KKR & Co. L.P.
Form S-1/A
August 13, 2007

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As filed with the Securities and Exchange Commission on August 13, 2007.

Registration No. 333-144335

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1
to
FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

KKR & CO. L.P.

(Exact name of Registrant as specified in its charter)

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

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title Of Each Class Of Securities To Be Registered	**Proposed Maximum Aggregate Offering Price(1)(2)**	**Amount of Registration Fee**
Common Units Representing Limited Partner Interests	$1,250,000,000	$38,375(3)

(1) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(o) under the Securities Act.

(2) Includes units subject to the underwriters' option to purchase additional common units.

(3) Previously paid.

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, DATED AUGUST 13, 2007

PRELIMINARY PROSPECTUS

Common Units
Representing Limited Partner Interests

This is the initial public offering of our common units, which represent limited partner interests in our partnership. We are selling all of the common units in this offering. None of our existing owners is selling any common units or will otherwise receive any of the net proceeds from this offering.

Prior to this offering, there has been no public market for our common units. We expect the public offering price will be between $ and $ per common unit. We intend to list our common units on the New York Stock Exchange under the symbol "KKR."

Investing in our common units involves a high degree of risk. See "Risk Factors" beginning on page 30 of this prospectus. These risks include 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. Immediately following this offering, 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. 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.

	Per Common Unit	Total
Initial public offering price	**$**	**$**

Underwriting discount	**$**	**$**
Proceeds, before expenses, to us	**$**	**$**

To the extent that the underwriters sell more than common units, the underwriters have the option to purchase up to an additional common units from us at the initial public offering price less the underwriting discount.

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 underwriters expect to deliver the common units to purchasers on or about , 2007.

Morgan Stanley **Citi**

The date of this prospectus is , 2007.

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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. Neither we nor the underwriters have authorized anyone to provide you with additional or different information. We and the underwriters are offering to sell, and seeking offers to buy, our common units only in jurisdictions where offers and sales are permitted. 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. Unless the context suggests otherwise, references in this prospectus to "KKR," "we," "us," "our" and "our partnership" refer:

- prior to our reorganization into a holding company structure, 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 our reorganization into a holding company structure, 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 our reorganization and this offering. We will not acquire all of the interests in the KKR Group in connection with our reorganization 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 this offering. 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 our reorganization and this offering 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 "KFN" are to KKR Financial Holdings LLC, a publicly traded credit strategy fund whose limited liability company interests are listed on the New York Stock Exchange under the symbol "KFN."

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 KKR Private Equity Investors (our private equity-oriented permanent capital fund).

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

the fair value of the investments of our traditional private equity funds and our carry-paying 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 KKR Private Equity Investors and the KKR Strategic Capital Funds (our three private side-by-side credit opportunity funds);

the equity of KFN; and

the capital raised by structured finance vehicles that we manage.

Unless otherwise indicated, our assets under management as of March 31, 2007 have been adjusted to include unfunded capital commitments that have been made to the 2006 Fund and our newly-formed Asian Fund and capital raised by our structured finance vehicles since that date. You should bear in mind that our calculation of assets under management may differ from the calculations of other asset managers and, as a result, our measurements of our assets under management may not be comparable to similar measures presented by other asset managers. Our definition of assets under management is not based on any definition of assets under management 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 indicated otherwise, the information included in this prospectus assumes no exercise by the underwriters of the option to purchase up to an additional common units from us and that the common units to be sold in this offering will be sold at a price of $ per common unit, which is the midpoint of the price range indicated on the front cover of this prospectus.

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 before investing in our common units. You should read this entire prospectus carefully, including the section entitled "Risk Factors" and the historical financial statements and related notes included elsewhere herein, before you decide to invest in our common units.

Our Company

Founded in 1976, we are a leading global alternative asset manager. Our 399 employees, including our 139 investment professionals, are led by our founders, Henry Kravis and George Roberts, who are pioneers of the leveraged buyout industry. Our history of landmark achievements in private equity includes the first leveraged buyout in excess of $1 billion, several of the largest leveraged buyouts announced worldwide to date, the first buyout of a public company by tender offer and the largest leveraged buyouts completed or announced in each of the United States, the Netherlands, Denmark, India, Australia, Singapore and France. We have continued our history of innovation by establishing new debt and public equity strategies that leverage the power of our brand and the intellectual capital in our private equity business.

Today, through our offices in New York, Menlo Park, San Francisco, London, Paris, Hong Kong and Tokyo, we sponsor and manage funds that make investments worldwide in private equity and debt transactions on behalf of third-party investors and our firm. We also manage substantial investments in public equity. During our 31-year history, we have raised 16 funds and received approximately $59.7 billion of capital and capital commitments from investors. We have grown our assets under management significantly, from approximately $18.3 billion as of December 31, 2002 to approximately $53.4 billion as of March 31, 2007, representing a compounded annual growth rate of 28.7%. Of our total assets under management, approximately $6.8 billion is "permanent capital," which is not required to be returned to investors and is able to be re-deployed as investments are realized.

As a global alternative asset manager, we earn ongoing management fees for providing management and other services to our funds as well as transaction, monitoring, incentive and other potential fees in connection with our private equity and other investments. We also earn investment income from investing our own capital alongside fund investors and from our carried interest in fund investments, which provides us with a disproportionate share of the investment gains generated on third-party capital invested by our private equity funds. We are also selectively pursuing opportunities to develop new investment structures and products that we believe will help us increase the amount of managed capital that we are able to commit to individual transactions, grow our assets under management and capture additional income streams.

In connection with this offering, we will complete a series of transactions pursuant to which our business will be reorganized into a holding company structure. Following our reorganization and this offering, we will have a right to the management, transaction, monitoring and other fees from our existing and future private equity funds and their portfolio companies. In addition, we will have the right to carried interest earned by the general partners of our existing and future private equity funds (other than the 1996 Fund and earlier funds) as well as any returns generated on capital contributions made by the general partners of these funds after the completion of this offering. We will also have a right to the management, incentive and other potential fees for managing our existing and future credit strategy funds as well as incentive fees from these funds. Although our principals have invested their own personal capital in our credit strategy funds, we have not made any direct capital contributions to those funds as a general partner or fund manager.

Our Investment Approach

We approach our business and our investments as industrialists. We seek to invest in high quality companies that have strong business franchises, attractive growth prospects, leading market positions and the ability to generate superior returns. When we make investments, we partner with highly motivated management teams to design and implement strategic and operational changes that create value in the businesses we acquire and we align our interests with other stakeholders by putting our own capital at risk. We believe that our leading position in the alternative asset management industry is due to the strategies we have created for sourcing investments and creating value for stakeholders.

Sourcing Advantage

We source new investments through our internal deal generation strategies and business relationships with leaders in the business and financial communities. We believe that we have a number of advantages for sourcing investments that differentiate our firm. These advantages include:

- ***Industry Team Focus.*** Our investment professionals are organized into global industry teams. Each team conducts its own primary research and is responsible for developing a list of industry themes and trends, identifying companies that will benefit from those themes and trends, determining which companies would make an attractive investment and building relationships with industry leaders and management teams. Through the work of our industry teams, we have developed a detailed understanding of the economic drivers, inherent risks and opportunities for value creation across the industries in which we invest.

- ***Direct Contacts with Business Leaders.*** We have consistently focused on making investments in large companies. Over our 31-year history, we have focused on cultivating direct relationships with key decision-makers at major companies throughout the world, which often provides us with direct investment opportunities. We believe that we currently have direct relationships with the chief executive officers or members of the boards of directors of two-thirds of the companies in the S&P 500 and the S&P Global 100.

- ***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. We believe our repeated and consistent dealings with major financial services firms over a long period of time, and our completion of a significant number of large transactions, have led to our being one of the first parties considered for potential investments.

By combining our industry team efforts with our established network of relationships, we believe we have a differentiated capability to source investments in large global companies.

Value Creation

We have developed an institutionalized process for creating value in the companies in which we invest by focusing on the operational and strategic aspects of their businesses. We are a patient investor and we have consistently approached the management of our investments with the goal of creating value over the long-term rather than realizing short-term gains through rapid dispositions. Our value creation process begins before we commit to make an investment and continues until the investment is fully realized. Important components of this process include:

- ***Operationally Focused Investment Professionals.*** Our investment professionals focus on the operations of our portfolio companies and the ways in which we can improve their businesses. Given our operational focus, our recruiting efforts have emphasized hiring executives with significant operating experience, including former chief executive officers, chief financial officers and managers of companies operating in a wide range of industry sectors.

- ***Capstone Consultants.*** Our value-creation efforts are supported by Capstone Consulting, a team of approximately 25 operational consultants who work exclusively with our investment professionals and portfolio companies. Capstone works to address issues relating to top-line growth, cost optimization, efficient capital allocation and other challenges and opportunities that arise during the life of an investment.

Senior Advisors. To complement the expertise of our investment professionals and operational consultants, we have retained a team of 19 senior advisors who have held leading positions in major corporations and public agencies worldwide. Our senior advisors provide us with additional operational and strategic insights, serve on the boards of our portfolio companies, help us evaluate individual investment opportunities and assist our portfolio companies with operational matters.

Disciplined Value Creation Process. Before we invest in a company, our investment professionals identify the measures we will take to create new value for stakeholders. Because we believe that value creation must begin from the first day of an investment, our investment professionals and Capstone prepare "100-Day Plans" for investments that detail specific changes our portfolio company managers, investment professionals and operational consultants will implement during the first 100 days following our investment to drive value creation. We closely monitor our investments during and after the first 100 days with the goal of measuring progress, identifying additional opportunities for value creation and addressing any issues or challenges that may arise.

Private Equity

We are a world leader in private equity, having sponsored and managed 14 private equity funds that have received more than $56.9 billion of capital and capital commitments during our 31-year history. Our private equity funds focus on investing in large capitalization companies. We believe this focus 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, infrastructure, skill set, global network and industry and operating expertise, which we believe sets us apart from others.

As of March 31, 2007, our private equity funds had investments in 40 companies with more than $100 billion of annual revenues and more than 560,000 employees worldwide. Those portfolio companies were based in more than 10 countries and operated in 11 industry sectors. The following charts present information concerning the amount of capital invested by our private equity funds by geography and industry from January 1, 1996 through March 31, 2007.

Dollars Invested by Geography Since 1996 **Dollars Invested by Industry Since 1996**

When we make private equity investments, we adhere to a disciplined investment approach that seeks to generate large multiples of invested capital and attractive gross internal rates of return, or IRRs, by focusing on fundamentals and implementing operational and strategic changes that allow us to create and realize long-term value in our portfolio companies. We place significant emphasis on selecting high-quality investments that may be made at attractive prices, working with management to design and implement changes that drive value creation, and making informed decisions when developing investment exit strategies.

The following charts present information concerning the amount of capital invested and the amounts of realized and unrealized returns generated by our traditional private equity funds from our inception through March 31, 2007. Our traditional private equity funds consist of our private equity funds other than our private equity-oriented permanent capital fund.

Amount Invested and Total Value

Realized and Unrealized Value

From our inception through March 31, 2007, our first ten traditional private equity funds (representing all of our private equity funds that have invested for at least 30 months) achieved a multiple of invested capital of 2.7x and a cumulative gross IRR of 26.3%, compared to the 13.6% gross IRR achieved by the S&P 500 Index over the same period. The table below presents information as of March 31, 2007 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 has been adjusted to give effect to subsequent commitments to the 2006 Fund and the Asian Fund, but does not otherwise reflect acquisitions or disposals of investments, changes in investment values or distributions occurring after March 31, 2007.

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 in the table below were calculated.

	Amount		**Fair Value of Investments**					
Private Equity Fund(1)	**Committed**	**Invested**	**Realized**	**Unrealized**	**Total**	**Gross IRR**	**Net IRR**	**Multiple of Invested Capital**
				($ in millions)				
Historical Excluded Funds(2):								
1976 Fund	$ 31	$ 31	$ 537	$	$ 537	39.5%	35.4%	17.1x
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	34.6	28.9	6.0
1986 Fund	672	672	9,081		9,081	34.4	28.9	13.5
1987 Fund	6,130	6,130	14,746	252	14,997	12.2	9.0	2.5
1993 Fund	1,946	1,946	4,124	33	4,157	23.6	16.8	2.1
1996 Fund	6,012	6,012	10,183	2,039	12,222	18.5	13.8	2.0
Included Funds:								
European Fund (1999)(3)	3,085	3,085	3,942	3,694	7,636	30.9	23.3	2.5
Millennium Fund (2002)	6,000	5,881	4,264	6,991	11,255	53.6	40.6	1.9
European Fund II (2005)(4)	5,650	3,857		4,218	4,218	*	*	*
2006 Fund	16,625	1,236		1,236	1,236	*	*	*
Asian Fund (2007)	4,000					*	*	*
Total Funds(5)	$ 51,836	$ 30,535	$ 55,958	$ 18,463	$ 74,421	26.3%	20.2%	2.7x
Total Funds in Accounting Predecessor(2)	$ 41,372	$ 20,071	$ 18,389	$ 18,178	$ 36,567	23.9%	18.3%	1.8x

Amount	Fair Value of Investments

Total Included Funds	$ 35,360	$ 14,059	$ 8,206	$ 16,139	$ 24,345	36.5%	27.5%	1.7x

(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 1996 Fund and prior funds in connection with our reorganization and this offering, because the general partners of those funds 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 our reorganization and this offering or any returns generated on those contributions. See "Organizational Structure" and "Unaudited Pro Forma Financial Information."

(2) The last investment for each of the 1976 Fund, the 1980 Fund, the 1982 Fund, the 1984 Fund and the 1986 Fund was liquidated on May 14, 2003, July 11, 2003, August 15, 1988, 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 funds will be liquidated.

(3) 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 exchange rate prevailing on the dates on which capital was called.

(4) The European Fund II's capital commitments include euro-denominated commitments of €2,597,160,000. We have converted these amounts into U.S. dollars based on the exchange rate prevailing on (i) the dates on which capital was called in the case of funded commitments and (ii) March 31, 2007 in the case of unfunded commitments.

(5) The gross IRRs, net IRRs, and multiples 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 30 months.

Additionally, because our private equity approach has produced significant distributions for our fund investors, we believe that it has 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 made by our traditional private equity funds during the periods indicated.

	Year Ended December 31,						
Year	**2002**	**2003**	**2004**	**2005**	**2006**	**2007 (through March 31)**	**Total**
				($ in millions)			
Distributions to Investors	$ 897	$ 3,016	$ 7,035	$ 3,569	$ 5,251	$ 780	$ 20,548

Since March 31, 2007, we have completed an additional eight acquisitions with an aggregate transaction value of $56.9 billion. We also have entered into agreements relating to three pending acquisitions that have an aggregate transaction value of $83.5 billion and which are expected to close during the second half of 2007. We anticipate that our total equity investment will be approximately $5.25 billion for those pending acquisitions. We have received contractual commitments from financial institutions to provide the requisite debt financing for these transactions. However, whether and when those acquisitions will be consummated depends on a number of other factors, such as shareholder or regulatory approvals, some or all of which may be outside of our control.

KKR Private Equity Investors, which is not reflected in the foregoing tables, is an entity listed on Euronext Amsterdam focused primarily on making private equity investments through and alongside our private equity funds but with the flexibility to make other types of opportunistic investments, including credit and public equity investments. Unlike our other private equity funds, the fund has a perpetual investment period and is considered by us to be a permanent capital vehicle, in that fund investors generally are not entitled to have their capital returned. As of March 31, 2007, KKR Private Equity Investors had a net asset value of $5.2 billion, which includes amounts invested in our traditional private equity funds. KKR Private Equity Investors consists of an upper-tier limited partnership, which we refer to as the feeder fund, that makes all of its investments through a lower-tier limited partnership, which we refer to as the master fund, of which it is the sole limited partner. Following our reorganization and this offering, we will have an economic interest in the general partner of the KKR Private Equity Investors master fund, which will entitle us to the carry received with respect to the fund's direct investments.

Credit

We believe the intellectual capital of our people, our integrated global investment platform and our ability to effectively adapt our investment strategies to market conditions allow us to capitalize on investment opportunities at every level of a company's capital structure. Commencing in 2004, we began to actively pursue debt investments as a separate asset class and we now sponsor and manage a group of private and publicly traded investment funds that invest primarily in corporate debt investments and manage structured finance vehicles. These funds, which we refer to as credit strategy funds, currently consist of KFN, a New York Stock Exchange-listed debt vehicle, and the KKR Strategic Capital Funds, comprised of three private credit strategy funds that operate together, or side-by-side.

As of March 31, 2007, our credit strategy funds had approximately $8.2 billion of corporate debt investments, $11.9 billion of residential mortgage investments, and $297.3 million of equity investments. We earn a management fee for managing our credit strategy funds based on the amount of capital under management in each fund. As of March 31, 2007, our credit strategy funds had $2.8 billion of capital, of which $1.6 billion related to KFN and consisted of permanent capital, and our credit strategy funds currently manage $6.5 billion in structured finance vehicles. 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.

The table below presents information relating to the historical performance of our credit strategy funds as of March 31, 2007. We encourage you to review the cautionary note below for a description of reasons why the future results of our credit strategy funds may differ from the historical results of our credit strategy funds.

						Annualized Benchmark Return	
	Inception	Assets Under Management	Annualized Gross IRR	Annualized Net IRR(1)	Total Investments(2)	Lehman Aggregate Bond Index	Merrill Lynch High Yield Index
				($ in millions)			
KFN(3)	2004	$ 1,610.4	19.5%	17.1%	$ 5,692.7	3.7%	9.1%
KKR Strategic Capital Funds	2006	1,141.0	41.3	34.8	2,809.5	5.6	14.7
Total		$ 2,751.4			$ 8,502.2		

(1) The annualized Net IRR represents the return on invested equity after giving effect to payments of management fees, incentive fees and carried interest, as applicable, assumes reinvestment of all distributions and excludes non-investment expenses. Returns for the KKR Strategic Capital Funds, which were organized in October 2006, have been annualized based on actual returns from inception through March 31, 2007 of 15.8%, which compares to actual returns for the Lehman Aggregate Bond Index and the Merrill Lynch High Yield Index of 2.8% and 7.0%, respectively, for the same period.

(2) Total investments include investments held directly and synthetically through total rate of return swaps and credit default swaps and also includes both funds' pro rata interest in the holdings of an unconsolidated affiliate.

(3) Excludes investments by KFN in residential mortgage-backed securities, which totaled $11.9 billion as of March 31, 2007. In connection with its May 2007 restructuring, KFN has announced that it is evaluating various alternatives to reduce these types of investments.

New Business Initiatives

Our principal growth strategy throughout our firm's 31-year history has been to expand our existing private equity businesses and to enter attractive new businesses. While most of our recent growth has come from our private equity and debt activities, we believe significant growth opportunities exist for developing new business areas.

Public Equity

Although our funds have historically focused on private equity and debt investments, we have managed investments in public equity throughout our history. Initially, our public equity investments consisted of minority and structured investments in public companies that were made by our private equity funds. More recently, our private equity-oriented permanent capital fund and our two credit strategy funds have provided us with more investment flexibility than traditional private equity funds and an additional capital base for making equity investments in public companies. Using this capital base, we have been able to build a portfolio of public equity and equity-linked securities that had a market value of $1.3 billion as of March 31, 2007.

Our public equity strategies generally seek to leverage the intellectual capital developed in the course of our traditional private equity business, which may otherwise not be utilized if a private equity transaction is not consummated, to make public equity investments. We generally invest in companies whose market prices we believe significantly understate the quality of their assets. We believe that significant opportunities exist for us to expand our public equity activities and take advantage of the increasing number of suitable public equity investments that we identify. To achieve these results, we recently hired additional investment personnel who have specialized experience in the public equity markets.

Capital Markets Activities

Capital markets activities represent an opportunity to efficiently increase our available investment capital, capture certain financing fees otherwise paid to third parties and earn incremental margins on committed capital. We are currently building this business in the United States, Europe and Asia with the objective of increasing the amount of third-party capital that we are able to commit to individual transactions, thereby growing our third-party assets under management and capturing additional income streams. We have hired experienced professionals with long-standing investor relationships to help us build this business. We expect that our capital markets activities initially will focus on syndicating to a broader base of investors a portion of the equity that we commit to provide in our larger private equity transactions, which we believe will help us reduce the need to partner with large consortiums of private equity firms on large leveraged buyouts, retain greater operational control over our portfolio companies and capture a greater portion of the economics that are generated by our private equity investments. Over time, we may expand our capital markets activities in a manner that similarly complements our other business activities. We have not yet commenced our capital markets activities, but expect to do so shortly after we receive all appropriate regulatory approvals and licenses.

Our Values

When our founders started KKR 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 our culture and values. As we continue to grow, our future performance will depend on both our ability to protect and remain true to our culture and our willingness to hire new people with different work experiences. We believe that adhering to the following values is critical to extending our record of success:

Honesty. We believe that integrity is the value upon which all other values are built. We are honest with one another and everyone with whom we work outside of our firm. We invest in companies and work with people with whom we are proud to associate ourselves.

Respect. We believe a collegial culture fostering a positive working environment benefits our firm as a whole. A guiding principle of our firm is to treat others as we would like to be treated. We believe in the importance of being fair, courteous and respectful to all.

Teamwork. We operate as a single worldwide team, working together to create the best outcome for our firm, our investors, the managers with whom we partner and other stakeholders. We seek solutions that benefit the businesses in which we invest, the people they employ and the constituencies they serve. We maintain a "flat" organizational structure in which our people help one another irrespective of where an issue or opportunity resides within our firm or our offices.

Excellence and Innovation. We strive to be the best at what we do. We believe that creativity is a competitive advantage and endeavor to put innovative ideas to work to solve problems. We are not afraid to assume prudent risks.

Accountability. We believe in the importance of firm-wide accountability. If an investment does not perform, we do not point fingers or assign blame. Rather, we collectively take responsibility, learn from our mistakes and improve our performance as individuals and as a team.

Fortitude. We believe in having the courage to say "no" to a deal even at a late stage if we become uncomfortable with any aspect of the transaction.

Sharing. We share financial results throughout our firm and we share the credit for our successes. No one in our firm claims sole possession of any idea or successful transaction.

These values are easy to write down, but hard to live by. They are, however, a healthy antidote to overconfidence, internal politics and other behaviors that could otherwise jeopardize our long-term success. We do not intend to change our values or the way we conduct our business as a result of this offering. Indeed, we would not be proceeding with this offering if we felt that it would move us away from our principles. We believe that if we continue to live by these values we will be able to maintain our industry leadership far into the future.

Our Strengths

We believe that we possess a number of strengths that differentiate us from other alternative asset managers and provide us with competitive advantages for raising capital, securing investment opportunities, obtaining financing for transactions, consummating investments, creating value in our portfolio companies and generating attractive investment returns. These strengths include the following:

One Firm with a Global Reach and Best-in-Class Processes

With offices in seven major financial centers located on three 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 deploy capital across a number of geographical markets in a broad range of companies, industry sectors and asset classes. As of March 31, 2007, 34% of our investment professionals were based outside the United States and 63% of the unrealized value of our private equity portfolio consisted of investments in companies outside the United States. Although our operations span multiple continents and business lines, we are still managed as one firm with a common culture and are focused on sharing knowledge, experience, resources and best practices throughout our offices and across our various investment classes. Our investment processes are overseen by three committees that operate globally, which consist of our equity investment committee, which reviews all investments made by our private equity funds, our debt investment committee, which reviews all investments made by our credit strategy funds, and our portfolio management committee, which monitors the performance of our private equity investments. Our founders, Henry Kravis and George Roberts, are active members of each of these committees. We believe that operating as a centrally managed firm that is both global and diversified enhances the growth and stability of our business and helps us make informed decisions across asset classes and geographies.

Distinguished Track Record Across Economic Cycles

During our 31-year history, we have successfully invested under all types of economic and financial conditions, developing a track record that we believe distinguishes our firm. From our inception through March 31, 2007, our ten private equity funds that had invested for at least 30 months had achieved a cumulative gross IRR of 26.3%. 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.*

Alignment of Interests

One of our fundamental philosophies has been to align our interests and the interests of our people with those of our fund investors. Since our inception, our investment professionals, senior advisors and other executives have invested or committed to invest approximately $1.5 billion of their personal capital in or alongside our funds. In structuring this offering, we have sought to achieve the same alignment of interests between our unitholders and our people through their significant and long-term ownership of our equity. Our principals will not receive any of the proceeds from this offering and will collectively own more than % of the equity in our business immediately following this offering. To promote long-term alignment of interests, the equity directly or indirectly held by our principals and employees will be subject to significant forfeiture and transfer restrictions that require such persons to remain actively employed by us in order to realize the full value of their equity interests.

Experienced Investment Professionals and Continuity of Senior Leadership

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. Our 139 investment professionals, who are led by our founders, Henry Kravis and George Roberts, are supported by 19 senior advisors and 25 Capstone consultants. Our investment professionals have demonstrated an ability to address the challenges of cyclical markets by effectively adapting our investment strategies, financial structures and operational resources to existing market conditions, which provides us with a significant competitive advantage. We have also benefited from a high degree of continuity in our senior leadership.

Distinct Ability to Source Proprietary Investments

We believe that we are able to source new investment opportunities as a result of our internal deal generation strategies and our global network of business relationships. Our investment professionals are organized into global industry teams that work across our offices to develop a list of industry themes and trends, to identify companies that will benefit from those trends and to determine which of those companies would make an attractive investment. When team members identify an investment opportunity, they leverage our network of global relationships with the goal of winning exclusive or limited access to the investment. We believe that our industry focus, when combined with our global network and the industry-specific knowledge that we have developed over time, provides us with an important source of proprietary investments.

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. We believe that because of our repeated and consistent dealings with these firms and our completion of a significant number of large transactions, we are one of the first parties considered for potential investments and are often able to obtain financing for our transactions at attractive prices and with favorable terms.

Focus on Value Creation

We have developed an institutionalized process for creating value in our investments. As part of our effort, we utilize the services of Capstone Consulting, a team of operational consultants that works exclusively with our investment professionals and portfolio company management teams. In addition, we have hired senior advisors to assist us, including the former chairmen or chief executive officers of Proctor & Gamble, Wells Fargo, HSBC, Eastman Kodak and Accenture. Our investment professionals, senior advisors and consultants work with our portfolio companies to address financial and operational issues in order to drive value creation. In most cases, the work initially involves developing operating and financial metrics but ultimately shifts to capitalizing on business opportunities to drive value creation over the long term.

Long-Standing Investor Relationships

Over our 31-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 some of the largest public and private pension plans, global financial institutions, university endowments, funds of funds and high net worth individuals, many of whom have invested with us for decades across multiple funds. More recently, through the listing of two of our funds, we have expanded our investor base to include public market investors, such as mutual funds and hedge funds, 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 assets under management.

Long-Term Capital Base with a Significant Amount of Permanent Capital

As of March 31, 2007, we had $53.4 billion of assets under management, making us one of the largest independent alternative asset managers in the world. These assets were invested or available for investment in private equity, debt and public equity transactions. We have created two listed permanent capital funds that are able to grow organically through the continuous investment and reinvestment of capital, which we believe provides us with stability and with a valuable potential source of long-term income.

Proven Ability to Innovate

We pioneered the development of the leveraged buyout and have worked throughout our history on creating innovative financing structures that allow us to compete aggressively for transactions while maintaining ongoing financial flexibility. Examples of recent innovative financing structures include using a complex power hedging program in connection with our acquisition of Texas Genco and structuring our acquisition of Capmark Financial Group in a manner that allowed the company to achieve an investment grade credit rating. More recently, our ability to innovate has allowed us to grow our permanent capital base and diversify our operations through the establishment of two permanent capital vehicles that have the flexibility to invest across asset classes.

Our Growth Strategy

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 strong business relationships; a reputation for integrity and fair dealing; and a distinguished track record of generating attractive investment returns. We intend to capitalize on the name recognition that we have developed and leverage the strength of our brand as we seek to grow our business.

Deliver Attractive Returns Through Strong Investment Performance

We intend to adhere to the disciplined investment approach that we have developed over our 31-year history, focusing in particular on driving value creation from the time an investment is made. We believe that by maintaining investment discipline and taking a "hands-on" approach to our investments, we will be best positioned to continue to generate attractive returns for our funds and create long-term value for our unitholders.

Grow Globally Across Existing Asset Classes

We intend to pursue opportunities within North America to increase the amount of managed capital that we are able to deploy in private equity and debt investments, while continuing to grow our public equity business. Outside of North America, we intend to focus on increasing the amount of private equity investments that we make in Europe and Asia, while building out our debt and public equity operations in those regions. Since October 2005, we have raised five new funds that received approximately $32.4 billion of capital and capital commitments from investors, including approximately $5.1 billion of permanent capital and a new $4.0 billion private equity fund that is focused on investment opportunities in Asia.

Selectively Pursue Opportunities to Expand Our Investment Structures and Products

We believe that opportunities exist to develop and sponsor new investment vehicles and structures, including co-investment vehicles, and to raise new types of funds, such as long-oriented public equity funds, structured product funds and industry- or geography-specific funds, that allow us to deploy a greater amount of managed capital in our investments and thereby capture a greater share of the economics generated by these investments. To support these initiatives, we are currently developing a capital markets business in the United States, Europe and Asia, which we believe will provide us with new alternatives and capabilities for distributing our investment products to investors worldwide and to further broaden our investor base.

Maintain Our Long-Term Focus

We have consistently approached the management of our business and our investments with the goal of creating and realizing value over the long term and we intend to maintain this long-term focus after we become a public company even though this may lead to increased volatility in our results from period to period. We do not intend to permit the short-term perspectives of some public market investors to influence our investment, operational or strategic decisions, our duties or commitments to our fund investors or our focus on creating long-term value for our unitholders.

Why We Are Going Public

None of our existing owners is selling any common units in this offering or will otherwise receive any of the net proceeds that we raise. Our decision to go public is based on our conclusion that the offering will benefit our firm and stakeholders over the long term by enabling us to grow in a manner that complements our businesses. In particular, we are going public for the following reasons:

We Want to Leverage Our Industry and Company Research Efforts by Building New Businesses. We believe that significant opportunities exist for us to build new businesses by leveraging the intellectual capital of our firm and increasing the utilization of our people. While our private equity teams conduct in-depth research and have developed specific views on trends and participants in their industries, a large number of our private equity efforts do not result in actual private equity transactions. Historically, when we were unable to complete a private equity transaction, much of the work that we had completed remained unutilized. With our integrated efforts in debt and public market investing, we have in recent years been able to leverage the work and contacts of our private equity teams and deploy capital behind our ideas. We believe that becoming a public company will enable us to invest more heavily behind these activities and the ideas that we develop in the normal course of our business.

We Want to Reduce Our Reliance on Third Party Sources of Capital. Since our inception, we have completed or announced more than $410 billion in private equity transactions, while investing or agreeing to invest approximately $42 billion of our own funds' equity in those transactions. The balance of the financing consisted of debt and equity that was syndicated to others, including other private equity firms. We recently launched a new capital markets initiative to capture a greater share of the economics in the transactions we originate and increase the operational control that we are able to exercise over our private equity investments. We expect to expand these capital markets activities utilizing a portion of the proceeds from this offering.

Going Public Will Provide Us with a Currency for Potential Future Acquisitions. We believe that our strong brand name in the financial services industry will support growth through acquisitions or combinations with similarly strong franchises that will complement our existing activities. By adding our products and brand to the products of acquired companies, we believe we will be well positioned to create significant value for our stakeholders. While we do not have any current acquisition plans, becoming a public company will provide us with a currency that we may use to pursue those alternatives when attractive opportunities arise.

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 31-year history. In structuring this offering, we have sought to preserve and enhance our culture and values by continuing the approach we have followed over time for compensating and managing our people. 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 we complete this offering.

Investment Risks

An investment in our common units involves substantial risks and uncertainties. Some of the more significant challenges and risks relating to an investment in our partnership include:

- risks associated with our susceptibility to economic and financial conditions;
- our dependence on our principals, including our founders and other key personnel;
- the volatility of our net income and cash flow;
- our ability to attract, retain and motivate high quality employees who will bring value to our op