate" means the number of Common Units for which a Group Partnership Unit is entitled to be exchanged. On the date of this Agreement, the Exchange Rate shall be 1 for 1, which Exchange Rate shall be subject to modification as provided in Section 2.4.

"Group Partnership I" means KKR Management Holdings L.P., a Delaware limited partnership, and any successor thereto.

"Group Partnership I General Partner" means KKR Management Holdings Corp., a Delaware corporation and the general partner of Group Partnership I, and any successor thereto.

"Group Partnership II" means KKR Fund Holdings L.P., a Cayman limited partnership, and any successor thereto.

"Group Partnership II General Partners" means the Issuer and KKR Fund Holdings GP Limited, a Cayman limited company, as general partners of Group Partnership II, and any successor thereto.

"Group Partnership Agreements" means, collectively, the Amended and Restated Limited Partnership Agreement of Group Partnership I and the Amended and Restated Limited Partnership Agreement of Group Partnership II (and the partnership agreement then in effect of any future partnership designated as a Group Partnership), as each may be amended, supplemented or restated from time to time.

"Group Partnership General Partners" means, collectively, Group Partnership I General Partner and Group Partnership II General Partners (and the general partner of any future partnership designated as a Group Partnership).

"Group Partnership Unit" means, collectively, one partnership unit in each of Group Partnership I and Group Partnership II (and any future partnership designated as a Group Partnership) issued under its respective Group Partnership Agreement.

"Group Partnerships" means, collectively, Group Partnership I and Group Partnership II (and any future partnership designated as a Group Partnership).

"Issuer" means KKR & Co. L.P., a limited partnership formed under the laws of the State of Delaware, and any successor thereto.

"Issuer General Partner" means KKR Management LLC, a limited liability company formed under the laws of the State of Delaware, and any successor thereto.

" Insider Trading Policy " means the Insider Trading Policy of the Issuer applicable to the directors and executive officers of its general partner, as such insider trading policy may be amended, supplemented or restated from time to time.

" Issuer Partnership Agreement " means the Amended and Restated Agreement of Limited Partnership of the Issuer to be dated substantially concurrently with the consummation of the KPE Transaction, as such agreement of limited partnership may be amended, supplemented or restated from time to time.

" KKR Holdings " means KKR Holdings L.P., a limited partnership formed under the laws of the Cayman Islands, and any successor thereto.

" KKR Holdings Affiliated Person " means each Person that is as of the date of this Agreement or becomes from time to time (i) a general partner or a limited partner of KKR Holdings pursuant to the terms of the KKR Holdings Partnership Agreement or (ii) a general partner, limited partner or holder of any other type of equity interest of any Person included in clause (i) above.

" KKR Holdings Partnership Agreement " means the Amended and Restated Limited Partnership Agreement of KKR Holdings, as amended, supplemented or restated from time to time.

" KPE " means KKR Private Equity Investors, L.P., a Guernsey limited partnership .

" KPE Transaction " means the transaction contemplated in the Purchase and Sale Agreement .

" Person " means an individual, corporation, limited liability company, partnership, joint venture, trust, estate, unincorporated organization, association (including any group, organization, co-tenanacy, plan, board, council or committee), government (including a country, state, county, or any other governmental or political subdivision, agency or instrumentality thereof) or other entity (or series thereof).

" Purchase and Sale Agreement " means the purchase and sale agreement among the Partnership, KPE and the other parties thereto, dated July 27, 2008.

" Quarter " means, unless the context requires otherwise, a fiscal quarter of the Issuer.

" Quarterly Exchange Date " means, unless the Issuer cancels such Quarterly Exchange Date pursuant to Section 2.9 hereof, the date that is the later to occur of either: (1) the second Business Day after the date on which the Issuer makes a public news release of its quarterly earnings for the prior Quarter or (2) the first day of each Quarter that directors and executive officers of the Issuer's general partner are permitted to trade under the Insider Trading Policy.

" Sale Transaction " has the meaning set forth in Section 2.9 of this Agreement.

"Transfer Agent" means such bank, trust company or other Person as shall be appointed from time to time by the Issuer pursuant to the Issuer Partnership Agreement to act as registrar and transfer agent for the Common Units.

ARTICLE II.
EXCHANGE OF GROUP PARTNERSHIP UNITS

Section 2.1 Exchange of Group Partnership Units.

(a) Subject to adjustment as provided in this Article II, to the provisions of the Group Partnership Agreements and the Issuer Partnership Agreement and to the provisions of Section 2.2 hereof, KKR Holdings or a KKR Holdings Affiliated Person shall be entitled on any Quarterly Exchange Date to surrender Group Partnership Units held by KKR Holdings or a KKR Holdings Affiliated Person to the Group Partnerships in exchange for either (at the option of the Group Partnerships) (i) the delivery by the Group Partnerships of a number of Common Units equal to the product of the number of Group Partnership Units surrendered multiplied by the Exchange Rate or (ii) cash in an amount equal to the fair market value of Common Units KKR Holdings or a KKR Holdings Affiliated Person would receive pursuant to (i) above (any such exchange, an "Exchange"); provided that any such exchange is for a minimum of the lesser of [1,000] Group Partnership Units or all of the Group Partnership Units held by KKR Holdings. Simultaneous with any such Exchange pursuant to clause (i) above (without duplication of any units otherwise issued in connection with contributions under the partnership agreements of the Group Partnership not being conducted under this Exchange Agreement), each Group Partnership shall issue a number of its Group Partnership Units to its respective Group Partnership General Partner equal to the product of the number of Group Partnership Units surrendered to such Group Partnership multiplied by the Exchange Rate. Any election by the Group Partnerships to deliver cash to KKR Holdings or a KKR Holdings Affiliated Person, as the case may be, pursuant to (ii) above, shall be subject to the prior approval of the conflicts committee of the board of directors of the Issuer General Partner.

(b) Where KKR Holdings or a KKR Holdings Affiliated Person has exercised its right to surrender its Group Partnership Units to the Group Partnerships for an Exchange, the Group Partnership General Partners shall have a superseding right to acquire such interests for an amount of cash or Common Units (at the option of the Group Partnership General Partners) equal to the amount of cash or Common Units that would be received pursuant to an Exchange.

(c) On the date Group Partnership Units are surrendered for Exchange, all rights of KKR Holdings or a KKR Holdings Affiliated Person as holder of such Group Partnership Units shall cease, and KKR Holdings or such KKR Holdings Affiliated Person shall be treated for all purposes as having become the Record Holder (as defined in the Issuer Partnership Agreement) of such Common Units and shall be admitted as a Limited Partner (as defined in the Issuer Partnership Agreement) of the Issuer in accordance and upon compliance with Section 10.2 of the Issuer Partnership Agreement.

(d) At the time Group Partnership Units are surrendered for Exchange, KKR Holdings shall assign its rights together with its obligations hereunder in connection with an

Exchange to each KKR Holdings Affiliated Person beneficially owning such Group Partnership Units.

(e) For the avoidance of doubt, any Exchange of Group Partnership Units shall be subject to the provisions of the Group Partnership Agreements.

Section 2.2 Exchange Procedures .

(a) KKR Holdings or a KKR Holdings Affiliated Person may exercise the right to Exchange Group Partnership Units set forth in Section 2.1(a) above by providing to each Group Partnership General Partner and the Issuer a written notice of Exchange, substantially in the form of Exhibit A hereto, at least sixty (60) days prior to the applicable Quarterly Exchange Date or within such shorter period of time as may be agreed by the parties hereto. Such notice shall be duly executed by such holder or such holder's duly authorized attorney in respect of the Group Partnership Units to be Exchanged and delivered during normal business hours at the principal executive offices of the Group Partnership General Partners and the Issuer.

(b) Each KKR Holdings Affiliated Person beneficially owning the Group Partnership Units that are subject to Exchange pursuant to Section 2.1(a) above shall execute a written assignment and acceptance agreement with respect to such Group Partnership Units, substantially in the form of Exhibit B hereto, prior to such Exchange, which assignment and acceptance agreement shall be delivered during normal business hours at the principal executive offices of KKR Holdings.

(c) As promptly as practicable following the surrender for Exchange of Group Partnership Units in the manner provided in this Article II, the Group Partnerships shall deliver or cause to be delivered at the principal executive offices of the Issuer or at the office of the Transfer Agent the number of Common Units issuable upon such Exchange, issued in the name of KKR Holdings or its designee.

(d) The Group Partnerships may adopt reasonable procedures for the implementation of the exchange provisions set forth in this Article II, including, without limitation, procedures for the giving of notice of an election for Exchange.

Section 2.3 Blackout Periods and Ownership Restrictions . Notwithstanding anything to the contrary, KKR Holdings or a KKR Holdings Affiliated Person shall not be entitled to Exchange Group Partnership Units, and the Issuer and the Group Partnerships shall have the right to refuse to honor any request for Exchange of Group Partnership Units, (i) at any time or during any period if the Issuer or the Group Partnerships shall determine, based on the advice of counsel (which may be inside counsel), that there may be material non-public information that may affect the trading price per Common Unit at such time or during such period or (ii) if such Exchange would be prohibited under applicable law or regulation.

Section 2.4 Splits, Distributions and Reclassifications . The Exchange Rate shall be adjusted accordingly if there is: (1) any subdivision (by split, distribution, reclassification, recapitalization or otherwise) or combination (by reverse split, reclassification, recapitalization or otherwise) of the Group Partnership Units that is not accompanied by an identical subdivision or combination of the Common Units; or (2) any subdivision (by split, distribution, reclassification, recapitalization or otherwise) or combination (by reverse split, reclassification, recapitalization or otherwise) of the Common Units that is not accompanied by an identical subdivision or combination of the Group Partnership Units. In the event of a reclassification or other similar transaction as a result of which the Common Units are converted into another security, then KKR Holdings shall be entitled to receive upon Exchange the amount of such security that KKR Holdings would have received if such Exchange had occurred immediately prior to the effective date of such reclassification or other similar transaction. Except as may be required in the immediately preceding sentence, no adjustments in respect of distributions shall be made upon the Exchange of any Group Partnership Unit.

Section 2.5 Common Units to be Issued. The Issuer covenants that if any Common Units require registration with or approval of any governmental authority under any U.S. federal or state law before such Common Units may be issued upon Exchange pursuant to this Article II, the Issuer shall use commercially reasonable efforts to cause such Common Units to be duly registered or approved, as the case may be. The Issuer shall use commercially reasonable efforts to list the Common Units required to be delivered upon Exchange prior to such delivery upon each national securities exchange or inter-dealer quotation system upon which the outstanding Common Units may be listed or traded at the time of such delivery. Nothing contained herein shall be construed to preclude the Issuer or the Group Partnerships from satisfying their obligations in respect of the Exchange of the Group Partnership Units by delivery of Common Units which are held in the treasury of the Issuer or the Group Partnerships or any of their subsidiaries.

Section 2.6 Taxes. The delivery of Common Units upon Exchange of Group Partnership Units shall be made without charge to KKR Holdings or a KKR Holdings Affiliated Person for any stamp or other similar tax in respect of such issuance.

Section 2.7 Restrictions. The provisions of Section 7.06 of the Group Partnership Agreements shall apply, mutatis mutandis, to any Common Units issued upon Exchange of Group Partnership Units; and the provisions of Section 7.04 of the Group Partnership Agreements shall permit Transfers of Common Units issued upon Exchange of Group Partnership Units to the same extent as Exchange Transactions (as defined in the Group Partnership Agreements) with respect to Group Partnership Units may be permitted under such provisions. In each case, the provisions of Sections 7.04 and 7.06 of the Group Partnership Agreements shall apply in the aggregate to Group Partnership Units and Common Units received in Exchange for Group Partnership Units held by KKR Holdings or a KKR Holdings Affiliated Person or Limited Partner (as defined in the Issuer Partnership Agreement) of the Issuer.

Section 2.8 Disposition of Common Units Issued. KKR Holdings covenants to cause any KKR Holdings Affiliated Person receiving Common Units as a result of an Exchange under this Agreement (i) to use reasonable best efforts to sell or otherwise dispose of any Common Units received in such an Exchange within ten (10) days of the receipt thereof or any specified shorter period as the general partner of the Issuer determines to be in the best interests of the Issuer, (ii) to use reasonable best efforts to ensure that neither such KKR Holdings Affiliated Person's spouse nor any grantor trust which is treated as owned by such KKR Holdings Affiliated Person or his or her spouse owns any Common Units and (iii) that no other Common Units will be acquired or held by such KKR Holdings Affiliated Person during such period other than through a Qualifying Entity. Any KKR Holdings Affiliated Person who receives Common Units as a result of an Exchange under this Agreement and who holds any such Common Units on the last day of the ten (10) day or shorter period referred to above shall agree to cause all such Common Units to be transferred immediately to a Qualifying Entity. For the purposes of this Agreement, a "Qualifying Entity" means a partnership, trust or other entity (other than an entity disregarded as an entity separate from its owner for United States federal income tax purposes). For the avoidance of doubt, nothing contained herein shall prohibit any KKR Holdings Affiliated Person from owning an interest in a Qualifying Entity that owns Common Units.

Section 2.9 Subsequent Offerings . The Issuer may from time to time provide the opportunity for KKR Holdings to sell its Group Partnership Units to the Issuer, the Group Partnerships or any of their subsidiaries (a " Sale Transaction "); provided that no Sale Transaction shall occur unless the Issuer cancels the nearest Quarterly Exchange Date scheduled to occur in the same fiscal year of the Issuer as such Sale Transaction. In connection with a Sale Transaction, KKR Holdings must provide notice to Issuer at least thirty (30) days prior to the cash settlement of such Sale Transaction in respect of the Group Partnership Units to be sold or within such shorter period of time as may be agreed by the parties hereto. Such notice shall be delivered during normal business hours at the principal executive offices of the Issuer. For the avoidance of doubt, the total aggregate number of Quarterly Exchange Dates and Sale Transactions occurring during any fiscal year of the Issuer shall not exceed four (4).

ARTICLE III.
GENERAL PROVISIONS

Section 3.1 Amendment . The provisions of this Agreement may be amended by the affirmative vote or written consent of each of the Issuer, the Group Partnerships and KKR Holdings.

Section 3.2 Addresses and Notices . All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person, by courier service, by fax, by electronic mail (delivery receipt requested) or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be as specified in a notice given in accordance with this Section 3.2):

(a) If to the Group Partnership I General Partner or the Group Partnership II General Partners, to:

9 West 57 th Street, Suite 4200
New York, NY 10019
Attention: Chief Financial Officer
Fax: 212-750-0003
Phone: 212-750-8300

(b) If to Group Partnership I or Group Partnership II to:

9 West 57 th Street, Suite 4200
New York, NY 10019
Attention: Chief Financial Officer
Fax: 212-750-0003
Phone: 212-750-8300

(c) If to KKR Holdings, to:

9 West 57 th Street, Suite 4200
New York, NY 10019
Attention: Chief Financial Officer
Fax: 212-750-0003
Phone: 212-750-8300

(c) If to the Issuer, to:

9 West 57 th Street, Suite 4200
New York, NY 10019
Attention: Chief Financial Officer
Fax: 212-750-0003
Phone: 212-750-8300

Section 3.3 Further Action . The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 3.4 Binding Effect . This Agreement shall be binding upon and inure to the benefit of all of the parties and, to the extent permitted by this Agreement, their successors, executors, administrators, heirs, legal representatives and assigns. KKR Holdings may enforce the terms of this agreement in the name of or on behalf of any KKR Holdings Affiliated Person. Other than as expressly provided herein, nothing in this Agreement will be construed to give any person other than the parties to this Agreement any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement.

Section 3.5 Severability . If any term or other provision of this Agreement is held to be invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions is not affected in any manner materially adverse to any party. Upon a determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

Section 3.6 Integration . This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

Section 3.7 Waiver . No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach of any other covenant, duty, agreement or condition.

Section 3.8 Submission to Jurisdiction; Waiver of Jury Trial .

(a) Any and all disputes which cannot be settled amicably, including any ancillary claims of any party, arising out of, relating to or in connection with the validity, negotiation, execution, interpretation, performance or non-performance of this Agreement (including the validity, scope and enforceability of this arbitration provision) shall be finally settled by arbitration conducted by a single arbitrator in New York in accordance with the then-existing Rules of Arbitration of the International Chamber of Commerce. If the parties to the dispute fail to agree on the selection of an arbitrator within thirty (30) days of the receipt of the request for arbitration, the International Chamber of Commerce shall make the appointment. Performance under this Agreement shall continue if reasonably possible during any arbitration proceedings.

(b) Notwithstanding the provisions of Section 3.8(a), KKR Holdings may cause any Group Partnership to bring, on behalf of the Issuer or such Group Partnership or on behalf of any KKR Holdings Affiliated Person, an action or special proceeding in any court of competent jurisdiction for the purpose of compelling a party to arbitrate, seeking temporary or preliminary relief in aid of an arbitration hereunder, and/or enforcing an arbitration award and, for the purposes of this paragraph.

(c) Notwithstanding any provision of this Agreement to the contrary, this Section 3.8 shall be construed to the maximum extent possible to comply with the laws of the State of Delaware, including the Delaware Uniform Arbitration Act (10 Del. C. § 5701 et seq.) (the " Delaware Arbitration Act "). If, nevertheless, it shall be determined by a court of competent jurisdiction that any provision or wording of this Section 3.8, including any rules of the International Chamber of Commerce, shall be invalid or unenforceable under the Delaware Arbitration Act, or other applicable law, such invalidity shall not invalidate all of this Section 3.8. In that case, this Section 3.8 shall be construed so as to limit any term or provision so as to make it valid or enforceable within the requirements of the Delaware Arbitration Act or other applicable law, and, in the event such term or provision cannot be so limited, this Section 3.8 shall be construed to omit such invalid or unenforceable provision.

Section 3.9 Counterparts . This Agreement may be executed and delivered (including by facsimile transmission) in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed and delivered shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Copies of executed counterparts transmitted by telecopy or other electronic transmission service shall be considered original executed counterparts for purposes of this Section 3.9.

Section 3.10 Tax Treatment . To the extent this Agreement imposes obligations upon a particular Group Partnership or either Group Partnership General Partner, this Agreement shall be treated as part of the relevant Group Partnership Agreement as described in Section

761(c) of the Code and Sections 1.704-1(b)(2)(ii)(h) and 1.761-1(c) of the Treasury Regulations. The parties shall report any Exchange consummated hereunder (pursuant to which Common Units are delivered pursuant to Section 2.1(a)(i) or Section 2.1(b) hereof), in the case of Group Partnership I, as a taxable sale of Group Partnership Units by a KKR Holdings Affiliated Person to Group Partnership I General Partner and, in the case of Group Partnership II, as a contribution to the Issuer described in Section 721(a) of the Code, and no party shall take a contrary position on any income tax return, amendment thereof or communication with a taxing authority.

Section 3.11 Applicable Law. This Agreement shall be governed by, and construed in accordance with, the law of the State of Delaware.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered, all as of the date first set forth above.

[*Signature Page Follows*]

KKR & CO. L.P.

By: KKR Management LLC, its general partner

By: ______________________________
Name:
Title:

KKR MANAGEMENT HOLDINGS L.P.

By: KKR Management Holdings Corp., its general partner

By: ______________________________
Name:
Title:

KKR FUND HOLDINGS L.P.

By: KKR & Co. L.P., its general partner

By: ______________________________
Name:
Title:

KKR HOLDINGS L.P.

By: KKR Holdings GP Limited, its general partner

By: ______________________________
Name:
Title:

EXHIBIT A

FORM OF
NOTICE OF EXCHANGE

KKR Management Holdings L.P.
KKR Fund Holdings L.P.
KKR & Co. L.P.
9 West 57th Street, Suite 4200
New York, NY 10019
Attention: Chief Financial Officer
Fax: 212-750-0003

Reference is hereby made to the Exchange Agreement, dated as of , 2008 (the " Exchange Agreement "), among KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P., and KKR Holdings L.P., as amended from time to time. Capitalized terms used but not defined herein shall have the meanings given to them in the Exchange Agreement.

KKR Holdings desires to Exchange the number of Group Partnership Units set forth below.

Number of Group Partnership Units to be Exchanged:

KKR Holdings (1) hereby represents that the Group Partnership Units set forth above are owned by KKR Holdings, (2) hereby gives notice of its desire to Exchange such Group Partnership Units for Common Units as set forth in the Exchange Agreement, (3) hereby irrevocably constitutes and appoints any officer of the Group Partnerships, either Group Partnership General Partner or the Issuer General Partner as its attorney, with full power of substitution, to Exchange said Group Partnership Units on the books of the Group Partnerships for Common Units on the books of the Issuer, with full power of substitution in the premises.

KKR Holdings covenants to cause any KKR Holdings Affiliated Person receiving Common Units as a result of an Exchange under the Exchange Agreement (i) to use reasonable best efforts to sell or otherwise dispose of any Common Units received in such an Exchange within ten (10) days of the receipt thereof or any specified shorter period as the general partner of the Issuer determines to be in the best interests of the Issuer, (ii) to use reasonable best efforts to ensure that neither such KKR Holdings Affiliated Person's spouse nor any grantor trust which is treated as owned by such KKR Holdings Affiliated Person or his or her spouse owns any Common Units and (iii) that no other Common Units will be acquired or held by such KKR Holdings Affiliated Person during such period other than through a Qualifying Entity. Any KKR Holdings Affiliated Person who receives Common Units as a result of an Exchange under this Agreement and who holds any such Common Units on the last day of the ten (10) day or shorter period referred to above shall agree to cause all such Common Units to be transferred immediately to a Qualifying Entity. For the purposes of this Agreement, a "Qualifying Entity" means a partnership, trust or other entity (other than an entity disregarded as an entity separate from its owner for United

States federal income tax purposes). For the avoidance of doubt, nothing contained herein shall prohibit any KKR Holdings Affiliated Person from owning an interest in a Qualifying Entity that owns Common Units.

IN WITNESS WHEREOF the undersigned, by authority duly given, has caused this Notice of Exchange to be executed and delivered by the undersigned or by its duly authorized attorney.

KKR HOLDINGS L.P.

By: KKR Holdings GP Limited, its general partner

By: ______________________________
Name:
Title:

Dated: ______________________________

Exhibit 10.7

KKR & CO. L.P.
FORM OF 2008 EQUITY INCENTIVE PLAN

1. Purpose of the Plan

KKR & Co. L.P. 2008 Equity Incentive Plan (the " Plan ") is designed to promote the long term financial interests and growth of KKR & Co. L.P., a Delaware limited partnership (the " Partnership "), and its Affiliates by (i) attracting and retaining senior managing directors, employees and consultants of the Partnership or any of its Affiliates, including directors of the Partnership's general partner, KKR Management LLC (the " General Partner "), and (ii) aligning the interests of such individuals with those of the Partnership and its Affiliates by providing them with equity-based awards based on the common units of limited partner interest in the Partnership (the " Common Units ").

2. Definitions

The following capitalized terms used in the Plan have the respective meanings set forth in this Section:

(a) Act : The Securities Exchange Act of 1934, as amended, or any successor thereto.

(b) Administrator : The Board, or the committee or subcommittee thereof to whom authority to administer the Plan has been delegated pursuant to Section 4 hereof.

(c) Affiliate : With respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with the Person in question. As used herein, the term " Control " means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

(d) Award : Individually or collectively, any Option, Unit Appreciation Right, or Other Unit-Based Awards based on or relating to the Common Units issuable under the Plan.

(e) Beneficial Owner : A "beneficial owner", as such term is defined in Rule 13d-3 under the Act (or any successor rule thereto).

(f) Board : The board of directors of the General Partner.

(g) Change in Control : Except as otherwise set forth in any applicable Award agreement, the occurrence of any Person, other than a Person approved by the General Partner, becoming the general partner of the Partnership.

(h) Code : The Internal Revenue Code of 1986, as amended, or any successor thereto.

(i) Common Units : The common units representing limited partner interests of the Partnership.

(j) Disability : The term "Disability" shall have the meaning as provided under Section 409A(a)(2)(C)(i) of the Code. Notwithstanding the foregoing or any other provision of this Plan, the definition of Disability (or any analogous term) in an Award agreement shall supersede the foregoing definition; provided, however, that if no definition of Disability or any analogous term is set forth in such agreement, the foregoing definition shall apply.

(k) Effective Date: The date on which the Board adopts the Plan, or such later date as is designated by the Board.

(l) Employment: The term "Employment" as used herein shall be deemed to refer to (i) a Participant's employment if the Participant is an employee of the Partnership or any of its Affiliates, (ii) a Participant's services as a consultant or partner, if the Participant is consultant to, or partner of, the Partnership or of any of its Affiliates, and (iii) a Participant's services as an non-employee director, if the Participant is a non-employee member of the Board.

(m) Fair Market Value: Of a Unit on any given date means (i) the closing sale price per Unit on the New York Stock Exchange on that date (or, if no closing sale price is reported, the last reported sale price), (ii) if the Units are not listed for trading on the New York Stock Exchange, the closing sale price (or, if no closing sale price is reported, the last reported sale price) as reported on that date in composite transactions for the principal national securities exchange registered pursuant to Section 6(g) of the Act on which the Units are listed, (iii) if the Units are not so listed on a national securities exchange, the last quoted bid price for the Units on that date in the over-the-counter market as reported by Pink Sheets LLC or a similar organization, or (iv) if the Units are not so quoted by Pink Sheets LLC or a similar organization, the average of the mid-point of the last bid and ask prices for the Units on that date from a nationally recognized independent investment banking firm selected by the General Partner for this purpose.

(n) General Partner: KKR Management LLC

(o) KPE Transaction: The transactions contemplated in the purchase and sale agreement between Colt, KKR Private Equity Investors, L.P. and the other parties thereto, dated July 27, 2008.

(p) Option: An option to purchase Units granted pursuant to Section 6 of the Plan.

(q) Option Price: The purchase price per Unit of an Option, as determined pursuant to Section 6(a) of the Plan.

(r) Other Unit-Based Awards: Awards granted pursuant to Section 8 of the Plan.

(s) Partnership: KKR & Co. L.P., a Delaware limited partnership.

(t) Participant: A senior managing director, other employee, consultant, director or other service provider of the Partnership or of any of its Affiliates, including any director of the General Partner, who is selected by the Administrator to participate in the Plan.

(u) Person: A "person", as such term is used for purposes of Section 13(d) or 14(d) of the Act (or any successor section thereto).

(v) Plan: KKR & Co. L.P. 2008 Equity Incentive Plan.

(w) Units: Common Units which are issued or may be issued under the Plan.

(x) Unit Appreciation Right : A unit appreciation right granted pursuant to Section 7 of the Plan.

3. Units Subject to the Plan

Subject to Section 9 hereof, the total number of Units which may be issued under the Plan shall be [2% of the Common Units outstanding on a fully converted and diluted basis] (the "Initial Plan Amount"), of which all or any portion may be issued as Common Units. Notwithstanding the foregoing, beginning in 2009, the aggregate number of Common Units covered by the Plan will be increased on the first day of each fiscal year during its term to an amount equal to the Initial Plan Amount multiplied by a fraction, the numerator of which is the total number of Common Units outstanding on the last day of the immediately preceding fiscal year and the denominator of which is the number of Common Units outstanding at the closing of the KPE Transaction, unless the Administrator should decide to increase the number of Common Units covered by the Plan by a lesser amount on any such date. The issuance of Units or the payment of cash upon the exercise of an Award or in consideration of the cancellation or termination of an Award shall reduce the total number of Units available under the Plan, as applicable. Units which are subject to Awards which are cancelled, terminate or otherwise expire by their terms without the payment of consideration, and Units which are used to pay the exercise price of any Award, may be granted again subject to Awards under the Plan.

For purposes of this Section 3, a Common Unit will be considered to be "covered by" the Plan if (i) if it is available for issuance pursuant to the Plan but is not subject to an outstanding award or (ii) it is subject to an outstanding Award. For purposes of this Section 3, (A) an Option or Unit Appreciation Right that has been granted under the Plan will be considered to be an "outstanding" Award until is it exercised or otherwise terminates or expires by its terms, (B) a Common Unit that has been granted as an Award under the Plan that is subject to vesting conditions will be considered an "outstanding" Award until the vesting conditions have been satisfied or the Award otherwise terminates or expires unvested by its terms and (C) any Award other than an Option, Unit Appreciation Right or Common Unit that is subject to vesting conditions will be considered to be an "outstanding" award until it has been settled.

4. Administration

(a) Administration and Delegation . The Plan shall be administered by the Administrator. The Administrator may delegate the authority to grant Awards under the Plan to any employee or group of employees of the Partnership or of any Affiliate of the Partnership; provided that such delegation and grants are consistent with applicable law and guidelines established by the Board from time to time.

(b) Substitution of Prior Awards . Awards may, in the discretion of the Administrator, be made under the Plan in assumption of, or in substitution for, outstanding awards previously granted by the Partnership, any Affiliate of the Partnership or any entity acquired by the Partnership or with which the Partnership combines. The number of Units underlying such substitute awards shall be counted against the aggregate number of Units available for Awards under the Plan.

(c) Interpretation; Final and Binding Decisions . The Administrator is authorized to interpret the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, and to make any other determinations that it deems necessary or desirable for the administration of the Plan. The Administrator may correct any defect or supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent the Administrator deems necessary or desirable. Any decision of the Administrator in the interpretation and administration of the Plan, as described herein, shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned (including, but not limited to, Participants and their beneficiaries or successors).

(d) Establishment of Award Terms. The Administrator shall have the full power and authority to establish the terms and conditions of any Award consistent with the provisions of the Plan and to waive any such terms and conditions at any time (including, without limitation, accelerating or waiving any vesting conditions).

(e) Payment of Taxes Due. The Administrator shall require payment of any amount it may determine to be necessary to withhold for federal, state, local or other taxes as a result of the exercise, grant or vesting of an Award. The Administrator shall establish the manner in which any such amounts may be paid by the Participant.

5. Limitations

No Award may be granted under the Plan after the tenth anniversary of the Effective Date, but Awards theretofore granted may extend beyond that date.

6. Terms and Conditions of Options

Options granted under the Plan shall be non-qualified options for federal income tax purposes, and shall be subject to the foregoing and the following terms and conditions and to such other terms and conditions, not inconsistent therewith, as the Administrator shall determine:

(a) Option Price. The Option Price per Unit shall be determined by the Administrator, provided that, solely for the purposes of an Option granted under the Plan to a Participant who is a U.S. taxpayer, in no event will the Option Price be less than 100% of the Fair Market Value on the date an Option is granted.

(b) Exercisability. Options granted under the Plan shall be exercisable at such time and upon such terms and conditions as may be determined by the Administrator, but in no event shall an Option be exercisable more than ten years after the date it is granted.

(c) Exercise of Options.

(i) Except as otherwise provided in the Plan or in an Award agreement, an Option may be exercised for all, or from time to time any part, of the Units for which it is then exercisable. For purposes of Section 6 of the Plan, the exercise date of an Option shall be the later of the date a notice of exercise is received by the Partnership and, if applicable, the date payment is received by the Partnership pursuant to clauses (A), (B), (C) or (D) in the following sentence.

(ii) The Option Price for the Units as to which an Option is exercised shall be paid to the Partnership, and in the manner designated by the Administrator, pursuant to one or more of the following methods: (A) in cash or its equivalent (e.g., by personal check); (B) in Units having a Fair Market Value equal to the aggregate Option Price for the Units being purchased and satisfying such other requirements as may be imposed by the Administrator; provided that such Units have been held by the Participant for no less than six months (or such other period as established from time to time by the Administrator in order to avoid adverse accounting treatment applying generally accepted accounting principles); (C) partly in cash and partly in such Units; (D) if there is a public market for the Units at such time, through the delivery of irrevocable instructions to a broker to sell Units obtained upon the exercise of the Option and to deliver promptly to the Partnership an amount out of the proceeds of such Sale equal to the aggregate Option Price for the Units being purchased, or (E) to the extent permitted by the Administrator, through net settlement in Units.

(iii) No Participant shall have any rights to distributions or other rights of a holder with respect to Units subject to an Option until the Participant has given written notice of exercise of the Option, paid in full for such Units and, if applicable, has satisfied any other conditions imposed by the Administrator pursuant to the Plan.

(d) Attestation . Wherever in this Plan or any agreement evidencing an Award a Participant is permitted to pay the Option Price of an Option or taxes relating to the exercise of an Option by delivering Units, the Participant may, subject to procedures satisfactory to the Administrator, satisfy such delivery requirement by presenting proof of beneficial ownership of such Units, in which case the Partnership shall treat the Option as exercised without further payment and/or shall withhold such number of Units from the Units acquired by the exercise of the Option, as appropriate.

7. Terms and Conditions of Unit Appreciation Rights

(a) Grants . The Administrator may grant (i) a Unit Appreciation Right independent of an Option or (ii) a Unit Appreciation Right in connection with an Option, or a portion thereof. A Unit Appreciation Right granted pursuant to clause (ii) of the preceding sentence (A) may be granted at the time the related Option is granted or at any time prior to the exercise or cancellation of the related Option, (B) shall cover the same number of Units covered by an Option (or such lesser number of Units as the Administrator may determine) and (C) shall be subject to the same terms and conditions as such Option except for such additional limitations as are contemplated by this Section 7 (or such additional limitations as may be included in an Award agreement).

(b) Terms . The exercise price per Unit of a Unit Appreciation Right shall be an amount determined by the Administrator; provided , however , that in the case of a Unit Appreciation Right granted in conjunction with an Option, or a portion thereof, the exercise price may not be less than the Option Price of the related Option; provided further that, solely for the purposes of a Unit Appreciation Right granted under the Plan to a Participant who is a U.S. taxpayer, in the case of a Unit Appreciation Right that was not granted in conjunction with an Option, the exercise price per Unit shall not be less than 100% of the Fair Market Value on the date the Unit Appreciation Right is granted. Each Unit Appreciation Right granted independent of an Option shall entitle a Participant upon exercise to an amount equal to (i) the excess of (A) the Fair Market Value on the exercise date of one Unit over (B) the exercise price per Unit, times (ii) the number of Units covered by the Unit Appreciation Right. Each Unit Appreciation Right granted in conjunction with an Option, or a portion thereof, shall entitle a Participant to surrender to the Partnership the unexercised Option, or any portion thereof, and to receive from the Partnership in exchange therefore an amount equal to (i) the excess of (A) the Fair Market Value on the exercise date of one Unit over (B) the Option Price per Unit, times (ii) the number of Units covered by the Option, or portion thereof, which is surrendered. Payment shall be made in Units or in cash, or partly in Units and partly in cash (any such Units valued at such Fair Market Value), all as shall be determined by the Administrator. Unit Appreciation Rights may be exercised from time to time upon actual receipt by the Partnership of written notice of exercise stating the number of Units with respect to which the Unit Appreciation Right is being exercised. The date a notice of exercise is received by the Partnership shall be the exercise date. The Administrator, in its sole discretion, may determine that no fractional Units will be issued in payment for Unit Appreciation Rights, but instead cash will be paid for a fraction or the number of Units will be rounded downward to the next whole Unit.

(c) Limitations . The Administrator may impose, in its discretion, such conditions upon the exercisability of Unit Appreciation Rights as it may deem fit, but in no event shall a Unit Appreciation Right be exercisable more than ten years after the date it is granted.

8. Other Unit-Based Awards

The Administrator, in its sole discretion, may grant or sell Awards of Units, restricted Units , restricted Common Units, deferred restricted Common Units, phantom restricted Common Units or other Unit-Based awards based in whole or in part on the Fair Market Value of the Common Units ("Other Unit-Based Awards"). Such Other Unit-Based Awards shall be in such form, and dependent on such conditions, as the Administrator shall determine, including, without limitation, the right to receive, or vest with respect to, one or more Units (or the equivalent cash value of such Units) upon the completion of a specified period of service, the occurrence of an event and/or the attainment of performance objectives. Other Unit-Based Awards may be granted alone or in addition to any other Awards granted under the Plan. Subject to the provisions of the Plan, the Administrator shall determine to whom and when Other Unit-Based Awards will be made, the number of Units to be awarded under (or otherwise related to) such Other Unit-Based Awards; whether such Other Unit-Based Awards shall be settled in cash, Units or a combination of cash and Units; and all other terms and conditions of such Awards (including, without limitation, the vesting provisions thereof and provisions ensuring that all Units so awarded and issued shall be fully paid and non-assessable).

9. Adjustments Upon Certain Events

Notwithstanding any other provisions in the Plan to the contrary, the following provisions shall apply to all Awards granted under the Plan:

(a) Equity Restructurings . In the event of any change in the outstanding Units after the Effective Date by reason of any extraordinary Unit distribution or split, recapitalization, rights offering, split-up or spin-off or any other event that constitutes an "equity restructuring" within the meaning of Statement of Financial Accounting Standards No. 123R with respect to Units, the Administrator shall, in the manner determined appropriate or desirable by the Administrator and without liability to any person, adjust any or all of (i) the number of Units or other securities of the Partnership (or number and kind of other securities or property) with respect to which Awards may be granted under the Plan, and (ii) the terms of outstanding Awards, including (A) the number of Units or other securities of the Partnership (or number and kind of other securities or property) subject to outstanding Awards or to which outstanding Awards relate and (B) the Option Price or exercise price of any Option or Unit Appreciation Right.

(b) Mergers, Reorganizations and Other Corporate Transactions . In the event of any change in the outstanding Units after the Effective Date by reason of any reorganization, merger, consolidation, combination, repurchase or exchange of Units or other securities of the Partnership, issuance of warrants or other rights to purchase Units or other securities of the Partnership, or other similar corporate transaction or event that affects the Units such that an adjustment is determined by the Administrator in its discretion to be appropriate or desirable, the Administrator in its sole discretion and without liability to any person may make such substitution or adjustment, if any, as it deems to be equitable as to (i) the number of Units or other securities of the Partnership (or number and kind of other securities or property) with respect to which Awards may be granted under the Plan, and (ii) the terms of any outstanding Award, including (A) the number of Units or other securities of the Partnership (or number and kind of other securities or property) subject to outstanding Awards or to which outstanding Awards relate and (B) the Option Price or exercise price of any Option or Unit Appreciation Right.

(c) Change in Control . In the event of a Change in Control after the Effective Date, (i) if determined by the Administrator in the applicable Award agreement or otherwise, any outstanding Awards then held by Participants which are unexercisable or otherwise unvested or subject to lapse restrictions shall automatically be deemed exercisable or otherwise vested or no longer subject to lapse restrictions, as the case may be, as of immediately prior to such Change of Control and (ii) the Administrator may (subject to Section 17), but shall not be obligated to, (A) accelerate, vest or cause the restrictions to lapse with respect to all or any portion of an Award, (B) cancel such Awards for fair value (as determined in the sole discretion of the Administrator) which, in the case of Options and Unit Appreciation Rights, may equal the excess, if any, of value of the consideration to be paid in the Change in Control transaction to holders of the same number of Units subject to such Options or Unit Appreciation Rights (or, if no consideration is paid in any such transaction, the Fair Market Value of the Units subject to such Options or Unit Appreciation Rights) over the aggregate exercise price of such Options or Unit Appreciation Rights, (C) provide for the issuance of substitute Awards that will substantially preserve the otherwise applicable terms of any affected Awards previously granted hereunder as determined by the Administrator in its sole discretion or (D) provide that for a period of at least 15 days prior to the Change in Control, such Options shall be exercisable as to all shares subject thereto and that upon the occurrence of the Change in Control, such Options shall terminate and be of no further force and effect.

10. No Right to Employment or Awards

The granting of an Award under the Plan shall impose no obligation on the Partnership or any Affiliate to continue the Employment of a Participant and shall not lessen or affect the Partnership's or Affiliate's right to terminate the Employment of such Participant. No Participant or other Person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Participants, or holders or beneficiaries of Awards. The terms and conditions of Awards and the Administrator's determinations and interpretations with respect thereto need not be the same with respect to each Participant (whether or not such Participants are similarly situated).

11. Successors and Assigns

The Plan shall be binding on all successors and assigns of the Partnership and a Participant, including without limitation, the estate of such Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

12. Nontransferability of Awards

Unless otherwise determined or approved by the Administrator, an Award shall not be transferable or assignable by the Participant otherwise than by will or by the laws of descent and distribution. An Award exercisable after the death of a Participant may be exercised by the legatees, personal representatives or distributees of the Participant.

13. Amendments or Termination

(a) The Board may amend, alter or discontinue the Plan, but no amendment, alteration or discontinuation shall be made, without the consent of a Participant, if such action would diminish any of the rights of the Participant under any Award theretofore granted to such Participant under the Plan; provided, however, that the Administrator may (a) amend the Plan in such manner as it deems necessary to permit the granting of Awards meeting the requirements of the Code or other applicable laws (including, without limitation, to avoid adverse tax consequences to the Partnership or to Participants), and (b) amend any outstanding Awards in a manner that is not adverse (other than in a *de minimis* manner) to a Participant, except as otherwise may be permitted pursuant to Section 9 hereof or as is otherwise contemplated pursuant to the terms of the Award, without the Participant's consent.

(b) Notwithstanding any provision of the Plan to the contrary, in the event that the Administrator determines that any amounts payable hereunder will be taxable to a Participant under Section 409A of the Code and related Department of Treasury guidance prior to payment to such Participant of such amount, the Partnership may (a) adopt such amendments to the Plan and Awards and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Administrator determines necessary or appropriate to preserve the intended tax treatment of the benefits provided by the Plan and Awards hereunder and/or (b) take such other actions as the Administrator determines necessary or appropriate to avoid the imposition of an additional tax under Section 409A of the Code.

14. International Participants

With respect to Participants who reside or work outside the United States of America, the Administrator may, in its sole discretion, amend the terms of the Plan or Awards with respect to such Participants in order to conform such terms with the requirements of local law or to obtain more favorable tax or other treatment for a Participant, the Partnership or an Affiliate.

15. Choice of Law

The Plan shall be governed by and construed in accordance with the law of the State of New York.

16. Other Laws; Restrictions on Transfer of Units

The Administrator may refuse to issue or transfer any Units or other consideration under an Award if, acting in its sole discretion, it determines that the issuance or transfer of such Units or such other consideration might violate any applicable law or regulation or entitle the

Partnership to recover the same under Section 16(b) of the Act, as amended, and any payment tendered to the Partnership by a Participant, other holder or beneficiary in connection with the exercise of such Award shall be promptly refunded to the relevant Participant, holder or beneficiary. Without limiting the generality of the foregoing, no Award granted hereunder shall be construed as an offer to sell securities of the Partnership, and no such offer shall be outstanding, unless and until the Administrator in its sole discretion has determined that any such offer, if made, would be in compliance with all applicable requirements of the United States federal and any other applicable securities laws.

17. Effectiveness of the Plan

The Plan shall be effective as of the Effective Date.

18. Section 409A

To the extent applicable, this Plan and Awards issued hereunder shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretative guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date. Notwithstanding other provisions of the Plan or any Award agreements thereunder, no Award shall be granted, deferred, accelerated, extended, paid out or modified under this Plan in a manner that would result in the imposition of an additional tax under Section 409A of the Code upon a Participant. In the event that it is reasonably determined by the Administrator that, as a result of Section 409A of the Code, payments in respect of any Award under the Plan may not be made at the time contemplated by the terms of the Plan or the relevant Award agreement, as the case may be, without causing the Participant holding such Award to be subject to taxation under Section 409A of the Code, the Partnership may take whatever actions the Administrator determines necessary or appropriate to comply with, or exempt the Plan and Award agreement from the requirements of Section 409A of the Code and related Department of Treasury guidance and other interpretive materials as may be issued after the Effective Date, which action may include, but is not limited to, delaying payment to a Participant who is a "specified employee" within the meaning of Section 409A of the Code until the first day following the six-month period beginning on the date of the Participant's termination of Employment. The Partnership shall use commercially reasonable efforts to implement the provisions of this Section 18 in good faith; provided that neither the Partnership, the Administrator nor any employee, director or representative of the Partnership or of any of its Affiliates shall have any liability to Participants with respect to this Section 18.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Amendment No. 3 to the Registration Statement on Form S-1 / Form S-4 of:

Our report dated July 25, 2008 (August 11, 2008, as to Notes 11 and 13), which report expresses an unqualified opinion and an explanatory paragraph relating to investments without a readily determinable fair market value relating to the combined financial statements of the KKR Group as of December 31, 2007 and 2006 and for each of the three years in the period ended December 31, 2007, appearing in the Prospectus, which is part of this Registration Statement.

Our report dated August 11, 2008 relating to the statements of financial condition of KKR & Co. L.P. as of March 31, 2008 and December 31, 2007, appearing in the Prospectus, which is part of this Registration Statement.

Our report dated August 11, 2008 relating to the statements of financial condition of KKR Management LLC as of March 31, 2008 and December 31, 2007, appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to us under the heading "Experts" in such Prospectus.

/s/ DELOITTE & TOUCHE LLP

New York, New York
August 11, 2008