

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
**FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2019**  
**OR**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
**FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_**  
**Commission File Number: 001-35538**

**The Carlyle Group L.P.**  
(Exact name of registrant as specified in its charter)

Delaware 45-2832612  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)  
1001 Pennsylvania Avenue, NW   
Washington, DC, 20004-2505   
(Address of principal executive offices) (Zip Code)  
(202) 729-5626   
(Registrant's telephone number, including area code)  
**Not Applicable**   
(Former name or former address, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common units representing limited partner interests	CG	The Nasdaq Global Select Market
5.875% Series A Preferred Units	TCGP	The Nasdaq Global Select Market

The number of the registrant's common units representing limited partner interests outstanding as of July 29, 2019 was 110,680,002.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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## **Forward-Looking Statements**

This report may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements include, but are not limited to, statements related to our expectations regarding the performance of our business, our financial results, our liquidity and capital resources, contingencies, our distribution policy, our expected future dividend policy, anticipated benefits from converting to a corporation, and other non-historical statements. You can identify these forward-looking statements by the use of words such as "outlook," "believes," "expects," "potential," "continues," "may," "will," "should," "seeks," "approximately," "predicts," "intends," "plans," "estimates," "anticipates" or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks, uncertainties and assumptions. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements including, but not limited to, those described under the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the United States Securities and Exchange Commission ("SEC") on February 13, 2019, as such factors may be updated from time to time in our periodic filings with the SEC, which are accessible on the SEC's website at [www.sec.gov](http://www.sec.gov). These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and in our other periodic filings with the SEC. We undertake no obligation to publicly update or review any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by applicable law.

## **Website and Social Media Disclosure**

We use our website ([www.carlyle.com](http://www.carlyle.com)), our corporate Facebook page (<https://www.facebook.com/onecarlyle/>) and our corporate Twitter account (@OneCarlyle) as channels of distribution of material company information. For example, financial and other material information regarding our company is routinely posted on and accessible at [www.carlyle.com](http://www.carlyle.com). Accordingly, investors should monitor these channels, in addition to following our press releases, SEC filings and public conference calls and webcasts. In addition, you may automatically receive email alerts and other information about Carlyle when you enroll your email address by visiting the "Email Alert Subscription" section at <http://ir.carlyle.com/alerts.cfm>. The contents of our website and social media channels are not, however, a part of this Quarterly Report on Form 10-Q and are not incorporated by reference herein.

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Unless the context suggests otherwise, references in this report to "Carlyle," the "Company," "we," "us" and "our" refer to The Carlyle Group L.P. and its consolidated subsidiaries. When we refer to the "partners of The Carlyle Group L.P.," we are referring specifically to the common unitholders and our general partner and any others who may from time to time be partners of that specific Delaware limited partnership. When we refer to our "senior Carlyle professionals," we are referring to the partner-level personnel of our firm. References in this report to the ownership of the senior Carlyle professionals include the ownership of personal planning vehicles of these individuals. When we refer to the "Carlyle Holdings partnerships" or "Carlyle Holdings", we are referring to Carlyle Holdings I L.P., Carlyle Holdings II L.P., and Carlyle Holdings III L.P.

On July 31, 2019, we announced our decision to convert (the "Conversion") The Carlyle Group L.P. from a Delaware limited partnership to a Delaware corporation named The Carlyle Group Inc. (the "Corporation"). Refer to "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation - Conversion to a Corporation."

"Carlyle funds," "our funds" and "our investment funds" refer to the investment funds and vehicles advised by Carlyle.

"Carry funds" generally refers to closed-end investment vehicles, in which commitments are drawn down over a specified investment period, and in which the general partner receives a special residual allocation of income from limited partners, which we refer to as carried interest, in the event that specified investment returns are achieved by the fund. Disclosures referring to carry funds will also include the impact of certain commitments which do not earn carried interest, but are either part of, or associated with our carry funds. The rate of carried interest, as well as the share of carried interest allocated to Carlyle, may vary across the carry fund platform. Carry funds generally include the following investment vehicles across our four business segments:

- Corporate Private Equity: Buyout, middle market and growth capital funds advised by Carlyle
- Real Assets: Real estate, power, infrastructure and energy funds advised by Carlyle, as well as certain energy funds advised by our strategic partner NGP Energy Capital Management ("NGP") in which Carlyle is entitled to receive a share of carried interest ("NGP Carry Funds")

- Global Credit: Distressed credit, energy credit, opportunistic credit, corporate mezzanine funds, aircraft financing and servicing, and other closed-end credit funds advised by Carlyle
- Investment Solutions: Funds and vehicles advised by AlpInvest Partners B.V. (“AlpInvest”) and Metropolitan Real Estate Equity Management, LLC (“Metropolitan”), which include primary fund, secondary and co-investment strategies

Carry funds specifically exclude certain funds advised by NGP in which Carlyle is not entitled to receive a share of carried interest (or “NGP Predecessor Funds”), collateralized loan obligation vehicles (“CLOs”), business development companies, and our former hedge fund platform.

For an explanation of the fund acronyms used throughout this Quarterly Report, refer to “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operation - Our Family of Funds.”

“Fee-earning assets under management” or “Fee-earning AUM” refers to the assets we manage or advise from which we derive recurring fund management fees. Our Fee-earning AUM is generally based on one of the following, once fees have been activated:

- the amount of limited partner capital commitments, generally for carry funds where the original investment period has not expired, for AlpInvest carry funds during the commitment fee period and for Metropolitan carry funds during the weighted-average investment period of the underlying funds;
- the remaining amount of limited partner invested capital at cost, generally for carry funds and certain co-investment vehicles where the original investment period has expired, Metropolitan carry funds after the expiration of the weighted-average investment period of the underlying funds, and one of our business development companies;
- the amount of aggregate fee-earning collateral balance at par of our CLOs and other securitization vehicles, as defined in the fund indentures (typically exclusive of equities and defaulted positions) as of the quarterly cut-off date;
- the external investor portion of the net asset value of our open-ended funds (pre redemptions and subscriptions), as well as certain carry funds;
- the gross assets (including assets acquired with leverage), excluding cash and cash equivalents, of one of our business development companies and certain carry funds; or
- the lower of cost or fair value of invested capital, generally for AlpInvest carry funds where the commitment fee period has expired and certain carry funds where the investment period has expired.

“Assets under management” or “AUM” refers to the assets we manage or advise. Our AUM equals the sum of the following:

- the aggregate fair value of our carry funds and related co-investment vehicles, NGP Predecessor Funds and separately managed accounts, plus the capital that Carlyle is entitled to call from investors in those funds and vehicles (including Carlyle commitments to those funds and vehicles and those of senior Carlyle professionals and employees) pursuant to the terms of their capital commitments to those funds and vehicles;
- the amount of aggregate collateral balance and principal cash at par or aggregate principal amount of the notes of our CLOs and other structured products (inclusive of all positions);
- the net asset value (pre-redemptions and subscriptions) of our open-ended funds; and
- the gross assets (including assets acquired with leverage) of our business development companies, plus the capital that Carlyle is entitled to call from investors in those vehicles pursuant to the terms of their capital commitments to those vehicles.

We include in our calculation of AUM and Fee-earning AUM certain energy and renewable resources funds that we jointly advise with Riverstone Holdings L.L.C. (“Riverstone”) and the NGP Predecessor Funds and NGP Carry Funds (collectively, the “NGP Energy Funds”) that are advised by NGP.

For most of our carry funds, total AUM includes the fair value of the capital invested, whereas Fee-earning AUM includes the amount of capital commitments or the remaining amount of invested capital, depending on whether the original investment period for the fund has expired. As such, Fee-earning AUM may be greater than total AUM when the aggregate fair value of the remaining investments is less than the cost of those investments.

Our calculations of AUM and Fee-earning AUM may differ from the calculations of other asset managers. As a result, these measures may not be comparable to similar measures presented by other asset managers. In addition, our calculation of AUM (but not Fee-earning AUM) includes uncalled commitments to, and the fair value of invested capital in, our investment funds from Carlyle and our personnel, regardless of whether such commitments or invested capital are subject to management fees, incentive fees or performance allocations. Our calculations of AUM or Fee-earning AUM are not based on any definition of AUM or Fee-earning AUM that is set forth in the agreements governing the investment funds that we manage or advise.

**PART I – FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**The Carlyle Group L.P.**  
**Condensed Consolidated Balance Sheets**  
(Dollars in millions)

	June 30, 2019	December 31, 2018
	(Unaudited)	
<b>Assets</b>		
Cash and cash equivalents	\$ 669.2	\$ 629.6
Cash and cash equivalents held at Consolidated Funds	214.3	247.5
Restricted cash	14.4	8.7
Corporate treasury investments	—	51.7
Investments, including accrued performance allocations of \$3,907.1 million and \$3,480.0 million as of June 30, 2019 and December 31, 2018, respectively	6,707.0	5,697.5
Investments of Consolidated Funds	4,759.6	5,286.6
Due from affiliates and other receivables, net	313.2	441.1
Due from affiliates and other receivables of Consolidated Funds, net	81.8	135.4
Fixed assets, net	106.1	95.1
Lease right-of-use assets, net	231.3	—
Deposits and other	62.6	49.3
Intangible assets, net	70.3	77.3
Deferred tax assets	171.0	194.4
Total assets	<u>\$ 13,400.8</u>	<u>\$ 12,914.2</u>
<b>Liabilities and partners' capital</b>		
Debt obligations	\$ 1,531.8	\$ 1,550.4
Loans payable of Consolidated Funds	4,506.3	4,840.1
Accounts payable, accrued expenses and other liabilities	337.5	442.2
Accrued compensation and benefits	2,413.4	2,222.3
Due to affiliates	192.1	174.0
Deferred revenue	91.5	111.3
Deferred tax liabilities	60.7	64.3
Other liabilities of Consolidated Funds	278.1	610.1
Lease liabilities	307.9	—
Accrued giveback obligations	63.2	63.2
Total liabilities	<u>9,782.5</u>	<u>10,077.9</u>
Commitments and contingencies		
Series A preferred units (16,000,000 units issued and outstanding as of June 30, 2019 and December 31, 2018, respectively)	387.5	387.5
Partners' capital (common units 110,680,002 and 107,746,443 issued and outstanding as of June 30, 2019 and December 31, 2018, respectively)	921.2	673.4
Accumulated other comprehensive loss	(77.8)	(83.3)
Non-controlling interests in consolidated entities	308.5	324.2
Non-controlling interests in Carlyle Holdings	2,078.9	1,534.5
Total partners' capital	3,618.3	2,836.3
Total liabilities and partners' capital	<u>\$ 13,400.8</u>	<u>\$ 12,914.2</u>

See accompanying notes.

**The Carlyle Group L.P.**  
**Condensed Consolidated Statements of Operations**  
**(Unaudited)**  
**(Dollars in millions, except unit and per unit data)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<b>Revenues</b>				
Fund management fees	\$ 390.9	\$ 301.3	\$ 744.3	\$ 565.8
Incentive fees	8.8	7.4	16.9	13.7
Investment income (loss)				
Performance allocations	247.6	425.1	596.7	733.2
Principal investment income	342.0	78.2	643.8	132.3
Total investment income	<u>589.6</u>	<u>503.3</u>	<u>1,240.5</u>	<u>865.5</u>
Interest and other income	26.0	28.0	48.2	50.5
Interest and other income of Consolidated Funds	45.8	53.6	98.2	100.9
Total revenues	<u>1,061.1</u>	<u>893.6</u>	<u>2,148.1</u>	<u>1,596.4</u>
<b>Expenses</b>				
Compensation and benefits				
Cash-based compensation and benefits	221.4	176.0	431.9	363.3
Equity-based compensation	35.2	64.9	71.2	149.8
Performance allocations and incentive fee related compensation	<u>113.6</u>	<u>222.0</u>	<u>299.0</u>	<u>380.0</u>
Total compensation and benefits	<u>370.2</u>	<u>462.9</u>	<u>802.1</u>	<u>893.1</u>
General, administrative and other expenses	110.7	126.8	223.2	221.8
Interest	19.5	18.4	39.2	36.3
Interest and other expenses of Consolidated Funds	27.5	45.3	65.6	81.2
Other non-operating expenses	0.4	0.3	0.7	0.6
Total expenses	<u>528.3</u>	<u>653.7</u>	<u>1,130.8</u>	<u>1,233.0</u>
<b>Other income</b>				
Net investment gains of Consolidated Funds	9.2	12.9	(5.0)	14.9
Income before provision for income taxes	<u>542.0</u>	<u>252.8</u>	<u>1,012.3</u>	<u>378.3</u>
Provision for income taxes	15.5	11.6	39.5	19.4
Net income	526.5	241.2	972.8	358.9
Net income attributable to non-controlling interests in consolidated entities	39.8	16.7	35.3	27.7
Net income attributable to Carlyle Holdings	486.7	224.5	937.5	331.2
Net income attributable to non-controlling interests in Carlyle Holdings	332.6	155.1	640.5	222.1
Net income attributable to The Carlyle Group L.P.	154.1	69.4	297.0	109.1
Net income attributable to Series A Preferred Unitholders	5.9	5.9	11.8	11.8
Net income attributable to The Carlyle Group L.P. Common Unitholders	<u>\$ 148.2</u>	<u>\$ 63.5</u>	<u>\$ 285.2</u>	<u>\$ 97.3</u>
Net income attributable to The Carlyle Group L.P. per common unit (see Note 11)				
Basic	\$ 1.34	\$ 0.62	\$ 2.60	\$ 0.96
Diluted	<u>\$ 1.23</u>	<u>\$ 0.56</u>	<u>\$ 2.41</u>	<u>\$ 0.87</u>
Weighted-average common units				
Basic	<u>110,440,227</u>	<u>102,465,109</u>	<u>109,828,740</u>	<u>101,603,587</u>
Diluted	<u>120,920,439</u>	<u>112,582,728</u>	<u>118,372,885</u>	<u>111,948,144</u>

Substantially all revenue is earned from affiliates of the Partnership. See accompanying notes.

**The Carlyle Group L.P.**  
**Condensed Consolidated Statements of Comprehensive Income**  
**(Unaudited)**  
**(Dollars in millions)**

	Three Months Ended June 30,		Six Months Ended June 30,		
	2019	2018	2019	2018	
	\$ 526.5	\$ 241.2	\$ 972.8	\$ 358.9	
Net income					
Other comprehensive income (loss)					
Foreign currency translation adjustments	(0.7)	(56.3)	1.2	(25.7)	
Unrealized gains on Fortitude Re available-for-sale securities	6.8	—	12.4	—	
Defined benefit plans					
Unrealized gain (loss) for the period	0.3	0.7	2.0	(0.3)	
Less: reclassification adjustment for gain during the period, included in cash-based compensation and benefits expense	0.2	0.3	0.5	0.5	
Other comprehensive income (loss)	<u>6.6</u>	<u>(55.3)</u>	<u>16.1</u>	<u>(25.5)</u>	
Comprehensive income					
Comprehensive (income) loss attributable to non-controlling interests in consolidated entities	(33.7)	1.8	(29.5)	(20.5)	
Comprehensive income attributable to Carlyle Holdings	499.4	187.7	959.4	312.9	
Comprehensive income attributable to non-controlling interests in Carlyle Holdings	(341.3)	(129.5)	(655.3)	(209.3)	
Comprehensive income attributable to The Carlyle Group L.P.	<u>\$ 158.1</u>	<u>\$ 58.2</u>	<u>\$ 304.1</u>	<u>\$ 103.6</u>	

See accompanying notes.

**The Carlyle Group L.P.**  
**Condensed Consolidated Statements of Changes in Partners' Capital**  
**(Unaudited)**  
**(Dollars and units in millions)**

	Common Units	Preferred Equity	Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Non- controlling Interests in Consolidated Entities	Non- controlling Interests in Carlyle Holdings	Total Partners' Capital
<b>Balance at March 31, 2019</b>	<b>110.1</b>	<b>\$ 387.5</b>	<b>\$ 779.2</b>	<b>\$ (81.5)</b>	<b>\$ 290.0</b>	<b>\$ 1,760.6</b>	<b>\$ 3,135.8</b>
Reallocation of ownership interests in Carlyle Holdings	—	—	2.1	(0.2)	—	(1.9)	—
Exchange of Carlyle Holdings units for common units	0.2	—	1.9	(0.1)	—	(1.8)	—
Units repurchased	—	—	(1.6)	—	—	—	(1.6)
Deferred tax effects resulting from acquisition of interests in Carlyle Holdings	—	—	0.3	—	—	—	0.3
Equity-based compensation	—	—	12.2	—	—	24.5	36.7
Issuances of common units for equity-based awards	0.4	—	—	—	—	—	—
Contributions	—	—	—	—	6.9	—	6.9
Distributions	—	(5.9)	(21.1)	—	(22.1)	(43.8)	(92.9)
Net income	—	5.9	148.2	—	39.8	332.6	526.5
Currency translation adjustments	—	—	—	1.6	(6.1)	3.8	(0.7)
Unrealized gains on Fortitude Re available-for-sale securities	—	—	—	2.2	—	4.6	6.8
Defined benefit plans, net	—	—	—	0.2	—	0.3	0.5
<b>Balance at June 30, 2019</b>	<b>110.7</b>	<b>\$ 387.5</b>	<b>\$ 921.2</b>	<b>\$ (77.8)</b>	<b>\$ 308.5</b>	<b>\$ 2,078.9</b>	<b>\$ 3,618.3</b>

	Common Units	Preferred Equity	Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Non- controlling Interests in Consolidated Entities	Non- controlling Interests in Carlyle Holdings	Total Partners' Capital
<b>Balance at December 31, 2018</b>	<b>107.7</b>	<b>\$ 387.5</b>	<b>\$ 673.4</b>	<b>\$ (83.3)</b>	<b>\$ 324.2</b>	<b>\$ 1,534.5</b>	<b>\$ 2,836.3</b>
Reallocation of ownership interests in Carlyle Holdings	—	—	15.4	(1.3)	—	(14.1)	—
Exchange of Carlyle Holdings units for common units	0.4	—	3.3	(0.3)	—	(3.0)	—
Units repurchased	(0.6)	—	(12.0)	—	—	—	(12.0)
Deferred tax effects resulting from acquisition of interests in Carlyle Holdings	—	—	0.4	—	—	—	0.4
Equity-based compensation	—	—	24.2	—	—	49.9	74.1
Issuances of common units for equity-based awards	3.2	—	—	—	—	—	—
Contributions	—	—	—	—	9.1	—	9.1
Distributions	—	(11.8)	(68.5)	—	(54.3)	(143.2)	(277.8)
Net income	—	11.8	285.2	—	35.3	640.5	972.8
Cumulative effect adjustment upon adoption of ASU 2016-2	—	—	(0.2)	—	—	(0.5)	(0.7)
Currency translation adjustments	—	—	—	2.3	(5.8)	4.7	1.2
Unrealized gains on Fortitude Re available-for-sale securities	—	—	—	4.0	—	8.4	12.4
Defined benefit plans, net	—	—	—	0.8	—	1.7	2.5
<b>Balance at June 30, 2019</b>	<b>110.7</b>	<b>\$ 387.5</b>	<b>\$ 921.2</b>	<b>\$ (77.8)</b>	<b>\$ 308.5</b>	<b>\$ 2,078.9</b>	<b>\$ 3,618.3</b>

**The Carlyle Group L.P.**  
**Condensed Consolidated Statements of Changes in Partners' Capital (continued)**  
**(Unaudited)**  
**(Dollars and units in millions)**

	Common Units	Preferred Equity	Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Non- controlling Interests in Consolidated Entities	Non- controlling Interests in Carlyle Holdings	Total Partners' Capital
<b>Balance at March 31, 2018</b>	<b>101.4</b>	<b>\$ 387.5</b>	<b>\$ 729.8</b>	<b>\$ (67.9)</b>	<b>\$ 409.3</b>	<b>\$ 1,584.3</b>	<b>\$ 3,043.0</b>
Reallocation of ownership interests in Carlyle Holdings	—	—	(0.8)	—	—	0.8	—
Exchange of Carlyle Holdings units for common units	0.7	—	5.5	(0.5)	—	(5.0)	—
Units repurchased	(2.3)	—	(51.0)	—	—	—	(51.0)
Deferred tax effects resulting from acquisition of interests in Carlyle Holdings	—	—	0.5	—	—	—	0.5
Equity-based compensation	—	—	18.7	—	—	48.0	66.7
Issuances of common units for equity-based awards	2.3	—	—	—	—	—	—
Contributions	—	—	—	—	5.5	—	5.5
Distributions	—	(5.9)	(27.8)	—	(30.7)	(62.9)	(127.3)
Net income	—	5.9	63.5	—	16.7	155.1	241.2
Cumulative effect adjustment upon adoption of ASU 2016-16	—	—	—	—	—	—	—
Cumulative effect adjustment upon adoption of ASU 2014-09	—	—	—	—	—	—	—
Currency translation adjustments	—	—	—	(11.5)	(18.5)	(26.3)	(56.3)
Defined benefit plans, net	—	—	—	0.3	—	0.7	1.0
<b>Balance at June 30, 2018</b>	<b>102.1</b>	<b>\$ 387.5</b>	<b>\$ 738.4</b>	<b>\$ (79.6)</b>	<b>\$ 382.3</b>	<b>\$ 1,694.7</b>	<b>\$ 3,123.3</b>

	Common Units	Preferred Equity	Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Non- controlling Interests in Consolidated Entities	Non- controlling Interests in Carlyle Holdings	Total Partners' Capital
<b>Balance at December 31, 2017</b>	<b>100.1</b>	<b>\$ 387.5</b>	<b>\$ 701.8</b>	<b>\$ (72.7)</b>	<b>\$ 404.7</b>	<b>\$ 1,527.7</b>	<b>\$ 2,949.0</b>
Reallocation of ownership interests in Carlyle Holdings	—	—	(0.9)	(0.2)	—	1.1	—
Exchange of Carlyle Holdings units for common units	1.6	—	12.1	(1.2)	—	(10.9)	—
Units repurchased	(2.3)	—	(51.0)	—	—	—	(51.0)
Deferred tax effects resulting from acquisition of interests in Carlyle Holdings	—	—	0.9	—	—	—	0.9
Equity-based compensation	—	—	40.7	—	—	111.3	152.0
Issuances of common units for equity-based awards	2.7	—	—	—	—	—	—
Contributions	—	—	—	—	8.9	—	8.9
Distributions	—	(11.8)	(61.0)	—	(51.8)	(140.4)	(265.0)
Net income	—	11.8	97.3	—	27.7	222.1	358.9
Cumulative effect adjustment upon adoption of ASU 2016-16	—	—	(1.2)	—	—	(2.9)	(4.1)
Cumulative effect adjustment upon adoption of ASU 2014-09	—	—	(0.3)	—	—	(0.5)	(0.8)
Currency translation adjustments	—	—	—	(5.6)	(7.2)	(12.9)	(25.7)
Defined benefit plans, net	—	—	—	0.1	—	0.1	0.2
<b>Balance at June 30, 2018</b>	<b>102.1</b>	<b>\$ 387.5</b>	<b>\$ 738.4</b>	<b>\$ (79.6)</b>	<b>\$ 382.3</b>	<b>\$ 1,694.7</b>	<b>\$ 3,123.3</b>

See accompanying notes.

**The Carlyle Group L.P.**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**  
**(Dollars in millions)**

	Six Months Ended June 30,	
	2019	2018
<b>Cash flows from operating activities</b>		
Net income	\$ 972.8	\$ 358.9
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	28.8	21.9
Equity-based compensation	71.2	149.8
Non-cash performance allocations and incentive fees	(268.3)	(215.6)
Non-cash principal investment income	(640.7)	(131.1)
Other non-cash amounts	4.6	4.7
Consolidated Funds related:		
Realized/unrealized (gain) loss on investments of Consolidated Funds	(18.2)	41.5
Realized/unrealized (gain) loss from loans payable of Consolidated Funds	23.2	(56.4)
Purchases of investments by Consolidated Funds	(827.2)	(2,137.0)
Proceeds from sale and settlements of investments by Consolidated Funds	1,032.8	1,261.2
Non-cash interest income, net	(1.8)	(1.9)
Change in cash and cash equivalents held at Consolidated Funds	27.4	256.8
Change in other receivables held at Consolidated Funds	55.3	(74.8)
Change in other liabilities held at Consolidated Funds	(251.1)	(12.6)
Purchases of investments	(107.0)	(228.9)
Proceeds from the sale of investments	214.6	379.8
Payments of contingent consideration	—	(37.5)
Changes in deferred taxes, net	20.3	(2.6)
Change in due from affiliates and other receivables	30.8	(48.3)
Change in deposits and other	(13.9)	(12.1)
Change in accounts payable, accrued expenses and other liabilities	(44.4)	0.8
Change in accrued compensation and benefits	(23.2)	(8.9)
Change in due to affiliates	(1.2)	(26.6)
Change in lease right-of-use assets and lease liabilities	2.9	—
Change in deferred revenue	(18.7)	(19.3)
Net cash provided by (used in) operating activities	269.0	(538.2)
<b>Cash flows from investing activities</b>		
Purchases of fixed assets, net	(23.7)	(12.5)
Net cash used in investing activities	(23.7)	(12.5)
<b>Cash flows from financing activities</b>		
Repayment of term loan	(25.0)	—
Payments on debt obligations	(13.6)	(13.8)
Proceeds from debt obligations, net of financing costs	20.4	34.5
Net borrowings (payments) on loans payable of Consolidated Funds	(40.3)	694.5
Distributions to common unitholders	(68.5)	(61.0)
Distributions to preferred unitholders	(11.8)	(11.8)
Distributions to non-controlling interest holders in Carlyle Holdings	(143.2)	(140.4)
Contributions from non-controlling interest holders	9.1	8.9
Distributions to non-controlling interest holders	(31.9)	(51.8)
Common units repurchased	(12.0)	(51.0)
Change in due to/from affiliates financing activities	114.5	4.0
Net cash (used in) provided by financing activities	(202.3)	412.1
Effect of foreign exchange rate changes	2.3	(11.7)
Increase (decrease) in cash, cash equivalents and restricted cash	45.3	(150.3)
Cash, cash equivalents and restricted cash, beginning of period	638.3	1,028.8
Cash, cash equivalents and restricted cash, end of period	\$ 683.6	\$ 878.5
<b>Supplemental non-cash disclosures</b>		
Net increase (decrease) in partners' capital and accumulated other comprehensive income related to reallocation of ownership interest in Carlyle Holdings	\$ 14.1	\$ (1.0)
Non-cash distributions to non-controlling interest holders	\$ (22.4)	\$ —
Net asset impact of deconsolidation of Consolidated Funds	\$ (13.1)	\$ —
<b>Tax effect from acquisition of Carlyle Holdings partnership units:</b>		
Deferred tax asset	\$ 1.5	\$ 4.6
Tax receivable agreement liability	\$ 1.1	\$ 3.7
Total partners' capital	\$ 0.4	\$ 0.9

**Reconciliation of cash, cash equivalents and restricted cash, end of period:**

Cash and cash equivalents	\$ 669.2	\$ 876.8
Restricted cash	14.4	1.7
Total cash, cash equivalents and restricted cash, end of period	<u>\$ 683.6</u>	<u>\$ 878.5</u>
Cash and cash equivalents held at Consolidated Funds	<u>\$ 214.3</u>	<u>\$ 395.3</u>

See accompanying notes.

**Notes to the Condensed Consolidated Financial Statements  
(Unaudited)**

**1. Organization and Basis of Presentation**

The Carlyle Group L.P., together with its consolidated subsidiaries, is one of the world's largest global investment firms that originates, structures and acts as lead equity investor in management-led buyouts, strategic minority equity investments, equity private placements, consolidations and buildups, growth capital financings, real estate opportunities, bank loans, high-yield debt, distressed assets, mezzanine debt and other investment opportunities. The Carlyle Group L.P. is a Delaware limited partnership formed on July 18, 2011, which is managed and operated by its general partner, Carlyle Group Management L.L.C., which is in turn wholly-owned and controlled by Carlyle's founders and other senior Carlyle professionals. Except as otherwise indicated by the context, references to the "Partnership" or "Carlyle" refer to The Carlyle Group L.P., together with its consolidated subsidiaries.

Carlyle provides investment management services to, and has transactions with, various private equity funds, real estate funds, private credit funds, collateralized loan obligations ("CLOs"), and other investment products sponsored by the Partnership for the investment of client assets in the normal course of business. Carlyle typically serves as the general partner, investment manager or collateral manager, making day-to-day investment decisions concerning the assets of these products. Carlyle operates its business through four reportable segments: Corporate Private Equity, Real Assets, Global Credit, and Investment Solutions (see Note 14).

**Basis of Presentation**

The accompanying condensed consolidated financial statements include the accounts of the Partnership and its consolidated subsidiaries. In addition, certain Carlyle-affiliated funds, related co-investment entities, certain CLOs managed by the Partnership (collectively the "Consolidated Funds") have been consolidated in the accompanying condensed consolidated financial statements pursuant to accounting principles generally accepted in the United States ("U.S. GAAP"), as described in Note 2. The consolidation of the Consolidated Funds generally has a gross-up effect on assets, liabilities and cash flows, and generally has no effect on the net income attributable to the Partnership. The economic ownership interests of the other investors in the Consolidated Funds are reflected as non-controlling interests in consolidated entities in the accompanying condensed consolidated financial statements (see Note 2).

The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information. These statements, including notes, have not been audited, exclude some of the disclosures required for annual financial statements, and should be read in conjunction with the audited consolidated financial statements included in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2018 filed with the Securities and Exchange Commission ("SEC"). 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. In the opinion of management, the condensed consolidated financial statements reflect all adjustments, consisting of normal recurring accruals, which are necessary for the fair presentation of the financial condition and results of operations for the interim periods presented.

**2. Summary of Significant Accounting Policies**

**Principles of Consolidation**

The Partnership consolidates all entities that it controls either through a majority voting interest or as the primary beneficiary of variable interest entities ("VIEs").

The Partnership evaluates (1) whether it holds a variable interest in an entity, (2) whether the entity is a VIE, and (3) whether the Partnership's involvement would make it the primary beneficiary. In evaluating whether the Partnership holds a variable interest, fees (including management fees, incentive fees and performance allocations) that are customary and commensurate with the level of services provided, and where the Partnership does not hold other economic interests in the entity that would absorb more than an insignificant amount of the expected losses or returns of the entity, are not considered variable interests. The Partnership considers all economic interests, including indirect interests, to determine if a fee is considered a variable interest.

For those entities where the Partnership holds a variable interest, the Partnership determines whether each of these entities qualifies as a VIE and, if so, whether or not the Partnership is the primary beneficiary. The assessment of whether the entity is a VIE is generally performed qualitatively, which requires judgment. These judgments include: (a) determining whether the equity investment at risk is sufficient to permit the entity to finance its activities without additional subordinated financial support, (b) evaluating whether the equity holders, as a group, can make decisions that have a significant effect on the economic performance of the entity, (c) determining whether two or more parties' equity interests should be aggregated, and (d)

**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**

determining whether the equity investors have proportionate voting rights to their obligations to absorb losses or rights to receive returns from an entity.

For entities that are determined to be VIEs, the Partnership consolidates those entities where it has concluded it is the primary beneficiary. The primary beneficiary is defined as the variable interest holder with (a) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. In evaluating whether the Partnership is the primary beneficiary, the Partnership evaluates its economic interests in the entity held either directly or indirectly by the Partnership.

As of June 30, 2019, assets and liabilities of the consolidated VIEs reflected in the unaudited condensed consolidated balance sheets were \$5.1 billion and \$4.8 billion, respectively. Except to the extent of the consolidated assets of the VIEs, the holders of the consolidated VIEs' liabilities generally do not have recourse to the Partnership.

Substantially all of the Partnership's Consolidated Funds are CLOs, which are VIEs that issue loans payable that are backed by diversified collateral asset portfolios consisting primarily of loans or structured debt. In exchange for managing the collateral for the CLOs, the Partnership earns investment management fees, including in some cases subordinated management fees and contingent incentive fees. In cases where the Partnership consolidates the CLOs (primarily because of a retained interest that is significant to the CLO), those management fees have been eliminated as intercompany transactions. As of June 30, 2019, the Partnership held \$183.4 million of investments in these CLOs which represents its maximum risk of loss. The Partnership's investments in these CLOs are generally subordinated to other interests in the entities and entitle the Partnership to receive a pro rata portion of the residual cash flows, if any, from the entities. Investors in the CLOs have no recourse against the Partnership for any losses sustained in the CLO structure.

Entities that do not qualify as VIEs are generally assessed for consolidation as voting interest entities. Under the voting interest entity model, the Partnership consolidates those entities it controls through a majority voting interest.

All significant inter-entity transactions and balances of entities consolidated have been eliminated.

#### **Investments in Unconsolidated Variable Interest Entities**

The Partnership holds variable interests in certain VIEs that are not consolidated because the Partnership is not the primary beneficiary, including its investments in certain CLOs and strategic investment in NGP Management Company, L.L.C. ("NGP Management" and, together with its affiliates, "NGP"). Refer to Note 4 for information on the strategic investment in NGP. The Partnership's involvement with such entities is in the form of direct equity interests and fee arrangements. The maximum exposure to loss represents the loss of assets recognized by the Partnership relating to its variable interests in these unconsolidated entities. The assets recognized in the Partnership's consolidated balance sheets related to the Partnership's variable interests in these non-consolidated VIEs were as follows:

	<b>As of</b>	
	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	<b>(Dollars in millions)</b>	
Investments	\$ 1,147.3	\$ 1,152.4
Performance allocations	146.9	121.2
Management fee arrangements	28.4	15.1
Total	\$ 1,322.6	\$ 1,288.7

These amounts represent the Partnership's maximum exposure to loss related to the unconsolidated VIEs as of June 30, 2019 and December 31, 2018.

#### **Basis of Accounting**

The accompanying financial statements are prepared in accordance with U.S. GAAP. Management has determined that the Partnership's Funds are investment companies under U.S. GAAP for the purposes of financial reporting. U.S. GAAP for an investment company requires investments to be recorded at estimated fair value and the unrealized gains and/or losses in an investment's fair value are recognized on a current basis in the statements of operations. Additionally, the Funds do not consolidate their majority-owned and controlled investments (the "Portfolio Companies"). In the preparation of these unaudited condensed consolidated financial statements, the Partnership has retained the specialized accounting for the Funds.

**Notes to the Condensed Consolidated Financial Statements  
(Unaudited)**

All of the investments held and notes issued by the Consolidated Funds are presented at their estimated fair values in the Partnership's condensed consolidated balance sheets. Interest and other income of the Consolidated Funds as well as interest expense and other expenses of the Consolidated Funds are included in the Partnership's unaudited condensed consolidated statements of operations.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management's estimates are based on historical experiences and other factors, including expectations of future events that management believes to be reasonable under the circumstances. It also requires management to exercise judgment in the process of applying the Partnership's accounting policies. Assumptions and estimates regarding the valuation of investments and their resulting impact on performance allocations involve a higher degree of judgment and complexity and these assumptions and estimates may be significant to the consolidated financial statements and the resulting impact on performance allocations and incentive fees. Actual results could differ from these estimates and such differences could be material.

**Business Combinations**

The Partnership accounts for business combinations using the acquisition method of accounting, under which the purchase price of the acquisition is allocated to the assets acquired and liabilities assumed using the fair values determined by management as of the acquisition date. Contingent consideration obligations that are elements of consideration transferred are recognized as of the acquisition date as part of the fair value transferred in exchange for the acquired business. Acquisition-related costs incurred in connection with a business combination are expensed as incurred.

**Revenue Recognition**

The Partnership recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers*. Revenue is recognized when the Partnership transfers promised goods or services to customers in an amount that reflects the consideration to which the Partnership expects to be entitled to in exchange for those goods or services. ASC 606 includes a five-step framework that requires an entity to: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when the entity satisfies a performance obligation.

The Partnership accounts for performance allocations that represent a performance-based capital allocation from fund limited partners to the Partnership (commonly known as "carried interest", which comprises substantially all of the Partnership's previously reported performance fee revenues) as earnings from financial assets within the scope of ASC 323, *Investments - Equity Method and Joint Ventures*, and therefore are not in the scope of ASC 606. In accordance with ASC 323, the Partnership records equity method income (losses) as a component of investment income based on the change in its proportionate claim on net assets of the investment fund, including performance allocations, assuming the investment fund was liquidated as of each reporting date pursuant to each fund's governing agreements. See Note 4 for additional information on the components of investments and investment income. Performance fees that do not meet the definition of performance-based capital allocations are in the scope of ASC 606 and are included in incentive fees in the consolidated statements of operations.

While the determination of who is the customer in a contractual arrangement will be made on a contract-by-contract basis, the customer will generally be the investment fund for the Partnership's significant management and advisory contracts. The customer determination impacts the Partnership's analysis of the accounting for contract costs. Also, the recovery of certain costs incurred on behalf of Carlyle funds, primarily travel and entertainment costs, are presented gross in the unaudited condensed consolidated statements of operations, as the Partnership controls the inputs to its investment management performance obligation.

**Fund Management Fees**

The Partnership provides management services to funds in which it holds a general partner interest or has a management agreement. The Partnership considers the performance obligations in its contracts with its funds to be the promise to provide (or to arrange for third parties to provide) investment management services related to the management, policies and operations of the funds.

As it relates to the Partnership's performance obligation to provide investment management services, the Partnership typically satisfies this performance obligation over time as the services are rendered, since the funds simultaneously receive and

**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**

consume the benefits provided as the Partnership performs the service. The transaction price is the amount of consideration to which the Partnership expects to be entitled in exchange for transferring the promised services to the funds. Management fees earned from each investment management contract over the contract life represent variable consideration because the consideration the Partnership is entitled to varies based on fluctuations in the basis for the management fee, for example fund net asset value (“NAV”) or AUM. Given that the management fee basis is susceptible to market factors outside of the Partnership’s influence, management fees are constrained and, therefore, estimates of future period management fees are generally not included in the transaction price. Revenue recognized for the investment management services provided is generally the amount determined at the end of the period because that is when the uncertainty for that period is resolved.

For closed-end carry funds in the Corporate Private Equity, Real Assets and Global Credit segments, management fees generally range from 1.0% to 2.0% of commitments during the fund’s investment period based on limited partners’ capital commitments to the funds. Following the expiration or termination of the investment period, management fees generally are based on the lower of cost or fair value of invested capital and the rate charged may also be reduced to between 0.6% and 2.0%. For certain separately managed accounts and longer-dated carry funds, with expected terms greater than ten years, management fees generally range from 0.2% to 1.0% based on contributions for unrealized investments or the current value of the investment. The Partnership will receive management fees during a specified period of time, which is generally ten years from the initial closing date, or, in some instances, from the final closing date, but such termination date may be earlier in certain limited circumstances or later if extended for successive one-year periods, typically up to a maximum of two years. Depending upon the contracted terms of investment advisory or investment management and related agreements, these fees are generally called semi-annually in advance and are recognized as earned over the subsequent six month period. For certain longer-dated carry funds, management fees are called quarterly over the life of the funds.

Within the Global Credit segment, for CLOs and other structured products, management fees generally range from 0.4% to 0.5% based on the total par amounts of assets or the aggregate principal amount of the notes in the CLO and are due quarterly or semi-annually based on the terms and recognized over the respective period. Management fees for the CLOs and other structured products are governed by indentures and collateral management agreements. The Partnership will receive management fees for the CLOs until redemption of the securities issued by the CLOs, which is generally five to ten years after issuance. Management fees for the business development companies are due quarterly in arrears at annual rates that range from 1.25% of invested capital to 1.5% of gross assets, excluding cash and cash equivalents.

Management fees for the Partnership’s private equity and real estate carry fund vehicles in the Investment Solutions segment generally range from 0.25% to 1.0% of the vehicle’s capital commitments during the commitment fee period of the relevant fund or the weighted-average investment period of the underlying funds. Following the expiration of the commitment fee period or weighted-average investment period of such funds, the management fees generally range from 0.25% to 1.0% on (i) the lower of cost or fair value of the capital invested, (ii) the net asset value for unrealized investments, or (iii) the contributions for unrealized investments; however, certain separately managed accounts earn management fees at all times on contributions for unrealized investments or on the initial commitment amount. Management fees for the Investment Solutions carry fund vehicles are generally due quarterly and recognized over the related quarter.

As of June 30, 2019 and December 31, 2018, management fee receivables were \$99.6 million and \$76.2 million, respectively, and are included in due from affiliates and other receivables, net, in the unaudited condensed consolidated balance sheets.

The Partnership also provides transaction advisory and portfolio advisory services to the portfolio companies, and where covered by separate contractual agreements, recognizes fees for these services when the performance obligation has been satisfied and collection is reasonably assured. Transaction fees also include underwriting fees from the Partnership’s loan syndication and capital markets business, Carlyle Capital Solutions (“CCS”). Fund management fees includes transaction and portfolio advisory fees of \$14.2 million and \$7.0 million for the three months ended June 30, 2019 and 2018, respectively, and \$23.1 million and \$13.6 million for the six months ended June 30, 2019 and 2018, respectively, net of any offsets as defined in the respective partnership agreements.

Fund management fees exclude the reimbursement of any partnership expenses paid by the Partnership on behalf of the Carlyle funds pursuant to the limited partnership agreements, including amounts related to the pursuit of actual, proposed, or unconsummated investments, professional fees, expenses associated with the acquisition, holding and disposition of investments, and other fund administrative expenses. For the professional fees that the Partnership arranges for the investment funds, the Partnership concluded that the nature of its promise is to arrange for the services to be provided and it does not control the services provided by third parties before they are transferred to the customer. Therefore, the Partnership concluded it is acting in the capacity of an agent. Accordingly, the reimbursement for these professional fees paid on behalf of the

**Notes to the Condensed Consolidated Financial Statements**  
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investment funds is presented on a net basis in general, administrative and other expenses in the unaudited condensed consolidated statements of operations.

The Partnership also incurs certain costs, primarily employee travel and entertainment costs, employee compensation and systems costs, for which it receives reimbursement from the investment funds in connection with its performance obligation to provide investment and management services. For reimbursable travel, compensation and systems costs, the Partnership concluded it controls the services provided by its employees and the resources used to develop applicable systems before they are transferred to the customer and therefore is a principal. Accordingly, the reimbursement for these costs incurred by the Partnership to manage the fund limited partnerships are presented on a gross basis in interest and other income in the unaudited condensed consolidated statements of operations and the expense in general, administrative and other expenses or cash-based compensation and benefits expenses in the unaudited condensed consolidated statements of operations.

***Incentive Fees***

In connection with management contracts from certain of its Global Credit funds, the Partnership is also entitled to receive performance-based incentive fees when the return on assets under management exceeds certain benchmark returns or other performance targets. In such arrangements, incentive fees are recognized when the performance benchmark has been achieved. Incentive fees are variable consideration because they are contingent upon the investment vehicle achieving stipulated investment return hurdles. Investment returns are highly susceptible to market factors outside of the Partnership's influence. Accordingly, incentive fees are constrained until the uncertainty is resolved. Estimates of future period incentive fees are generally not included in the transaction price because these estimates are constrained. The transaction price for incentive fees is generally the amount determined at the end of each accounting period to which they relate because that is when the uncertainty for that period is resolved, as these fees are not subject to clawback.

***Investment Income (Loss), including Performance Allocations***

Investment income (loss) represents the unrealized and realized gains and losses resulting from the Partnership's equity method investments, including any associated general partner performance allocations, and other principal investments, including CLOs.

General partner performance allocations consist of the allocation of profits from certain of the funds to which the Partnership is entitled (commonly known as carried interest).

For closed-end carry funds in the Corporate Private Equity, Real Assets and Global Credit segments, the Partnership is generally entitled to a 20% allocation (or 10% to 20% on certain longer-dated carry funds, certain credit funds, up to 25% on certain Corporate Private Equity funds in the event performance benchmarks are achieved, and external co-investment vehicles, or approximately 2% to 10% for most of the Investment Solutions segment carry fund vehicles) of the net realized income or gain as a carried interest after returning the invested capital, the allocation of preferred returns of generally 7% to 9% (or 4% to 7% for certain longer-dated carry funds) and return of certain fund costs (generally subject to catch-up provisions as set forth in the fund limited partnership agreement). Carried interest is recognized upon appreciation of the funds' investment values above certain return hurdles set forth in each respective partnership agreement. The Partnership recognizes revenues attributable to performance allocations based upon the amount that would be due pursuant to the fund partnership agreement at each period end as if the funds were terminated at that date. Accordingly, the amount recognized as investment income for performance allocations reflects the Partnership's share of the gains and losses of the associated funds' underlying investments measured at their then-current fair values relative to the fair values as of the end of the prior period. Because of the inherent uncertainty, these estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and it is reasonably possible that the difference could be material.

Carried interest is ultimately realized when: (i) an underlying investment is profitably disposed of, (ii) certain costs borne by the limited partner investors have been reimbursed, (iii) the fund's cumulative returns are in excess of the preferred return and (iv) the Partnership has decided to collect carry rather than return additional capital to limited partner investors. Realized carried interest may be required to be returned by the Partnership in future periods if the funds' investment values decline below certain levels. When the fair value of a fund's investments remains constant or falls below certain return hurdles, previously recognized performance allocations are reversed. In all cases, each fund is considered separately in this regard, and for a given fund, performance allocations can never be negative over the life of a fund. If upon a hypothetical liquidation of a fund's investments at their then-current fair values, previously recognized and distributed carried interest would be required to be returned, a liability is established for the potential giveback obligation.

Principal investment income (loss) is realized when the Partnership redeems all or a portion of its investment or when the Partnership receives or is due cash income, such as dividends or distributions. Principal investment income (loss) also includes

**Notes to the Condensed Consolidated Financial Statements  
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the Partnership's allocation of earnings from its investments in Fortitude Re and, as it relates to the Partnership's investments in NGP (see Note 4), the related amortization of the basis difference between the Partnership's carrying value of its investment and the Partnership's share of underlying net assets of the investee, as well as the compensation expense associated with compensatory arrangements provided by the Partnership to employees of its equity method investee. Unrealized principal investment income (loss) results from changes in the fair value of the underlying investment as well as the reversal of unrealized gain (loss) at the time an investment is realized.

**Interest Income**

Interest income is recognized when earned. For debt securities representing non-investment grade beneficial interests in securitizations, the effective yield is determined based on the estimated cash flows of the security. Changes in the effective yield of these securities due to changes in estimated cash flows are recognized on a prospective basis as adjustments to interest income in future periods. Interest income earned by the Partnership is included in interest and other income in the accompanying unaudited condensed consolidated statements of operations. Interest income of the Consolidated Funds was \$43.7 million and \$52.0 million for the three months ended June 30, 2019 and 2018, respectively, \$94.7 million and \$98.0 million for the six months ended June 30, 2019 and 2018, respectively, and is included in interest and other income of Consolidated Funds in the accompanying unaudited condensed consolidated statements of operations.

**Compensation and Benefits**

*Cash-based Compensation and Benefits* – Cash-based compensation and benefits includes salaries, bonuses (discretionary awards and guaranteed amounts), performance payment arrangements and benefits paid and payable to Carlyle employees. Bonuses are accrued over the service period to which they relate.

*Equity-Based Compensation* – Compensation expense relating to the issuance of equity-based awards to Carlyle employees is measured at fair value on the grant date. In June 2018, the Partnership adopted ASU 2018-7, *Improvements to Nonemployee Share-Based Payment Accounting*, which aligned the accounting for non-employee equity-based awards with the accounting for employee equity-based awards, retroactive to January 1, 2018. The compensation expense for awards that vest over a future service period is recognized over the relevant service period on a straight-line basis. The compensation expense for awards that do not require future service is recognized immediately. Cash settled equity-based awards are classified as liabilities and are re-measured at the end of each reporting period. The compensation expense for awards that contain performance conditions is recognized when it is probable that the performance conditions will be achieved; in certain instances, such compensation expense may be recognized prior to the grant date of the award. The compensation expense for awards that contain market conditions is based on a grant-date fair value that factors in the probability that the market conditions will be achieved and is recognized over the requisite service period on a straight-line basis.

Equity-based awards issued to non-employees are generally recognized as general, administrative and other expenses, except to the extent they are recognized as part of the Partnership's equity method earnings because they are issued to employees of equity method investees.

The Partnership recognizes equity-based award forfeitures in the period they occur as a reversal of previously recognized compensation expense. The reduction in compensation expense is determined based on the specific awards forfeited during that period. Furthermore, the Partnership recognizes all excess tax benefits and deficiencies as income tax benefit or expense in the unaudited condensed consolidated statement of operations.

*Performance Allocations and Incentive Fee Related Compensation* – A portion of the performance allocations and incentive fees earned is due to employees and advisors of the Partnership. These amounts are accounted for as compensation expense in conjunction with the recognition of the related performance allocations and incentive fee revenue and, until paid, are recognized as a component of the accrued compensation and benefits liability. Accordingly, upon a reversal of performance allocations or incentive fee revenue, the related compensation expense, if any, is also reversed. As of June 30, 2019 and December 31, 2018, the Partnership had recorded a liability of \$2.0 billion and \$1.8 billion, respectively, related to the portion of accrued performance allocations and incentive fees due to employees and advisors, respectively, which was included in accrued compensation and benefits in the accompanying unaudited condensed consolidated balance sheets.

**Income Taxes**

Certain of the wholly-owned subsidiaries of the Partnership and the Carlyle Holdings partnerships are subject to federal, state, local and foreign corporate income taxes at the entity level and the related tax provision attributable to the Partnership's share of this income is reflected in the unaudited condensed consolidated financial statements. Based on applicable federal,

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foreign, state and local tax laws, the Partnership records a provision for income taxes for certain entities. Tax positions taken by the Partnership are subject to periodic audit by U.S. federal, state, local and foreign taxing authorities.

The Partnership accounts for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement reporting and the tax basis of assets and liabilities using enacted tax rates in effect for the period in which the difference is expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period of the change in the provision for income taxes. Further, deferred tax assets are recognized for the expected realization of available net operating loss and tax credit carry forwards. A valuation allowance is recorded on the Partnership's gross deferred tax assets when it is "more likely than not" that such asset will not be realized. When evaluating the realizability of the Partnership's deferred tax assets, all evidence, both positive and negative, is evaluated. Items considered in this analysis include the ability to carry back losses, the reversal of temporary differences, tax planning strategies, and expectations of future earnings.

Under U.S. GAAP for income taxes, the amount of tax benefit to be recognized is the amount of benefit that is "more likely than not" to be sustained upon examination. The Partnership analyzes its tax filing positions in all of the U.S. federal, state, local and foreign tax jurisdictions where it is required to file income tax returns, as well as for all open tax years in these jurisdictions. If, based on this analysis, the Partnership determines that uncertainties in tax positions exist, a liability is established, which is included in accounts payable, accrued expenses and other liabilities in the unaudited condensed consolidated financial statements. The Partnership recognizes accrued interest and penalties related to unrecognized tax positions in the provision for income taxes. If recognized, the entire amount of unrecognized tax positions would be recorded as a reduction in the provision for income taxes.

**Tax Receivable Agreement**

Exchanges of Carlyle Holdings partnership units for the Partnership's common units that are executed by the limited partners of the Carlyle Holdings partnerships result in transfers of and increases in the tax basis of the tangible and intangible assets of Carlyle Holdings, primarily attributable to a portion of the goodwill inherent in the business. These transfers and increases in tax basis will increase (for tax purposes) depreciation and amortization and therefore reduce the amount of tax that certain of the Partnership's subsidiaries, including Carlyle Holdings I GP Inc., which are referred to as the "corporate taxpayers," 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. The Partnership has entered into a tax receivable agreement with the limited partners of the Carlyle Holdings partnerships whereby the corporate taxpayers have agreed to pay to the limited partners of the Carlyle Holdings partnerships involved in any exchange transaction 85% of the amount of cash tax savings, if any, in U.S. federal, state and local income tax or foreign or franchise tax that the corporate taxpayers realize as a result of these increases in tax basis and, in limited cases, transfers or prior increases in tax basis. The corporate taxpayers expect to benefit from the remaining 15% of cash tax savings, if any, in income tax they realize. Payments under the tax receivable agreement will be based on the tax reporting positions that the Partnership will determine. The corporate taxpayers will not be reimbursed for any payments previously made under the tax receivable agreement if a tax basis increase is successfully challenged by the Internal Revenue Service.

The Partnership records an increase in deferred tax assets for the estimated income tax effects of the increases in tax basis based on enacted federal and state tax rates at the date of the exchange. To the extent that the Partnership estimates that the corporate taxpayers will not realize the full benefit represented by the deferred tax asset, based on an analysis that will consider, among other things, its expectation of future earnings, the Partnership will reduce the deferred tax asset with a valuation allowance and will assess the probability that the related liability owed under the tax receivable agreement will be paid. The Partnership records 85% of the estimated realizable tax benefit (which is the recorded deferred tax asset less any recorded valuation allowance) as an increase to the liability due under the tax receivable agreement, which is included in due to affiliates in the accompanying condensed consolidated financial statements. The remaining 15% of the estimated realizable tax benefit is initially recorded as an increase to the Partnership's partners' capital.

All of the effects to the deferred tax asset of changes in any of the Partnership's estimates after the tax year of the exchange will be reflected in the provision for income taxes. Similarly, the effect of subsequent changes in the enacted tax rates will be reflected in the provision for income taxes.

See Note 15 for changes to the tax receivable agreement subsequent to June 30, 2019.

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**Non-controlling Interests**

Non-controlling interests in consolidated entities represent the component of equity in consolidated entities held by third-party investors. These interests are adjusted for general partner allocations which occur during the reporting period. Any change in ownership of a subsidiary while the controlling financial interest is retained is accounted for as an equity transaction between the controlling and non-controlling interests. Transaction costs incurred in connection with such changes in ownership of a subsidiary are recorded as a direct charge to partners' capital.

Non-controlling interests in Carlyle Holdings relate to the ownership interests of the other limited partners of the Carlyle Holdings partnerships. The Partnership, through wholly-owned subsidiaries, is the sole general partner of Carlyle Holdings. Accordingly, the Partnership consolidates Carlyle Holdings into its consolidated financial statements, and the other ownership interests in Carlyle Holdings are reflected as non-controlling interests in the Partnership's unaudited condensed consolidated financial statements. Any change to the Partnership's ownership interest in Carlyle Holdings while it retains the controlling financial interest in Carlyle Holdings is accounted for as a transaction within partners' capital as a reallocation of ownership interests in Carlyle Holdings.

**Earnings Per Common Unit**

The Partnership computes earnings per common unit in accordance with ASC 260, *Earnings Per Share* ("ASC 260"). Basic earnings per common unit is calculated by dividing net income (loss) attributable to the common units of the Partnership by the weighted-average number of common units outstanding for the period. Diluted earnings per common unit reflects the assumed conversion of all dilutive securities. Net income (loss) attributable to the common units excludes net income (loss) and dividends attributable to any participating securities under the two-class method of ASC 260.

**Investments**

Investments include (i) the Partnership's ownership interests (typically general partner interests) in the Funds, (ii) strategic investments made by the Partnership (both of which are accounted for as equity method investments), (iii) the investments held by the Consolidated Funds (which are presented at fair value in the Partnership's unaudited condensed consolidated financial statements), and (iv) certain credit-oriented investments, including investments in the CLOs (which are accounted for as trading securities).

The valuation procedures utilized for investments of the Funds vary depending on the nature of the investment. The fair value of investments in publicly-traded securities is based on the closing price of the security with adjustments to reflect appropriate discounts if the securities are subject to restrictions.

The fair value of non-equity securities or other investments, which may include instruments that are not listed on an exchange, considers, among other factors, external pricing sources, such as dealer quotes or independent pricing services, recent trading activity or other information that, in the opinion of the Partnership, may not have been reflected in pricing obtained from external sources.

When valuing private securities or assets without readily determinable market prices, the Partnership gives consideration to operating results, financial condition, economic and/or market events, recent sales prices and other pertinent information. These valuation procedures may vary by investment, but include such techniques as comparable public market valuation, comparable acquisition valuation and discounted cash flow analysis. Because of the inherent uncertainty, these estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and it is reasonably possible that the difference could be material. Furthermore, there is no assurance that, upon liquidation, the Partnership will realize the values presented herein.

Upon the sale of a security or other investment, the realized net gain or loss is computed on a weighted average cost basis, with the exception of the investments held by the CLOs, which compute the realized net gain or loss on a first in, first out basis. Securities transactions are recorded on a trade date basis.

*Principal Equity Method Investments*

The Partnership accounts for all investments in which it has or is otherwise presumed to have significant influence, including investments in the unconsolidated Funds and strategic investments, using the equity method of accounting. The carrying value of equity method investments is determined based on amounts invested by the Partnership, adjusted for the equity in earnings or losses of the investee (including performance allocations) allocated based on the respective partnership agreement, less distributions received. The Partnership evaluates its equity method investments for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable.

### Cash and Cash Equivalents

Cash and cash equivalents include cash held at banks and cash held for distributions, including investments with original maturities of less than three months when purchased.

### Cash and Cash Equivalents Held at Consolidated Funds

Cash and cash equivalents held at Consolidated Funds consists of cash and cash equivalents held by the Consolidated Funds, which, although not legally restricted, is not available to fund the general liquidity needs of the Partnership.

### Restricted Cash

Restricted cash primarily represents cash held by the Partnership's foreign subsidiaries due to certain government regulatory capital requirements as well as certain amounts held on behalf of Carlyle funds.

### Corporate Treasury Investments

Corporate treasury investments represent investments in U.S. Treasury and government agency obligations, commercial paper, certificates of deposit, other investment grade securities and other investments with original maturities of greater than three months when purchased. These investments are accounted for as trading securities in which changes in the fair value of each investment are recorded through investment income (loss). Any interest earned on debt investments is recorded through interest and other income.

### Derivative Instruments

The Partnership uses derivative instruments primarily to reduce its exposure to changes in foreign currency exchange rates. Derivative instruments are recognized at fair value in the unaudited condensed consolidated balance sheets with changes in fair value recognized in the unaudited condensed consolidated statements of operations for all derivatives not designated as hedging instruments.

### Securities Sold Under Agreements to Repurchase

As it relates to certain European CLOs sponsored by the Partnership, securities sold under agreements to repurchase ("repurchase agreements") are accounted for as collateralized financing transactions. The Partnership provides securities to counterparties to collateralize amounts borrowed under repurchase agreements on terms that permit the counterparties to repledge or resell the securities to others. As of June 30, 2019, \$21.1 million of securities were transferred to counterparties under repurchase agreements and are included within investments in the condensed consolidated balance sheets. Cash received under repurchase agreements is recognized as a liability within debt obligations in the condensed consolidated balance sheets. Interest expense is recognized on an effective yield basis and is included within interest expense in the condensed consolidated statements of operations. See Note 5 for additional information.

### Fixed Assets

Fixed assets consist of furniture, fixtures and equipment, leasehold improvements, and computer hardware and software and are stated at cost, less accumulated depreciation and amortization. Depreciation is recognized on a straight-line method over the assets' estimated useful lives, which for leasehold improvements are the lesser of the lease terms or the life of the asset, and three to seven years for other fixed assets. Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

### Leases

On January 1, 2019, the Partnership adopted ASU 2016-2, *Leases (Topic 842)* under the modified retrospective method. ASU 2016-2, and related amendments, requires lessees to recognize virtually all of their leases on the balance sheet by recording right-of-use assets and lease liabilities. The lease liability is measured at the present value of lease payments and the right-of-use asset is based on the lease liability value, subject to adjustments for deferred rent, lease incentives, unamortized initial direct costs, or impairment. As of December 31, 2018, there was \$65.2 million of deferred rent and lease incentives that was reclassified from accounts payable, accrued expenses and other liabilities into right-of-use assets upon the adoption of ASU 2016-2. Leases can be classified as either operating leases or finance leases. Operating leases will result in straight-line lease expense, while finance leases will result in front-loaded expense. The adoption of this guidance did not have a material impact on operating results. The Partnership elected the transition option provided by the FASB, which allows entities to not apply

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ASC 842 in the comparative periods presented in the financial statements in the year of adoption. The Partnership also elected to use the practical expedients available under the transition provisions under which the Partnership did not need to reassess whether an arrangement is or contains a lease, lease classification, and the accounting for initial direct costs.

The Partnership recognizes a lease liability and right-of-use asset in the condensed consolidated balance sheet for contracts that it determines are leases or contain a lease. The Partnership's leases primarily consist of operating leases for office space in various countries around the world. The Partnership also has operating leases for office equipment and vehicles, which are not significant. The Partnership does not separate non-lease components from lease components for its office space and equipment operating leases and instead accounts for each separate lease component and its associated non-lease component as a single lease component. Right-of-use assets represent the Partnership's right to use an underlying asset for the lease term and lease liabilities represent the Partnership's obligation to make lease payments arising from the leases. The Partnership's right-of-use assets and lease liabilities are recognized at lease commencement based on the present value of lease payments over the lease term. Lease right-of-use assets include initial direct costs incurred by the Partnership and are presented net of deferred rent and lease incentives. Absent an implicit interest rate in the lease, the Partnership uses its incremental borrowing rate, adjusted for the effects of collateralization, based on the information available at commencement in determining the present value of lease payments. The Partnership's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Partnership will exercise those options. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Partnership does not recognize a lease liability or right-of-use asset on the balance sheet for short-term leases. Instead, the Partnership recognizes short-term lease payments as an expense on a straight-line basis over the lease term. A short-term lease is defined as a lease that, at the commencement date, has a lease term of 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise. When determining whether a lease qualifies as a short-term lease, the Partnership evaluates the lease term and the purchase option in the same manner as all other leases.

**Intangible Assets and Goodwill**

The Partnership's intangible assets consist of acquired contractual rights to earn future fee income, including management and advisory fees, customer relationships, and acquired trademarks. Finite-lived intangible assets are amortized over their estimated useful lives, which range from four to ten years, and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Intangible asset amortization expense was \$3.9 million and \$2.6 million during the three months ended June 30, 2019 and 2018, respectively, and \$7.7 million and \$5.3 million during the six months ended June 30, 2019 and 2018, respectively, and is included in general, administrative, and other expenses in the unaudited condensed consolidated statements of operations.

Goodwill represents the excess of cost over the identifiable net assets of businesses acquired and is recorded in the functional currency of the acquired entity. Goodwill is recognized as an asset and is reviewed for impairment annually as of October 1st and between annual tests when events and circumstances indicate that impairment may have occurred.

**Deferred Revenue**

Deferred revenue represents management fees and other revenue received prior to the balance sheet date, which has not yet been earned. The decrease in the deferred revenue balance for the six months ended June 30, 2019 was primarily driven by revenues recognized that were included in the deferred revenue balance at the beginning of the period.

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**Accumulated Other Comprehensive Income (Loss)**

The Partnership's accumulated other comprehensive income (loss) is comprised of foreign currency translation adjustments and gains and losses on defined benefit plans sponsored by AlpInvest. The components of accumulated other comprehensive income (loss) as of June 30, 2019 and December 31, 2018 were as follows:

	As of	
	June 30, 2019	December 31, 2018
	(Dollars in millions)	
Currency translation adjustments	\$ (79.0)	\$ (79.7)
Unrealized losses on defined benefit plans	(3.8)	(4.6)
Fortitude Re available-for-sale securities	5.0	1.0
Total	\$ (77.8)	\$ (83.3)

**Foreign Currency Translation**

Non-U.S. dollar denominated assets and liabilities are translated at period-end rates of exchange, and the unaudited condensed consolidated statements of operations are translated at rates of exchange in effect throughout the period. Foreign currency gains (losses) resulting from transactions outside of the functional currency of an entity of \$7.0 million and \$5.1 million for the three months ended June 30, 2019 and 2018, respectively, and \$(5.7) million and \$(1.6) million for the six months ended June 30, 2019 and 2018, respectively, are included in general, administrative and other expenses in the unaudited condensed consolidated statements of operations.

**Recent Accounting Pronouncements**

In August 2018, the SEC adopted amendments to certain disclosure requirements in Securities Act Release No. 33-10532, *Disclosure Update and Simplification*. The amendments became effective on November 5, 2018. Among the amendments is the requirement to present the changes in shareholders' equity in the interim financial statements (either in a separate statement or footnote) in quarterly reports on Form 10-Q. The Partnership included a separate statement of changes in partners' capital in these condensed consolidated financial statements.

[Recently Issued Accounting Standards Adopted as of January 1, 2019](#)

In February 2018, the FASB issued ASU 2018-2, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. ASU 2018-2 allows a reclassification from accumulated other comprehensive income to partners' capital for stranded effects resulting from the Tax Cuts and Jobs Act. The guidance was effective for the Partnership on January 1, 2019 and the Partnership adopted this guidance on that date. The impact of this guidance was not material to the Partnership.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815) - Targeted Improvements to Accounting for Hedging Activities*. ASU 2017-12, among other things, permits hedge accounting for risk components in hedging relationships to now involve nonfinancial risk components and requires an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedge item is reported. The guidance was effective for the Partnership on January 1, 2019 and requires cash flow hedges and net investment hedges existing at the date of adoption to apply a cumulative effect adjustment to eliminate the measurement of ineffectiveness to accumulated other comprehensive income with a corresponding adjustment to the opening balance of partners' capital as of the beginning of the fiscal year that an entity adopts the guidance. The amended presentation and disclosure guidance is required only prospectively. The Partnership adopted this guidance on January 1, 2019 and the impact was not material.

[Recently Issued Accounting Standards Effective on January 1, 2020](#)

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) - Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 eliminates, adds and modifies certain disclosure requirements for fair value measurements. This guidance is effective for the Partnership on January 1, 2020 and early adoption is permitted. The Partnership is currently assessing the potential impact of this guidance to the fair value disclosures.

In January 2017, the FASB issued ASU 2017-4, *Intangibles - Goodwill and Other (Topic 350) - Simplifying the Test for Goodwill Impairment*. ASU 2017-04 simplifies an entity's annual goodwill test for impairment by eliminating the requirement to calculate the implied fair value of goodwill, and instead an entity should compare the fair value of a reporting unit with its carrying amount. The impairment charge will then be the amount by which the carrying amount exceeds the reporting unit's

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fair value. An entity would still have the option to perform a qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The guidance is effective for the Partnership on January 1, 2020 and requires the guidance to be applied using a prospective transition method. Early adoption is permitted. The Partnership does not expect the impact of this guidance to be material.

In June 2016, the FASB issued ASU 2016-13, *Accounting for Financial Instruments - Credit Losses (Topic 326)*. ASU 2016-13 requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Currently, GAAP requires an “incurred loss” methodology that delays recognition until it is probable a loss has been incurred. Under the new standard, the allowance for credit losses must be deducted from the amortized cost of the financial asset to present the net amount expected to be collected. The income statement will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This provision of the guidance requires a modified retrospective transition method and will result in a cumulative-effect adjustment in retained earnings upon adoption. This guidance is effective for the Partnership on January 1, 2020 and early adoption is permitted. The Partnership is currently assessing the potential impact of this guidance.

### **3. Fair Value Measurement**

The fair value measurement accounting guidance establishes a hierarchical disclosure framework which ranks the observability of market price inputs used in measuring financial instruments at fair value. The observability of inputs is impacted by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices, or for which fair value can be measured from quoted prices in active markets, will generally have a higher degree of market price observability and a lesser degree of judgment applied in determining fair value.

Financial instruments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination of fair values, as follows:

*Level I* – inputs to the valuation methodology are quoted prices available in active markets for identical instruments as of the reporting date. The types of financial instruments in this category include unrestricted securities, such as equities and derivatives, listed in active markets. The Partnership does not adjust the quoted price for these instruments, even in situations where the Partnership holds a large position and a sale could reasonably impact the quoted price.

*Level II* – inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date. The types of financial instruments in this category include less liquid and restricted securities listed in active markets, securities traded in other than active markets, government and agency securities, and certain over-the-counter derivatives where the fair value is based on observable inputs.

*Level III* – inputs to the valuation methodology are unobservable and significant to overall fair value measurement. The inputs into the determination of fair value require significant management judgment or estimation. The types of financial instruments in this category include investments in privately-held entities, non-investment grade residual interests in securitizations, collateralized loan obligations, and certain over-the-counter derivatives where fair value is based on unobservable inputs.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given financial instrument is based on the lowest level of input that is significant to the fair value measurement. The Partnership’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

In certain cases, debt and equity securities are valued on the basis of prices from an orderly transaction between market participants provided by reputable dealers or pricing services. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrices, market transactions in comparable investments and various relationships between investments.

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The following table summarizes the Partnership's assets and liabilities measured at fair value on a recurring basis by the above fair value hierarchy levels as of June 30, 2019:

<b>(Dollars in millions)</b>	Level I	Level II	Level III	Total
<b>Assets</b>				
Investments of Consolidated Funds:				
Equity securities	\$ —	\$ —	\$ 2.6	\$ 2.6
Bonds	—	—	632.0	632.0
Loans	—	—	4,125.0	4,125.0
	—	—	4,759.6	4,759.6
Investments in CLOs and other	—	—	477.3	477.3
Foreign currency forward contracts	—	1.3	—	1.3
Total	<u>\$ —</u>	<u>\$ 1.3</u>	<u>\$ 5,236.9</u>	<u>\$ 5,238.2</u>
<b>Liabilities</b>				
Loans payable of Consolidated Funds <sup>(1)</sup>	\$ —	\$ —	\$ 4,506.3	\$ 4,506.3
Foreign currency forward contracts	—	2.8	—	2.8
Total	<u>\$ —</u>	<u>\$ 2.8</u>	<u>\$ 4,506.3</u>	<u>\$ 4,509.1</u>

(1) Senior and subordinated notes issued by CLO vehicles are valued based on the more observable fair value of the CLO financial assets, less (i) the fair value of any beneficial interests held by the Partnership and (ii) the carrying value of any beneficial interests that represent compensation for services.

The following table summarizes the Partnership's assets and liabilities measured at fair value on a recurring basis by the above fair value hierarchy levels as of December 31, 2018:

<b>(Dollars in millions)</b>	Level I	Level II	Level III	Total
<b>Assets</b>				
Investments of Consolidated Funds:				
Bonds	\$ —	\$ —	\$ 690.1	\$ 690.1
Loans	—	—	4,596.5	4,596.5
	—	—	5,286.6	5,286.6
Investments in CLOs and other	—	—	446.4	446.4
Corporate treasury investments				
Bonds	—	29.2	—	29.2
Commercial paper and other	—	22.5	—	22.5
Total	<u>\$ —</u>	<u>\$ 51.7</u>	<u>\$ 5,733.0</u>	<u>\$ 5,784.7</u>
<b>Liabilities</b>				
Loans payable of Consolidated Funds <sup>(1)</sup>	\$ —	\$ —	\$ 4,840.1	\$ 4,840.1
Foreign currency forward contracts	—	1.4	—	1.4
Total	<u>\$ —</u>	<u>\$ 1.4</u>	<u>\$ 4,840.1</u>	<u>\$ 4,841.5</u>

(1) Senior and subordinated notes issued by CLO vehicles are valued based on the more observable fair value of the CLO financial assets, less (i) the fair value of any beneficial interests held by the Partnership and (ii) the carrying value of any beneficial interests that represent compensation for services.

There were no transfers from Level II to Level I during the six months ended June 30, 2019 and 2018.

Investment professionals with responsibility for the underlying investments are responsible for preparing the investment valuations pursuant to the policies, methodologies and templates prepared by the Partnership's valuation group, which is a team made up of dedicated valuation professionals reporting to the Partnership's chief accounting officer. The valuation group is responsible for maintaining the Partnership's valuation policy and related guidance, templates and systems that are designed to be consistent with the guidance found in ASC 820, *Fair Value Measurement*. These valuations, inputs and preliminary conclusions are reviewed by the fund accounting teams. The valuations are then reviewed and approved by the respective fund valuation

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subcommittees, which include the respective fund head(s), segment head, chief financial officer and chief accounting officer, as well as members of the valuation group. The valuation group compiles the aggregate results and significant matters and presents them for review and approval by the global valuation committee, which includes the Partnership's co-executive chairmen of the board, chairman emeritus, co-chief executive officers, chief risk officer, chief financial officer, chief accounting officer, co-chief investment officers and the business segment heads, and observed by the chief compliance officer, the director of internal audit, the Partnership's audit committee and others. Additionally, each quarter a sample of valuations is reviewed by external valuation firms.

In the absence of observable market prices, the Partnership values its investments using valuation methodologies applied on a consistent basis. For some investments little market activity may exist. Management's determination of fair value is then based on the best information available in the circumstances and may incorporate management's own assumptions and involve a significant degree of judgment, taking into consideration a combination of internal and external factors, including the appropriate risk adjustments for non-performance and liquidity risks. Investments for which market prices are not observable include private investments in the equity of operating companies and real estate properties, and certain debt positions. The valuation technique for each of these investments is described below:

*Private Equity and Real Estate Investments* – The fair values of private equity investments are determined by reference to projected net earnings, earnings before interest, taxes, depreciation and amortization ("EBITDA"), the discounted cash flow method, public market or private transactions, valuations for comparable companies or sales of comparable assets, and other measures which, in many cases, are unaudited at the time received. The methods used to estimate the fair value of real estate investments include the discounted cash flow method and/or capitalization rate ("cap rate") analysis. Valuations may be derived by reference to observable valuation measures for comparable companies or transactions (e.g., applying a key performance metric of the investment such as EBITDA or net operating income to a relevant valuation multiple or cap rate observed in the range of comparable companies or transactions), adjusted by management for differences between the investment and the referenced comparables, and in some instances by reference to option pricing models or other similar models. Adjustments to observable valuation measures are frequently made upon the initial investment to calibrate the initial investment valuation to industry observable inputs. Such adjustments are made to align the investment to observable industry inputs for differences in size, profitability, projected growth rates, geography and capital structure if applicable. The adjustments are reviewed with each subsequent valuation to assess how the investment has evolved relative to the observable inputs. Additionally, the investment may be subject to certain specific risks and/or development milestones which are also taken into account in the valuation assessment. Option pricing models and similar tools do not currently drive a significant portion of private equity or real estate valuations and are used primarily to value warrants, derivatives, certain restrictions and other atypical investment instruments.

*Credit-Oriented Investments* – The fair values of credit-oriented investments (including corporate treasury investments) are generally determined on the basis of prices between market participants provided by reputable dealers or pricing services. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrices, market transactions in comparable investments and various relationships between investments. Specifically, for investments in distressed debt and corporate loans and bonds, the fair values are generally determined by valuations of comparable investments. In some instances, the Partnership may utilize other valuation techniques, including the discounted cash flow method.

*CLO Investments and CLO Loans Payable* – The Partnership measures the financial liabilities of its consolidated CLOs based on the fair value of the financial assets of its consolidated CLOs, as the Partnership believes the fair value of the financial assets are more observable. The fair values of the CLO loan and bond assets are primarily based on quotations from reputable dealers or relevant pricing services. In situations where valuation quotations are unavailable, the assets are valued based on similar securities, market index changes, and other factors. The Partnership performs certain procedures to ensure the reliability of the quotations from pricing services. Generally, the loan and bond assets of the CLOs are not publicly traded and are classified as Level III. The fair values of the CLO structured asset positions are determined based on both discounted cash flow analyses and third party quotes. Those analyses consider the position size, liquidity, current financial condition of the CLOs, the third party financing environment, reinvestment rates, recovery lags, discount rates and default forecasts and are compared to broker quotations from market makers and third party dealers.

The Partnership measures the CLO loans payable held by third party beneficial interest holders on the basis of the fair value of the financial assets of the CLO and the beneficial interests held by the Partnership. The Partnership continues to measure the CLO loans payable that it holds at fair value based on both discounted cash flow analyses and third-party quotes, as described above.

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**Fund Investments** – The Partnership's investments in external funds are valued based on its proportionate share of the net assets provided by the third party general partners of the underlying fund partnerships based on the most recent available information which typically has a lag of up to 90 days. The terms of the investments generally preclude the ability to redeem the investment. Distributions from these investments will be received as the underlying assets in the funds are liquidated, the timing of which cannot be readily determined.

The changes in financial instruments measured at fair value for which the Partnership has used Level III inputs to determine fair value are as follows (Dollars in millions):

	Financial Assets						
	Three Months Ended June 30, 2019						
	Investments of Consolidated Funds			Investments in CLOs and other			
	Equity securities	Bonds	Loans				Total
Balance, beginning of period	\$ —	\$ 653.4	\$ 3,377.6	\$ 472.3			\$ 4,503.3
Consolidation of funds <sup>(1)</sup>	—	—	588.9	(4.4)			584.5
Purchases	1.8	74.8	440.2	4.4			521.2
Sales and distributions	—	(109.8)	(183.9)	(4.6)			(298.3)
Settlements	—	—	(140.3)	—			(140.3)
Realized and unrealized gains (losses), net							
Included in earnings	0.8	5.7	0.3	13.8			20.6
Included in other comprehensive income	—	7.9	42.2	(4.2)			45.9
Balance, end of period	\$ 2.6	\$ 632.0	\$ 4,125.0	\$ 477.3			\$ 5,236.9
Changes in unrealized gains (losses) included in earnings related to financial assets still held at the reporting date	\$ 0.8	\$ 3.1	\$ (4.2)	\$ 13.8			\$ 13.5

	Financial Assets						
	Six Months Ended June 30, 2019						
	Investments of Consolidated Funds			Investments in CLOs and other			
	Equity securities	Bonds	Loans				Total
Balance, beginning of period	\$ —	\$ 690.1	\$ 4,596.5	\$ 446.4			\$ 5,733.0
Deconsolidation/consolidation of funds <sup>(1)</sup>	—	—	(294.8)	(2.7)			(297.5)
Purchases	1.8	144.3	681.1	34.1			861.3
Sales and distributions	—	(210.1)	(552.1)	(8.6)			(770.8)
Settlements	—	—	(270.6)	—			(270.6)
Realized and unrealized gains (losses), net							
Included in earnings	0.8	13.3	(5.5)	9.7			18.3
Included in other comprehensive income	—	(5.6)	(29.6)	(1.6)			(36.8)
Balance, end of period	\$ 2.6	\$ 632.0	\$ 4,125.0	\$ 477.3			\$ 5,236.9
Changes in unrealized gains (losses) included in earnings related to financial assets still held at the reporting date	\$ 0.8	\$ 9.6	\$ (16.7)	\$ 9.7			\$ 3.4

(1) As a result of the consolidation of one CLO during the three months ended June 30, 2019, the investment that the Partnership held in that CLO is now eliminated in consolidation and no longer included in investments in CLOs and other. As a result of the deconsolidation of two CLOs during the six months ended June 30, 2019, the investments that the Partnership held in those CLOs are no longer eliminated in consolidation and are now included in investments in CLOs and other.

**The Carlyle Group L.P.**

**Notes to the Condensed Consolidated Financial Statements  
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**Financial Assets**

**Three Months Ended June 30, 2018**

	<b>Investments of Consolidated Funds</b>							
	<b>Equity securities</b>	<b>Bonds</b>	<b>Loans</b>	<b>Other</b>		<b>Investments in CLOs and other</b>		<b>Total</b>
Balance, beginning of period	\$ 10.8	\$ 486.2	\$ 4,498.6	\$ 0.3		\$ 454.3	\$ 5,450.2	
Purchases	—	262.5	963.3	—		—	—	1,225.8
Sales and distributions	—	(72.0)	(457.8)	(0.4)		(3.5)	(533.7)	
Settlements	—	—	(201.0)	—		—	—	(201.0)
Realized and unrealized gains (losses), net								
Included in earnings	0.7	(11.0)	(15.8)	0.1		3.7	(22.3)	
Included in other comprehensive income	(0.4)	(25.6)	(190.2)	—		(7.8)	(224.0)	
Balance, end of period	\$ 11.1	\$ 640.1	\$ 4,597.1	\$ —		\$ 446.7	\$ 5,695.0	
Changes in unrealized gains (losses) included in earnings related to financial assets still held at the reporting date	\$ 0.7	\$ (14.1)	\$ (10.6)	\$ —		\$ 3.6	\$ (20.4)	

**Financial Assets**

**Six Months Ended June 30, 2018**

	<b>Investments of Consolidated Funds</b>							
	<b>Equity securities</b>	<b>Bonds</b>	<b>Loans</b>	<b>Other</b>		<b>Investments in CLOs and other</b>		<b>Total</b>
Balance, beginning of period	\$ 7.9	\$ 413.4	\$ 4,112.7	\$ 0.3		\$ 405.4	\$ 4,939.7	
Purchases	—	387.0	1,750.0	—		45.0	2,182.0	
Sales and distributions	—	(127.4)	(697.6)	(0.4)		(6.5)	(831.9)	
Settlements	—	—	(435.8)	—		—	(435.8)	
Realized and unrealized gains (losses), net								
Included in earnings	3.4	(17.8)	(24.2)	0.1		5.8	(32.7)	
Included in other comprehensive income	(0.2)	(15.1)	(108.0)	—		(3.0)	(126.3)	
Balance, end of period	\$ 11.1	\$ 640.1	\$ 4,597.1	\$ —		\$ 446.7	\$ 5,695.0	
Changes in unrealized gains (losses) included in earnings related to financial assets still held at the reporting date	\$ 3.4	\$ (18.4)	\$ (12.1)	\$ —		\$ 5.8	\$ (21.3)	

**The Carlyle Group L.P.**

**Notes to the Condensed Consolidated Financial Statements  
(Unaudited)**

<b>Financial Liabilities</b>			
<b>Loans Payable of Consolidated Funds</b>			
<b>Three Months Ended June 30,</b>			
	<b>2019</b>	<b>2018</b>	
Balance, beginning of period	\$ 3,750.0	\$ 4,554.5	
Consolidation of funds	584.7	—	
Borrowings	118.1	1,264.1	
Paydowns	(1.3)	(750.2)	
Realized and unrealized (gains) losses, net			
Included in earnings	19.9	(38.9)	
Included in other comprehensive income	34.9	(194.4)	
Balance, end of period	<u>\$ 4,506.3</u>	<u>\$ 4,835.1</u>	
Changes in unrealized (gains) losses included in earnings related to financial liabilities still held at the reporting date	<u>\$ 7.8</u>	<u>\$ (41.0)</u>	

<b>Financial Liabilities</b>			
<b>Loans Payable of Consolidated Funds</b>			
<b>Six Months Ended June 30,</b>			
	<b>2019</b>	<b>2018</b>	
Balance, beginning of period	\$ 4,840.1	\$ 4,303.8	
Deconsolidation/consolidation of funds	(285.9)	—	
Borrowings	260.5	2,015.5	
Paydowns	(300.8)	(1,321.0)	
Realized and unrealized (gains) losses, net			
Included in earnings	35.1	(56.4)	
Included in other comprehensive income	(42.7)	(106.8)	
Balance, end of period	<u>\$ 4,506.3</u>	<u>\$ 4,835.1</u>	
Changes in unrealized (gains) losses included in earnings related to financial liabilities still held at the reporting date	<u>\$ 1.2</u>	<u>\$ (63.2)</u>	

Realized and unrealized gains and losses included in earnings for Level III investments for investments in CLOs and other investments are included in investment income (loss), and such gains and losses for investments of Consolidated Funds and loans payable of Consolidated Funds are included in net investment gains (losses) of Consolidated Funds in the unaudited condensed consolidated statements of operations.

Gains and losses included in other comprehensive income for all Level III financial asset and liabilities are included in accumulated other comprehensive loss, non-controlling interests in consolidated entities and non-controlling interests in Carlyle Holdings in the unaudited condensed consolidated balance sheets.

**The Carlyle Group L.P.**

**Notes to the Condensed Consolidated Financial Statements  
(Unaudited)**

The following table summarizes quantitative information about the Partnership's Level III inputs as of June 30, 2019:

<i>(Dollars in millions)</i>	<b>Fair Value at June 30, 2019</b>		<b>Valuation Technique(s)</b>	<b>Unobservable Input(s)</b>	<b>Range (Weighted Average)</b>
<b>Assets</b>					
Investments of Consolidated Funds:					
Equity securities	\$ 2.6		Consensus Pricing	Indicative Quotes (\$ per share)	0.03 - 60.00 (0.07)
Bonds	632.0		Consensus Pricing	Indicative Quotes (% of Par)	78 - 106 (96)
Loans	<u>4,125.0</u>		Consensus Pricing	Indicative Quotes (% of Par)	46 - 102 (98)
	<b>4,759.6</b>				
Investments in CLOs and other:					
Senior secured notes	415.1		Discounted Cash Flow with Consensus Pricing	Discount Margins (Basis Points)	40 - 1,150 (180)
				Default Rates	1% - 3% (2%)
				Recovery Rates	45% - 75% (58%)
Subordinated notes and preferred shares	62.2		Discounted Cash Flow with Consensus Pricing	Indicative Quotes (% of Par)	87 - 101 (99)
				Discount Rates	10% - 13% (11%)
				Default Rates	1% - 3% (2%)
				Recovery Rates	45% - 75% (57%)
				Indicative Quotes (% of Par)	47 - 101 (71)
<b>Total</b>	<b><u>5,236.9</u></b>				
<b>Liabilities</b>					
Loans payable of Consolidated Funds:					
Senior secured notes	\$ 4,291.4		Other <sup>(1)</sup>	N/A	N/A
Subordinated notes and preferred shares	214.9		Discounted Cash Flow with Consensus Pricing	Discount Rates	10% - 13% (12%)
				Default Rates	1% - 3% (2%)
				Recovery Rates	45% - 75% (61%)
				Indicative Quotes (% of Par)	61 - 88 (74)
<b>Total</b>	<b><u>4,506.3</u></b>				

(1) Senior and subordinated notes issued by CLO vehicles are classified based on the more observable fair value of the CLO financial assets, less (i) the fair value of any beneficial interests held by the Partnership and (ii) the carrying value of any beneficial interests that represent compensation for services.

**The Carlyle Group L.P.**

**Notes to the Condensed Consolidated Financial Statements  
(Unaudited)**

The following table summarizes quantitative information about the Partnership's Level III inputs as of December 31, 2018:

<i>(Dollars in millions)</i>	<b>Fair Value at December 31, 2018</b>	<b>Valuation Technique(s)</b>	<b>Unobservable Input(s)</b>	<b>Range (Weighted Average)</b>
<b>Assets</b>				
Investments of Consolidated Funds:				
Bonds	\$ 690.1	Consensus Pricing	Indicative Quotes (% of Par)	50 - 104 (94)
Loans	4,596.5	Consensus Pricing	Indicative Quotes (% of Par)	73 - 102 (98)
	5,286.6			
Investments in CLOs and other				
Senior secured notes	392.8	Discounted Cash Flow with Consensus Pricing	Discount Margins (Basis Points) Default Rates Recovery Rates Indicative Quotes (% of Par)	70 - 1,100 (182) 1% - 3% (2%) 45% - 73% (57%) 86 - 101 (99)
Subordinated notes and preferred shares	53.6	Discounted Cash Flow with Consensus Pricing	Discount Rate Default Rates Recovery Rates Indicative Quotes (% of Par)	10% - 12% (11%) 1% - 3% (2%) 45% - 73% (56%) 45 - 106 (75)
Total	\$ 5,733.0			
<b>Liabilities</b>				
Loans payable of Consolidated Funds:				
Senior secured notes	\$ 4,607.2	Other <sup>(1)</sup>	N/A	N/A
Subordinated notes and preferred shares	232.9	Discounted Cash Flow with Consensus Pricing	Discount Rates Default Rates Recovery Rates Indicative Quotes (% of Par)	10% - 12% (11%) 1% - 3% (2%) 45% - 73% (60%) 68 - 94 (81)
Total	\$ 4,840.1			

(1) Senior and subordinated notes issued by CLO vehicles are classified based on the more observable fair value of the CLO financial assets, less (i) the fair value of any beneficial interests held by the Partnership and (ii) the carrying value of any beneficial interests that represent compensation for services.

The significant unobservable inputs used in the fair value measurement of the Partnership's investments in bonds and loans are indicative quotes. Significant decreases in indicative quotes in isolation would result in a significantly lower fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Partnership's investments in CLOs and other investments include discount margins, discount rates, default rates, recovery rates and indicative quotes. Significant decreases in recovery rates or indicative quotes in isolation would result in a significantly lower fair value measurement. Significant increases in discount margins, discount rates or default rates in isolation would result in a significantly lower fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Partnership's loans payable of Consolidated Funds are discount rates, default rates, recovery rates and indicative quotes. Significant increases in discount rates or default rates in isolation would result in a significantly lower fair value measurement. Significant decreases in recovery rates or indicative quotes in isolation would result in a significantly lower fair value measurement.

**The Carlyle Group L.P.**

**Notes to the Condensed Consolidated Financial Statements  
(Unaudited)**

**4. Investments**

Investments consist of the following:

	As of	
	June 30, 2019	December 31, 2018
	(Dollars in millions)	
Accrued performance allocations	\$ 3,907.1	\$ 3,480.0
Principal equity method investments, excluding performance allocations	2,311.4	1,765.8
Principal investments in CLOs and other	488.5	451.7
Total investments	<u>\$ 6,707.0</u>	<u>\$ 5,697.5</u>

**Accrued Performance Allocations**

The components of accrued performance allocations are as follows:

	As of	
	June 30, 2019	December 31, 2018
	(Dollars in millions)	
Corporate Private Equity	\$ 2,149.3	\$ 1,990.2
Real Assets	861.7	654.2
Global Credit	123.3	99.3
Investment Solutions	772.8	736.3
Total	<u>\$ 3,907.1</u>	<u>\$ 3,480.0</u>

Approximately 23% and 24% of accrued performance allocations at June 30, 2019 and December 31, 2018, respectively, are related to Carlyle Partners VI, L.P., one of the Partnership's Corporate Private Equity funds.

Accrued performance allocations are shown gross of the Partnership's accrued performance allocations and incentive fee-related compensation (see Note 6), and accrued giveback obligations, which are separately presented in the unaudited condensed consolidated balance sheets. The components of the accrued giveback obligations are as follows:

	As of	
	June 30, 2019	December 31, 2018
	(Dollars in millions)	
Corporate Private Equity	\$ (5.0)	\$ (5.0)
Real Assets	(58.2)	(58.2)
Total	<u>\$ (63.2)</u>	<u>\$ (63.2)</u>

**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**

**Principal Equity Method Investments, Excluding Performance Allocations**

The Partnership's principal equity method investments (excluding performance allocations) include its fund investments in Corporate Private Equity, Real Assets, Global Credit, and Investment Solutions, typically as general partner interests, and its strategic investments in Fortitude Re (included within Global Credit) and NGP (included within Real Assets), which are not consolidated. Principal investments are related to the following segments:

	<b>As of</b>	
	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	<b>(Dollars in millions)</b>	
Corporate Private Equity	\$ 394.2	\$ 374.7
Real Assets	730.5	770.0
Global Credit	1,092.2	545.0
Investment Solutions	94.5	76.1
Total	<b>\$ 2,311.4</b>	<b>\$ 1,765.8</b>

**Strategic Investment in Fortitude Re (f/k/a DSA Re)**

On November 13, 2018, the Partnership acquired a 19.9% interest in Fortitude Group Holdings, LLC ("Fortitude Holdings"), a wholly owned subsidiary of American International Group, Inc. ("AIG") ("the Transaction"). Fortitude Holdings owns 100% of the outstanding common shares of Fortitude Reinsurance Company Ltd., a Bermuda domiciled reinsurer ("Fortitude Re", f/k/a "DSA Re") established to reinsurance a portfolio of AIG's legacy life, annuity and property and casualty liabilities. Fortitude Re had approximately \$35 billion in reserves as of December 31, 2018.

Pursuant to the Membership Interest Purchase Agreement, the Partnership entered into a strategic asset management relationship with Fortitude Re pursuant to which Fortitude Re, together with certain AIG-affiliated ceding companies it has reinsured, committed to allocate assets in asset management strategies and vehicles of the Partnership and its affiliates. If Fortitude Re, together with AIG and its affiliates, fails to allocate an agreed upon amount of assets to the Partnership's asset management strategies and vehicles within 30 to 36 months of the closing of the transaction, the Partnership may be entitled to certain payments from AIG based on the commitment shortfall and assumed customary fee rates.

The Partnership paid \$381 million in cash at closing (the "Initial Purchase Price") and expects to pay up to \$95 million in additional deferred consideration following December 31, 2023. If Fortitude Re is unable to distribute a planned non-pro rata dividend to AIG within 18 months following closing, then the Initial Purchase Price may be adjusted upward by up to \$100 million to account for the increased value of Fortitude Re's equity. AIG also agreed to a post-closing purchase price adjustment pursuant to which AIG will pay affiliates of the Partnership in respect of certain adverse reserve development in Fortitude Re's property and casualty insurance business, based on an agreed methodology, that occur on or prior to December 31, 2023, up to the value of the Partnership's investment. The Partnership incurred approximately \$17.9 million in transaction costs, which are included in the carrying value of the investment.

In connection with the Transaction, the Partnership also entered into an operating agreement that governs its rights and obligations as an equity holder of Fortitude Re and entitles the Partnership to customary minority protections contingent upon the Partnership maintaining agreed upon ownership percentages of Fortitude Re.

The Partnership's investment is accounted for under the equity method of accounting and the investment is included in the Global Credit segment. Separately, income from the assets managed by the Partnership is included in the segment of the relevant investment fund. The Partnership's net investment earnings (loss) from its investment are included in principal investment income in the unaudited condensed consolidated statements of operations.

As of June 30, 2019 and December 31, 2018, the Partnership's investment in Fortitude Re is \$999.5 million and \$460.2 million, respectively. The Partnership's earnings from its investment for the three and six months ended June 30, 2019 were \$271.0 million and \$527.3 million, respectively, which represents 19.9% of Fortitude Re's estimated net income for the respective periods. These amounts are inclusive of \$230.9 million and \$460.2 million, respectively, of unrealized gains related to the change in fair value of embedded derivatives related to certain reinsurance contracts included in Fortitude Re's U.S. GAAP financial statements. Modified coinsurance is subject to the general accounting principles for hedging, specifically the guidance originally issued as Derivatives Implementation Group Issue No. B36: *Embedded Derivatives: Modified Coinsurance Agreements and Debt Instruments That Incorporate Credit Risk Exposures That Are Unrelated or Only Partially Related to the Creditworthiness of the Obligor under Those Instruments* ("DIG B36").

**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**

Estimated summarized financial information of Fortitude Re is presented below:

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
	(Dollars in millions)	
Revenues	\$ 567.0	\$ 1,161.0
Expenses	448.0	888.0
Operating income	119.0	273.0
Net realized and unrealized gains	1,603.0	3,092.0
Income tax expense	360.0	705.0
Net income	<u><u>\$ 1,362.0</u></u>	<u><u>\$ 2,660.0</u></u>

#### Strategic Investment in NGP

The Partnership has equity interests in NGP Management Company, L.L.C. (“NGP Management”), the general partners of certain carry funds advised by NGP, and principal investments in certain NGP funds. The Partnership accounts for its investments in NGP under the equity method of accounting, and includes these investments in the Real Assets segment. These interests entitle the Partnership to an allocation of income equal to 55.0% of the management fee-related revenues of NGP Management which serves as the investment advisor to certain NGP funds as well as 47.5% of the performance allocations received by certain current and future NGP fund general partners.

The Partnership’s investments in NGP as of June 30, 2019 and December 31, 2018 are as follows:

	As of	
	December 31,	
	June 30, 2019	2018
(Dollars in millions)		
Investment in NGP Management	\$ 389.3	\$ 394.6
Investments in NGP general partners - accrued performance allocations	121.2	151.0
Principal investments in NGP funds	71.8	77.6
Total investments in NGP	<u><u>\$ 582.3</u></u>	<u><u>\$ 623.2</u></u>

*Investment in NGP Management.* The Partnership's equity interests in NGP Management entitle the Partnership to an allocation of income equal to 55.0% of the management fee-related revenues of NGP Management, which serves as the investment advisor to the NGP Energy Funds. Management fees are generally calculated as 1.0% to 2.0% of the limited partners' commitments during the fund's investment period, and 0.6% to 2.0% based on the lower of cost or fair market value of invested capital following the expiration or termination of the investment period. Management fee-related revenues from NGP Management are primarily driven by NGP XI, NGP XII and NGP X during the three and six months ended June 30, 2019 and 2018.

The Partnership records investment income (loss) for its equity income allocation from NGP management fee-related revenues and also records its share of any allocated expenses from NGP Management, expenses associated with the compensatory elements of the strategic investment, and the amortization of the basis differences related to the definite-lived identifiable intangible assets of NGP Management. The net investment income (loss) recognized in the Partnership's unaudited condensed consolidated statements of operations for the three and six months ended June 30, 2019 and 2018 were as follows:

**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Management fee-related revenues from NGP Management	\$ 26.4	\$ 24.7	\$ 51.6	\$ 43.6
Expenses related to the investment in NGP Management	(2.7)	(3.1)	(5.2)	(6.0)
Amortization of basis differences from the investment in NGP Management	(1.4)	(1.8)	(2.8)	(3.6)
Net investment income from NGP Management	<u>\$ 22.3</u>	<u>\$ 19.8</u>	<u>\$ 43.6</u>	<u>\$ 34.0</u>

The difference between the Partnership's remaining carrying value of its investment and its share of the underlying net assets of the investee was \$11.3 million and \$14.2 million as of June 30, 2019 and December 31, 2018, respectively; these differences are amortized over a period of 10 years from the initial investment date.

*Investment in the General Partners of NGP Carry Funds.* The Partnership's investment in the general partners of the NGP Carry Funds entitle it to 47.5% of the performance allocations received by certain current and future NGP fund general partners. The Partnership records investment income for its equity income allocation from these performance allocations. The Partnership recognized net investment earnings (losses) related to these performance allocations in its unaudited condensed consolidated statements of operations of \$(34.6) million and \$39.9 million for the three months ended June 30, 2019 and 2018, respectively, and \$(29.9) million and \$51.9 million for the six months ended June 30, 2019 and 2018, respectively.

*Principal Investments in NGP Funds.* The Partnership also holds principal investments in the NGP Carry Funds. The Partnership recognized net investment earnings (losses) related to principal investment income in its unaudited condensed consolidated statements of operations of \$(4.0) million and \$5.7 million for the three months ended June 30, 2019 and 2018, respectively, and \$(3.6) million and \$7.0 million for the six months ended June 30, 2019 and 2018, respectively.

#### Principal Investments in CLOs and Other Investments

Principal investments in CLOs and other investments as of June 30, 2019 and December 31, 2018 primarily consisted of \$488.5 million and \$451.7 million, respectively, of investments in CLO senior and subordinated notes and derivative instruments.

#### Investment Income (Loss)

The components of investment income (loss) are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Performance allocations				
Realized	\$ 41.6	\$ 97.4	\$ 71.4	\$ 318.0
Unrealized	<u>206.0</u>	<u>327.7</u>	<u>525.3</u>	<u>415.2</u>
	<u>247.6</u>	<u>425.1</u>	<u>596.7</u>	<u>733.2</u>
Principal investment income from equity method investments (excluding performance allocations)				
Realized	95.2	36.1	126.5	63.2
Unrealized	<u>242.7</u>	<u>42.3</u>	<u>514.0</u>	<u>68.3</u>
	<u>337.9</u>	<u>78.4</u>	<u>640.5</u>	<u>131.5</u>
Principal investment income (loss) from investments in CLOs and other investments				
Realized	0.2	0.2	1.1	0.6
Unrealized	<u>3.9</u>	<u>(0.4)</u>	<u>2.2</u>	<u>0.2</u>
	<u>4.1</u>	<u>(0.2)</u>	<u>3.3</u>	<u>0.8</u>
Total	<u>\$ 589.6</u>	<u>\$ 503.3</u>	<u>\$ 1,240.5</u>	<u>\$ 865.5</u>

**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**

The performance allocations included in revenues are derived from the following segments:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>(Dollars in millions)</b>			
Corporate Private Equity	\$ 82.5	\$ 210.7	\$ 215.3	\$ 468.6
Real Assets	149.6	138.4	259.0	135.1
Global Credit	(5.5)	12.3	24.1	14.9
Investment Solutions	21.0	63.7	98.3	114.6
Total	<b>\$ 247.6</b>	<b>\$ 425.1</b>	<b>\$ 596.7</b>	<b>\$ 733.2</b>

Approximately 54%, or \$133.3 million, of performance allocations for the three months ended June 30, 2019 are related to the following funds along with total revenue recognized (total revenue includes performance allocations, fund management fees, and principal investment income):

- Carlyle Realty Partners V, L.P. (Real Assets segment) - \$104.9 million,
- Carlyle Asia Partners IV, L.P. (Corporate Private Equity segment) - \$70.6 million,
- Carlyle Realty Partners VII, L.P. (Real Assets segment) - \$33.4 million,
- AlpInvest Coinvest & Secondary Investments 2006-2008 (Investment Solutions segment) - \$(25.2) million, and
- Carlyle Partners VI, L.P. (Corporate Private Equity segment) - \$(16.2) million.

Approximately 28%, or \$164.2 million, of performance allocations for the six months ended June 30, 2019 are related to the following fund along with total revenue recognized (total revenue includes performance allocations, fund management fees, and principal investment income):

- Carlyle Realty Partners V, L.P. (Real Assets segment) - \$167.1 million.

Approximately 40%, or \$168.6 million, of performance allocations for the three months ended June 30, 2018 are related to the following funds along with total revenue recognized (total revenue includes performance allocations, fund management fees, and principal investment income):

- Carlyle Partners VI, L.P. (Corporate Private Equity segment) - \$152.0 million, and
- Carlyle International Energy Partners, L.P. (Real Assets segment) - \$61.4 million.

Approximately 49%, or \$355.8 million, of performance allocations for the six months ended June 30, 2018 are related to the following funds along with total revenue recognized (total revenue includes performance allocations, fund management fees, and principal investment income):

- Carlyle Partners VI, L.P. (Corporate Private Equity segment) - \$238.2 million,
- Carlyle Europe Partners IV, L.P. (Corporate Private Equity segment) - \$146.2 million, and
- Carlyle Realty Partners VII, L.P. (Real Assets segment) - \$101.5 million.

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Carlyle's income (loss) from its principal investments consists of:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Corporate Private Equity	\$ 3.5	\$ 7.8	\$ 11.7	\$ 24.0
Real Assets	60.4	72.5	93.9	105.2
Global Credit	269.0	(4.0)	525.9	(3.7)
Investment Solutions	5.0	2.1	9.0	6.0
Total	\$ 337.9	\$ 78.4	\$ 640.5	\$ 131.5

### Investments of Consolidated Funds

The Partnership consolidates the financial positions and results of operations of certain CLOs in which it is the primary beneficiary. During the six months ended June 30, 2019, the Partnership formed two new CLOs for which the Partnership is not the primary beneficiary. Furthermore, during the six months ended June 30, 2019, the Partnership consolidated one CLO and deconsolidated two CLOs as a result of a change in the Partnership's direct interest in the CLOs.

There were no individual investments with a fair value greater than five percent of the Partnership's total assets for any period presented.

### Interest and Other Income of Consolidated Funds

The components of interest and other income of Consolidated Funds are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Interest income from investments	\$ 43.7	\$ 52.0	\$ 94.7	\$ 98.0
Other income	2.1	1.6	3.5	2.9
Total	\$ 45.8	\$ 53.6	\$ 98.2	\$ 100.9

### Net Investment Gains (Losses) of Consolidated Funds

Net investment gains (losses) of Consolidated Funds include net realized gains (losses) from sales of investments and unrealized gains (losses) resulting from changes in fair value of the Consolidated Funds' investments. The components of net investment gains (losses) of Consolidated Funds are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Gains (losses) from investments of Consolidated Funds	\$ 17.1	\$ (26.1)	\$ 18.2	\$ (41.5)
Gains (losses) from liabilities of CLOs	(7.9)	39.0	(23.2)	56.4
Total	\$ 9.2	\$ 12.9	\$ (5.0)	\$ 14.9

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The following table presents realized and unrealized gains (losses) earned from investments of the Consolidated Funds:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Realized gains (losses)	\$ (3.4)	\$ (1.6)	\$ (11.4)	\$ (4.3)
Net change in unrealized gains (losses)	20.5	(24.5)	29.6	(37.2)
Total	<u>\$ 17.1</u>	<u>\$ (26.1)</u>	<u>\$ 18.2</u>	<u>\$ (41.5)</u>

## 5. Borrowings

The Partnership borrows and enters into credit agreements for its general operating and investment purposes. The Partnership's debt obligations consist of the following (Dollars in millions):

	June 30, 2019		December 31, 2018	
	Borrowing Outstanding	Carrying Value	Borrowing Outstanding	Carrying Value
Senior Credit Facility Term Loan Due 2/11/2024	\$ —	\$ —	\$ 25.0	\$ 24.9
CLO Borrowings (See below)	329.9	329.4	309.9	309.9
3.875% Senior Notes Due 2/01/2023	250.0	249.2	250.0	249.0
5.625% Senior Notes Due 3/30/2043	600.0	600.7	600.0	600.7
5.650% Senior Notes Due 9/15/2048	350.0	345.8	350.0	345.7
Promissory Notes Due 7/15/2019	6.7	6.7	20.2	20.2
Total debt obligations	<u>\$ 1,536.6</u>	<u>\$ 1,531.8</u>	<u>\$ 1,555.1</u>	<u>\$ 1,550.4</u>

### Senior Credit Facility

On February 11, 2019, the Partnership entered into an amendment and restatement of its senior credit facility. In connection with this amendment and restatement, the capacity under the revolving credit facility was increased to \$775.0 million from \$750.0 million, the term was extended to February 11, 2024, and the \$25.0 million term loan was repaid. Principal amounts outstanding under the amended and restated revolving credit facility accrue interest, at the option of the borrowers, either (a) at an alternate base rate plus an applicable margin not to exceed 0.50% per annum, or (b) at LIBOR plus an applicable margin not to exceed 1.50% per annum (at June 30, 2019, the interest rate was 3.65%). There was no amount outstanding under the revolving credit facility at June 30, 2019. Interest expense under the senior credit facility was not significant for the three and six months ended June 30, 2019 and 2018. The fair value of the outstanding balances of the term loan and revolving credit facility at June 30, 2019 and December 31, 2018 approximated par value based on current market rates for similar debt instruments and are classified as Level III within the fair value hierarchy.

### Global Credit Revolving Credit Facility

On December 17, 2018, certain subsidiaries of the Partnership established a \$250.0 million revolving line of credit, primarily intended to support certain lending activities within the Global Credit segment. The credit facility includes a \$125.0 million line of credit with a one-year term, and a \$125.0 million line of credit with a three-year term. Principal amounts outstanding under the facility accrued interest, at the option of the borrowers, either (a) at an alternate base rate plus an applicable margin not to exceed 1.00%, or (b) at the Eurocurrency rate plus an applicable margin, not to exceed 2.00%.

In April 2019, the Partnership borrowed and repaid \$17.0 million under this facility. There was no amount outstanding under the facility as of June 30, 2019. Interest expense under this facility was not significant for the three and six months ended June 30, 2019.

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**CLO Borrowings**

For certain of the Partnership's CLOs, the Partnership finances a portion of its investment in the CLOs through the proceeds received from term loans and other financing arrangements with financial institutions. The Partnership's outstanding CLO borrowings consist of the following (Dollars in millions):

Formation Date	Borrowing Outstanding June 30, 2019	Borrowing Outstanding December 31, 2018	Maturity Date (1)	Interest Rate as of June 30, 2019
February 28, 2017	\$ 76.3	\$ 77.0	November 17, 2031	2.33% (2)
April 19, 2017	22.9	22.9	April 22, 2031	4.52% (3) (15)
June 28, 2017	22.9	23.0	July 22, 2031	4.51% (4) (15)
July 20, 2017	24.4	24.4	April 21, 2027	4.13% (5) (15)
August 2, 2017	22.8	22.8	July 23, 2029	4.40% (6) (15)
August 2, 2017	19.8	19.9	August 3, 2022	1.75% (7)
August 14, 2017	22.5	22.5	August 15, 2030	4.38% (8) (15)
November 30, 2017	22.7	22.7	January 16, 2030	4.33% (9) (15)
December 6, 2017	19.1	19.1	October 16, 2030	4.24% (10) (15)
December 7, 2017	20.9	21.1	January 19, 2029	3.97% (11) (15)
January 30, 2018	19.2	19.2	January 22, 2030	4.22% (12) (15)
March 1, 2018	15.3	15.3	January 15, 2031	4.15% (13) (15)
March 15, 2019	21.1	—	March 15, 2032	2.56% (14)
	<u>\$ 329.9</u>	<u>\$ 309.9</u>		

- (1) Maturity date is earlier of date indicated or the date that the CLO is dissolved.
- (2) Outstanding borrowing of €67.2 million; incurs interest at EURIBOR plus applicable margins as defined in the agreement.
- (3) Incurs interest at LIBOR plus 1.932%.
- (4) Incurs interest at LIBOR plus 1.923%.
- (5) Incurs interest at LIBOR plus 1.536%. This term loan was paid off in July 2019.
- (6) Incurs interest at LIBOR plus 1.808%.
- (7) Original borrowing of €17.4 million; incurs interest at EURIBOR plus 1.75% and has full recourse to the Partnership.
- (8) Incurs interest at LIBOR plus 1.848%.
- (9) Incurs interest at LIBOR plus 1.7312%.
- (10) Incurs interest at LIBOR plus 1.647%.
- (11) Incurs interest at LIBOR plus 1.365%.
- (12) Incurs interest at LIBOR plus 1.624%.
- (13) Incurs interest at LIBOR plus 1.552%.
- (14) Incurs interest at the average effective interest rate of each class of purchased securities plus 0.50% spread percentage and 0.08% class A-1 periodic adjustment rate up to €54,120.
- (15) Term loan issued under master credit agreement.

The CLO term loans are secured by the Partnership's investments in the respective CLO, have a general unsecured interest in the Carlyle entity that manages the CLO, and generally do not have recourse to any other Carlyle entity. Interest expense on these term loans was not significant for the three and six months ended June 30, 2019 and 2018. The fair value of the outstanding balance of the CLO term loans at June 30, 2019 approximated par value based on current market rates for similar debt instruments. These CLO term loans are classified as Level III within the fair value hierarchy.

*European CLO Financing - February 28, 2017*

On February 28, 2017, a subsidiary of the Partnership entered into a financing agreement with several financial institutions under which these financial institutions have provided a €67.2 million term loan (\$76.3 million at June 30, 2019) to the Partnership. This term loan is secured by the Partnership's investments in the retained notes in certain European CLOs that were formed in 2014 and 2015. This term loan will mature on the earlier of November 17, 2031 or the date that the certain European CLO retained notes have been redeemed. The Partnership may prepay the term loan in whole or in part at any time after the third anniversary of the date of issuance without penalty. Prepayment of the term loan within the first three years will

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incur a penalty based on the prepayment amount. Interest on this term loan accrues at EURIBOR plus applicable margins (2.33% at June 30, 2019).

*Master Credit Agreement - Term Loans*

In January 2017, the Partnership entered into a master credit agreement with a financial institution under which the financial institution expects to provide term loans to the Partnership for the purchase of eligible interests in CLOs. This agreement will terminate in January 2020. Any term loan to be issued under this master credit agreement will be secured by the Partnership's investment in the respective CLO as well as any senior management fee and subordinated management fee payable by each CLO. Any term loan bears interest at LIBOR plus a weighted average spread over LIBOR on the CLO notes and an applicable margin. Interest is due quarterly.

*CLO Repurchase Agreements*

On February 5, 2019, the Partnership entered into a €100.0 million master credit facility agreement (the "CLO Financing Facility") to finance a portion of the risk retention investments in certain European CLOs managed by the Partnership. Subject to the terms and conditions of the CLO Financing Facility, the Partnership and the counterparty may enter into repurchase agreements on such terms agreed upon by the parties. Each transaction entered into under the CLO Financing Facility will bear interest at a rate based on the weighted average effective interest rate of each class of securities that have been sold plus a spread to be agreed upon by the parties. As of June 30, 2019, €81.5 million of the CLO Financing Facility remained available.

Each transaction entered into under the CLO Financing Facility provides for payment netting and, in the case of a default or similar event with respect to the counterparty to the CLO Financing Facility, provides for netting across transactions. Generally, upon a counterparty default, the Partnership can terminate all transactions under the CLO Financing Facility and offset amounts it owes in respect of any one transaction against collateral, if any, or other amounts it has received in respect of any other transactions under the CLO Financing Facility; provided, however, that in the case of certain defaults, the Partnership may only be able to terminate and offset solely with respect to the transaction affected by the default. During the term of a transaction entered into under the CLO Financing Facility, the Partnership will deliver cash or additional securities acceptable to the counterparty if the securities sold are in default. Upon termination of a transaction, the Partnership will repurchase the previously sold securities from the counterparty at a previously determined repurchase price. The CLO Financing Facility may be terminated at any time upon certain defaults or circumstances agreed upon by the parties.

The repurchase agreements may result in credit exposure in the event the counterparty to the transaction is unable to fulfill its contractual obligations. The Partnership minimizes the credit risk associated with these activities by monitoring counterparty credit exposure and collateral values. Other than margin requirements, the Partnership is not subject to additional terms or contingencies which would expose the Partnership to additional obligations based upon the performance of the securities pledged as collateral.

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### Senior Notes

Certain indirect subsidiaries of the Partnership have issued long term borrowings in the form of senior notes, on which interest is payable semi-annually in arrears. The following table provides information regarding these senior notes (Dollars in millions):

	Aggregate Principal Amount	Fair Value (1) As of		Interest Expense			
				Three Months Ended June 30,		Six Months Ended June 30,	
		June 30, 2019	December 31, 2018	2019	2018	2019	2018
3.875% Senior Notes Due 2/1/2023 (2)	\$ 250.0	\$ 262.0	\$ 255.5	\$ 2.4	\$ 4.9	\$ 4.8	\$ 9.9
(5)							
5.625% Senior Notes Due 3/30/2043 (3)	600.0	659.4	604.1	8.4	8.5	16.8	16.9
(4)							
5.650% Senior Notes due 9/15/2048 (4)	350.0	385.2	354.4	4.9	—	9.9	—
				\$ 15.7	\$ 13.4	\$ 31.5	\$ 26.8

(1) Including accrued interest. Fair value is based on indicative quotes and the notes are classified as Level II within the fair value hierarchy.

(2) Issued in January 2013 at 99.966% of par.

(3) Issued \$400.0 million in aggregate principal at 99.583% of par in March 2013. An additional \$200.0 million in aggregate principal was issued at 104.315% of par in March 2014, and is treated as a single class with the outstanding \$400.0 million in senior notes previously issued.

(4) Issued in September 2018 at 99.914% of par.

(5) In September 2018, the Partnership completed a tender offer to re-purchase \$250.0 million in aggregate principal amount of the 3.875% senior notes. As a result of this repurchase, the Partnership recognized \$6.9 million of costs in interest expense and \$0.9 million of costs in general, administrative and other expenses upon early extinguishment of the debt.

The issuers may redeem the senior notes, in whole at any time or in part from time to time, at a price equal to the greater of (i) 100% of the principal amount of the notes being redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on any notes being redeemed discounted to the redemption date on a semiannual basis at the Treasury Rate plus 40 basis points (30 basis points in the case of the 3.875% senior notes), plus in each case accrued and unpaid interest on the principal amounts being redeemed.

### Promissory Notes

#### *Promissory Note Due January 1, 2022*

On January 1, 2016, the Partnership issued a \$120.0 million promissory note to Barclays Natural Resource Investments, a division of Barclays Bank PLC (“BNRI”) as part of the Partnership’s strategic investment in NGP. Interest on the promissory note accrued at the three month LIBOR plus 2.50%. In September 2018, the Partnership prepaid the \$108.8 million outstanding promissory note, plus \$1.2 million of accrued and unpaid interest. Interest expense on the promissory note was not significant for the six months ended June 30, 2018.

#### *Promissory Notes Due July 15, 2019*

In June 2017, as part of the settlement with investors in two commodities investment vehicles managed by an affiliate of the Partnership (disclosed in Note 7), the Partnership issued a series of promissory notes, aggregating to \$53.9 million, to the investors of these commodities investment vehicles. Interest on these promissory notes accrues at the three month LIBOR plus 2% (4.60% at June 30, 2019). The Partnership may prepay these promissory notes in whole or in part at any time without penalty. Through June 30, 2019, the Partnership has repaid \$47.2 million of these promissory notes. Accordingly, \$6.7 million of these promissory notes were outstanding at June 30, 2019. These promissory notes matured on July 15, 2019 and were fully repaid as of that date. Interest expense on these promissory notes was not significant for the three and six months ended June 30, 2019 and 2018. The fair value of the outstanding balance of these promissory notes at June 30, 2019 and December 31, 2018 approximated par value based on current market rates for similar debt instruments and is classified as Level III within the fair value hierarchy.

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**Debt Covenants**

The Partnership is subject to various financial covenants under its loan agreements including, among other items, maintenance of a minimum amount of management fee-earning assets. The Partnership is also subject to various non-financial covenants under its loan agreements and the indentures governing its senior notes. The Partnership was in compliance with all financial and non-financial covenants under its various loan agreements as of June 30, 2019.

**Loans Payable of Consolidated Funds**

Loans payable of Consolidated Funds primarily represent amounts due to holders of debt securities issued by the CLOs. Several of the CLOs issued preferred shares representing the most subordinated interest, however these tranches are mandatorily redeemable upon the maturity dates of the senior secured loans payable, and as a result have been classified as liabilities and are included in loans payable of Consolidated Funds in the unaudited condensed consolidated balance sheets.

As of June 30, 2019 and December 31, 2018, the following borrowings were outstanding, which includes preferred shares classified as liabilities (Dollars in millions):

	As of June 30, 2019				
	Borrowing Outstanding	Fair Value	Weighted Average Interest Rate		Weighted Average Remaining Maturity in Years
Senior secured notes	\$ 4,378.0	\$ 4,291.4	1.95%		11.24
Subordinated notes, preferred shares and other	174.4	214.9	N/A (1)		11.40
Total	<u>\$ 4,552.4</u>	<u>\$ 4,506.3</u>			

	As of December 31, 2018				
	Borrowing Outstanding	Fair Value	Weighted Average Interest Rate		Weighted Average Remaining Maturity in Years
Senior secured notes	\$ 4,723.4	\$ 4,607.2	1.94%		10.70
Subordinated notes, preferred shares and other	178.5	232.9	N/A (1)		9.95
Total	<u>\$ 4,901.9</u>	<u>\$ 4,840.1</u>			

(1) The subordinated notes and preferred shares do not have contractual interest rates, but instead receive distributions from the excess cash flows of the CLOs.

Loans payable of the CLOs are collateralized by the assets held by the CLOs and the assets of one CLO may not be used to satisfy the liabilities of another. This collateral consisted of cash and cash equivalents, corporate loans, corporate bonds and other securities. As of June 30, 2019 and December 31, 2018, the fair value of the CLO assets was \$4.9 billion and \$5.5 billion, respectively.

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**6. Accrued Compensation and Benefits**

Accrued compensation and benefits consist of the following:

	<b>As of</b>	
	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	<b>(Dollars in millions)</b>	
Accrued performance allocations and incentive fee-related compensation	\$ 2,033.8	\$ 1,843.6
Accrued bonuses	248.7	246.8
Employment-based contingent cash consideration	17.6	0.8
Other	113.3	131.1
<b>Total</b>	<b>\$ 2,413.4</b>	<b>\$ 2,222.3</b>

The following table presents realized and unrealized performance allocations and incentive fee related compensation:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>(Dollars in millions)</b>			
Realized	\$ 24.2	\$ 51.7	\$ 68.4	\$ 160.1
Unrealized	89.4	170.3	230.6	219.9
<b>Total</b>	<b>\$ 113.6</b>	<b>\$ 220.0</b>	<b>\$ 299.0</b>	<b>\$ 380.0</b>

**7. Commitments and Contingencies**

**Capital Commitments**

The Partnership and its unconsolidated affiliates have unfunded commitments to entities within the following segments as of June 30, 2019 (Dollars in millions):

	<b>Unfunded Commitments</b>
Corporate Private Equity	\$ 2,473.8
Real Assets	969.2
Global Credit	444.6
Investment Solutions	125.0
<b>Total</b>	<b>\$ 4,012.6</b>

Of the \$4.0 billion of unfunded commitments, approximately \$3.4 billion is subscribed individually by senior Carlyle professionals, advisors and other professionals, with the balance funded directly by the Partnership. In addition to these unfunded commitments, the Partnership may from time to time exercise its right to purchase additional interests in its investment funds that become available in the ordinary course of their operations.

**Guaranteed Loans**

On August 4, 2001, the Partnership entered into an agreement with a financial institution pursuant to which the Partnership is the guarantor on a credit facility for eligible employees investing in Carlyle sponsored funds. This credit facility renews on an annual basis, allowing for annual incremental borrowings up to an aggregate of \$11.3 million, and accrues interest at the lower of the prime rate, as defined, or three-month LIBOR plus 3%, reset quarterly (5.60% weighted-average rate at June 30, 2019). As of June 30, 2019 and December 31, 2018, approximately \$9.5 million and \$10.3 million, respectively, were outstanding under the credit facility and payable by the employees. The amount funded by the Partnership under this guarantee as of June 30, 2019 was not material. The Partnership believes the likelihood of any material funding

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under this guarantee to be remote. The fair value of this guarantee is not significant to the unaudited condensed consolidated financial statements.

Certain consolidated subsidiaries of the Partnership are the guarantor of revolving credit facilities for certain funds in the Investment Solutions segment. The guarantee is limited to the lesser of the total amount drawn under the credit facilities or the net asset value of the guarantor subsidiaries, which is approximately \$18.6 million as of June 30, 2019. The outstanding balances are secured by uncalled capital commitments from the underlying funds and the Partnership believes the likelihood of any material funding under this guarantee to be remote.

**Contingent Obligations (Giveback)**

A liability for potential repayment of previously received performance allocations of \$63.2 million at June 30, 2019 is shown as accrued giveback obligations in the unaudited condensed consolidated balance sheets, representing the giveback obligation that would need to be paid if the funds were liquidated at their current fair values at June 30, 2019. However, the ultimate giveback obligation, if any, generally is not paid until the end of a fund's life or earlier if the giveback becomes fixed and early payment is agreed upon by the fund's partners (see Note 2). The Partnership has recorded \$1.5 million and \$1.4 million of unbilled receivables from former and current employees and senior Carlyle professionals as of June 30, 2019 and December 31, 2018, respectively, related to giveback obligations, which are included in due from affiliates and other receivables, net in the accompanying unaudited condensed consolidated balance sheets. The receivables are collateralized by investments made by individual senior Carlyle professionals and employees in Carlyle-sponsored funds. In addition, \$175.3 million and \$176.1 million have been withheld from distributions of carried interest to senior Carlyle professionals and employees for potential giveback obligations as of June 30, 2019 and December 31, 2018, respectively. Such amounts are held on behalf of the respective current and former Carlyle employees to satisfy any givebacks they may owe and are held by entities not included in the accompanying condensed consolidated balance sheets. Current and former senior Carlyle professionals and employees are personally responsible for their giveback obligations. As of June 30, 2019, approximately \$36.0 million of the Partnership's accrued giveback obligation is the responsibility of various current and former senior Carlyle professionals and other limited partners of the Carlyle Holdings partnerships, and the net accrued giveback obligation attributable to Carlyle Holdings is \$27.2 million.

If, at June 30, 2019, all of the investments held by the Partnership's Funds were deemed worthless, a possibility that management views as remote, the amount of realized and distributed carried interest subject to potential giveback would be \$0.4 billion, on an after-tax basis where applicable.

**Leases**

The Partnership's leases primarily consist of operating leases for office space in various countries around the world, including its headquarters in Washington, D.C. These leases have remaining lease terms of 1 year to 15 years, some of which include options to extend for up to 5 years and some of which include an option to terminate the leases within 1 year. The Partnership also has operating leases for office equipment and vehicles, which are not significant.

In June 2018, the Partnership entered into an amended non-cancelable lease agreement expiring on March 31, 2030 for its Washington, D.C. office. In connection with the amended lease, the Partnership exercised an option to terminate its office lease in Arlington, Virginia at the end of 2019. The Partnership will be relocating one of its New York City offices in late 2020 to new office space in Midtown New York. The new lease was signed in July 2018 and expires in 2036. In connection with this new lease, the Partnership incurred a charge of \$63.5 million (including transaction costs) during the third quarter of 2018 related to the assignment of an existing office lease in New York City. The charge is expected to be paid over approximately 15 years beginning in 2021. This charge (excluding \$3.5 million of transaction costs paid) was accounted for as a lease incentive, and is included in accounts payable, accrued expenses and other liabilities in the accompanying unaudited condensed consolidated balance sheets, since the lease has not yet commenced.

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The following table summarizes the Partnership's lease cost, cash flows and other supplemental information related to its operating leases (Dollars in millions):

	Three Months Ended June 30,	Six Months Ended June 30,	
	2019	2019	
Operating lease cost	\$ 12.8	\$ 24.3	
Sublease income	(0.7)	(1.0)	
Total operating lease cost	<u>\$ 12.1</u>	<u>\$ 23.3</u>	
 Cash paid for amounts included in the measurement of operating lease liabilities	 \$ 16.8	 \$ 30.1	
 Weighted-average remaining lease term	 9.9 Years		
Weighted-average discount rate	5.3%		

Maturities of lease liabilities related to operating leases were as follows (Dollars in millions):

<b>Year ending December 31,</b>		
2019 (excluding the six months ended June 30, 2019)	\$ 32.8	
2020	55.6	
2021	41.2	
2022	52.9	
2023	48.4	
Thereafter	452.1	
 Total lease payments	 <u>\$ 683.0</u>	
Less payments for leases that have not yet commenced	(284.1)	
Less imputed interest	(91.0)	
 Total lease liabilities	 <u>\$ 307.9</u>	

### Legal Matters

In the ordinary course of business, the Partnership is a party to litigation, investigations, inquiries, employment-related matters, disputes and other potential claims. Certain of these matters are described below. The Partnership is not currently able to estimate the reasonably possible amount of loss or range of loss, in excess of amounts accrued, for the matters that have not been resolved. The Partnership does not believe it is probable that the outcome of any existing litigation, investigations, disputes or other potential claims will materially affect the Partnership or these financial statements in excess of amounts accrued. The Partnership believes that the matters described below are without merit.

Along with many other companies and individuals in the financial sector, the Partnership and Carlyle Mezzanine Partners, L.P. (“CMP”) are named as defendants in *Foy v. Austin Capital*, a case filed in June 2009 in state court in New Mexico, which purports to be a *qui tam* suit on behalf of the State of New Mexico under the state Fraud Against Taxpayers Act (“FATA”). The suit alleges that investment decisions by New Mexico public investment funds were improperly influenced by campaign contributions and payments to politically connected placement agents. The plaintiffs seek, among other things, actual damages for lost income, rescission of the investment transactions described in the complaint and disgorgement of all fees received. In September 2017, the Court dismissed the lawsuit and the plaintiffs then filed an appeal seeking to reverse that decision. That appeal is pending. The Attorney General may also separately pursue its own recovery from defendants in the action.

Carlyle Capital Corporation Limited (“CCC”) was a fund sponsored by the Partnership that invested in AAA-rated residential mortgage backed securities on a highly leveraged basis. In March of 2008, amidst turmoil throughout the mortgage markets and money markets, CCC filed for insolvency protection in Guernsey. The Guernsey liquidators who took control of CCC in March 2008 filed a suit on July 7, 2010 against the Partnership, certain of its affiliates and the former directors of CCC in the Royal Court of Guernsey seeking more than \$1.0 billion in damages in a case styled *Carlyle Capital Corporation*

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*Limited v. Conway et al.* On September 4, 2017, the Royal Court of Guernsey ruled that the Partnership and Directors of CCC acted reasonably and appropriately in the management and governance of CCC and that none of the Partnership, its affiliates or former directors of CCC had any liability. In December 2017, the plaintiff filed a notice of appeal of the trial court decision. A hearing before the Guernsey appellate court took place from October 8 through October 18, 2018. On April 12, 2019 the Guernsey Court of Appeal dismissed the appeal and affirmed the trial court's decision. On July 31, 2019, the plaintiffs filed a notice of appeal with the Judicial Committee of the Privy Council. To date, the Partnership has received approximately £23.3 million (\$29.6 million as of June 30, 2019) from the plaintiff as a deposit towards their obligation to reimburse the Partnership for legal fees and expenses incurred to defend against the claims. The Partnership has not recognized income in respect of the reimbursement as of June 30, 2019, as such amount is subject to adjustment pending a final determination of the correct reimbursement amount.

A Luxembourg subsidiary of CEREP I, a real estate fund, has been involved since 2010 in a tax dispute with the French authorities relating to whether gain from the sale of an investment was taxable in France. In April 2015, the French tax court issued an opinion in this matter adverse to CEREP I, holding the Luxembourg subsidiary of CEREP I liable for approximately €105 million (including interest accrued since the beginning of the tax dispute). CEREP I paid approximately €30 million of the tax obligations and the Partnership paid the remaining approximately €75 million in its capacity as a guarantor. The Partnership appealed the decision of the French tax court. In December 2017, the French appellate court reversed the earlier tax court opinion and awarded the Partnership a refund of the full €105 million of tax and penalties (inclusive of amounts paid by CEREP I) and awarded interest on the refund of €12.5 million, before tax. The French government appealed the decision. In July 2019, the parties agreed to settle this matter by reducing the tax claim to €37.1 million of French tax and interest. The remaining €80.5 million will be retained by the Partnership and CEREP I. Accordingly, the Partnership recognized \$71.5 million in principal investment income in the three months ended June 30, 2019.

The Partnership currently is and expects to continue to be, from time to time, subject to examinations, formal and informal inquiries and investigations by various U.S. and non-U.S. governmental and regulatory agencies, including but not limited to, the SEC, Department of Justice, state attorneys general, FINRA, National Futures Association and the U.K. Financial Conduct Authority. The Partnership routinely cooperates with such examinations, inquiries and investigations, and they may result in the commencement of civil, criminal, or administrative or other proceedings against the Partnership or its personnel.

During 2017, the Partnership entered into settlement and purchase agreements with investors in a hedge fund and two structured finance vehicles managed by Vermillion related to investments of approximately \$400 million in petroleum commodities that the Partnership believes were misappropriated by third parties outside the U.S. In total, the Partnership paid \$265 million (\$165 million of which was paid in 2017 with the remaining \$100 million paid in 2016) to fully resolve all claims related to these matters, and issued promissory notes in aggregate amount of \$54 million to repurchase the investors' interests in the two structured finance vehicles. In connection with these settlements, the Partnership acquired certain rights to recoveries from certain marine cargo insurance policies and is continuing to undertake efforts to obtain reimbursement for the misappropriation of petroleum. During the fourth quarter of 2018, the Partnership reached an agreement with the primary underwriters in the marine cargo insurance policies for \$55 million, of which the Partnership recognized approximately \$32 million in insurance proceeds during the year ended December 31, 2018, with the remaining proceeds to be distributed to former investors. Although additional recovery efforts continue, there is no assurance that the Partnership will be successful in any of these efforts and the Partnership will not recognize any amounts in respect of such recoveries until such amounts are probable of payment.

It is not possible to predict the ultimate outcome of all pending investigations and legal proceedings and employment-related matters, and some of the matters discussed above involve claims for potentially large and/or indeterminate amounts of damages. Based on information known by management, management does not believe that as of the date of this filing the final resolutions of the matters above will have a material effect upon the Partnership's unaudited condensed consolidated financial statements. However, given the potentially large and/or indeterminate amounts of damages sought in certain of these matters and the inherent unpredictability of investigations and litigations, it is possible that an adverse outcome in certain matters could, from time to time, have a material effect on the Partnership's financial results in any particular period.

The Partnership accrues an estimated loss contingency liability when it is probable that such a liability has been incurred and the amount of the loss can be reasonably estimated. As of June 30, 2019, the Partnership had recorded liabilities aggregating to approximately \$35 million for litigation-related contingencies, regulatory examinations and inquiries, and other matters. The Partnership evaluates its outstanding legal and regulatory proceedings and other matters each quarter to assess its loss contingency accruals, and makes adjustments in such accruals, upward or downward, as appropriate, based on management's best judgment after consultation with counsel. There is no assurance that the Partnership's accruals for loss

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contingencies will not need to be adjusted in the future or that, in light of the uncertainties involved in such matters, the ultimate resolution of these matters will not significantly exceed the accruals that the Partnership has recorded.

**Indemnifications**

In the normal course of business, the Partnership and its subsidiaries enter into contracts that contain a variety of representations and warranties and provide general indemnifications. The Partnership's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Partnership that have not yet occurred. However, based on experience, the Partnership believes the risk of material loss to be remote.

**Risks and Uncertainties**

Carlyle's funds seek investment opportunities that offer the possibility of attaining substantial capital appreciation. Certain events particular to each industry in which the underlying investees conduct their operations, as well as general economic conditions, may have a significant negative impact on the Partnership's investments and profitability. Such events are beyond the Partnership's control, and the likelihood that they may occur and the effect on the Partnership cannot be predicted.

Furthermore, certain of the funds' investments are made in private companies and there are generally no public markets for the underlying securities at the current time. The funds' ability to liquidate their publicly-traded investments are often subject to limitations, including discounts that may be required to be taken on quoted prices due to the number of shares being sold. The funds' ability to liquidate their investments and realize value is subject to significant limitations and uncertainties, including among others currency fluctuations and natural disasters.

The Partnership and the funds make investments outside of the United States. Investments outside the United States may be subject to less developed bankruptcy, corporate, partnership and other laws (which may have the effect of disregarding or otherwise circumventing the limited liability structures potentially causing the actions or liabilities of one fund or a portfolio company to adversely impact the Partnership or an unrelated fund or portfolio company). Non-U.S. investments are subject to the same risks associated with the Partnership's 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.

Furthermore, Carlyle is exposed to economic risk concentrations related to certain large investments as well as concentrations of investments in certain industries and geographies.

Additionally, the Partnership encounters credit risk. Credit risk is the risk of default by a counterparty in the Partnership's investments in debt securities, loans, leases and derivatives that result from a borrower's, lessee's or derivative counterparty's inability or unwillingness to make required or expected payments.

The Partnership considers cash, cash equivalents, securities, receivables, equity method investments, accounts payable, accrued expenses, other liabilities, loans, senior notes, assets and liabilities of Consolidated Funds and contingent and other consideration for acquisitions to be its financial instruments. Except for the senior notes, the carrying amounts reported in the unaudited condensed consolidated balance sheets for these financial instruments equal or closely approximate their fair values. The fair value of the senior notes is disclosed in Note 5.

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## 8. Related Party Transactions

### Due from Affiliates and Other Receivables, Net

The Partnership had the following due from affiliates and other receivables at June 30, 2019 and December 31, 2018:

	<b>As of</b>	
	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	<b>(Dollars in millions)</b>	
Accrued incentive fees	\$ 8.0	\$ 7.1
Unbilled receivable for giveback obligations from current and former employees	1.5	1.4
Notes receivable and accrued interest from affiliates	12.0	14.4
Management fee, reimbursable expenses and other receivables from unconsolidated funds and affiliates, net	291.7	418.2
<b>Total</b>	<b>\$ 313.2</b>	<b>\$ 441.1</b>

Notes receivable represent loans that the Partnership has provided to certain unconsolidated funds to meet short-term obligations to purchase investments.

Reimbursable expenses and other receivables from certain of the unconsolidated funds and portfolio companies relate to management fees receivable from limited partners, advisory fees receivable and expenses paid on behalf of these entities. These costs represent costs related to the pursuit of actual or proposed investments, professional fees and expenses associated with the acquisition, holding and disposition of the investments. The affiliates are obligated at the discretion of the Partnership to reimburse the expenses. Based on management's determination, the Partnership accrues and charges interest on amounts due from affiliate accounts at interest rates ranging up to 7.55% as of June 30, 2019. The accrued and charged interest to the affiliates was not significant for any period presented.

These receivables are assessed regularly for collectability and amounts determined to be uncollectible are charged directly to general, administrative and other expenses in the condensed consolidated statements of operations. A corresponding allowance for doubtful accounts is recorded and such amounts were not significant for any period presented.

### Due to Affiliates

The Partnership had the following due to affiliates balances at June 30, 2019 and December 31, 2018:

	<b>As of</b>	
	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	<b>(Dollars in millions)</b>	
Due to non-consolidated affiliates	\$ 33.4	\$ 27.6
Amounts owed under the tax receivable agreement	103.0	101.9
Other	55.7	44.5
<b>Total</b>	<b>\$ 192.1</b>	<b>\$ 174.0</b>

The Partnership has recorded obligations for amounts due to certain of its affiliates. The Partnership periodically offsets expenses it has paid on behalf of its affiliates against these obligations. The amount owed under the tax receivable agreement is related primarily to the acquisition by the Partnership of Carlyle Holdings partnership units in June 2015 and March 2014, respectively, the exchange in May 2012 by CalPERS of its Carlyle Holdings partnership units for Partnership common units, as well as certain unit exchanges by senior Carlyle professionals which began in the second quarter of 2017 (see Note 12).

### Other Related Party Transactions

In the normal course of business, the Partnership has made use of aircraft owned by entities controlled by senior Carlyle professionals. The senior Carlyle professionals paid for their purchases of aircraft and bear all operating, personnel and maintenance costs associated with their operation for personal use. Payment by the Partnership for the business use of these aircraft by senior Carlyle professionals and other employees, which is made at market rates, totaled \$2.8 million and \$1.6 million for the three months ended June 30, 2019 and 2018, respectively, and \$3.5 million and \$3.4 million for the six months

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ended June 30, 2019 and 2018, respectively. These fees are included in general, administrative, and other expenses in the unaudited condensed consolidated statements of operations.

Senior Carlyle professionals and employees are permitted to participate in co-investment entities that invest in Carlyle funds or alongside Carlyle funds. In many cases, participation is limited by law to individuals who qualify under applicable legal requirements. These co-investment entities generally do not require senior Carlyle professionals and employees to pay management fees or performance allocations, however, Carlyle professionals and employees are required to pay their portion of partnership expenses.

Carried interest income from the funds can be distributed to senior Carlyle professionals and employees on a current basis, but is subject to repayment by the subsidiary of the Partnership that acts as general partner of the fund in the event that certain specified return thresholds are not ultimately achieved. The senior Carlyle professionals and certain other investment professionals have personally guaranteed, subject to certain limitations, the obligation of these subsidiaries in respect of this general partner obligation. Such guarantees are several and not joint and are limited to a particular individual's distributions received.

The Partnership does business with some of its portfolio companies; all such arrangements are on a negotiated basis.

Substantially all revenue is earned from affiliates of Carlyle.

**9. Income Taxes**

The Partnership is generally organized as a series of pass through entities pursuant to the United States Internal Revenue Code. As such, the Partnership is not responsible for the tax liability due on certain income earned during the year. Such income is taxed at the unitholder and non-controlling interest holder level, and any income tax is the responsibility of the unitholders and is paid at that level. For income taxes on income earned for which the Partnership is responsible for the tax liability, the Partnership's income tax expense was \$15.5 million and \$11.6 million for the three months ended June 30, 2019 and 2018, respectively, and \$39.5 million and \$19.4 million for the six months ended June 30, 2019 and 2018, respectively.

In the normal course of business, the Partnership is subject to examination by federal and certain state, local and foreign tax regulators. With a few exceptions, as of June 30, 2019, the Partnership's U.S. federal income tax returns for the years 2015 through 2017 are open under the normal three-year statute of limitations and therefore subject to examination. State and local tax returns are generally subject to audit from 2014 to 2017. Foreign tax returns are generally subject to audit from 2011 to 2017. Certain of the Partnership's affiliates are currently under audit by federal, state and foreign tax authorities.

The Partnership does not believe that the outcome of these audits will require it to record material reserves for uncertain tax positions or that the outcome will have a material impact on the consolidated financial statements. The Partnership does not believe that it has any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next twelve months.

**10. Non-controlling Interests in Consolidated Entities**

The components of the Partnership's non-controlling interests in consolidated entities are as follows:

	<b>As of</b>	
	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	<b>(Dollars in millions)</b>	
Non-Carlyle interests in Consolidated Funds	\$ 12.5	\$ 1.2
Non-Carlyle interests in majority-owned subsidiaries	303.9	337.1
Non-controlling interest in carried interest, giveback obligations and cash held for carried interest distributions	(7.9)	(14.1)
Non-controlling interests in consolidated entities	<b>\$ 308.5</b>	<b>\$ 324.2</b>

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The components of the Partnership's non-controlling interests in income of consolidated entities are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Non-Carlyle interests in Consolidated Funds	\$ 11.2	\$ (4.2)	\$ 11.2	\$ (5.1)
Non-Carlyle interests in majority-owned subsidiaries	24.7	18.4	17.5	26.8
Non-controlling interest in carried interest, giveback obligations and cash held for carried interest distributions	3.9	2.5	6.6	6.0
Non-controlling interests in income of consolidated entities	<u>\$ 39.8</u>	<u>\$ 16.7</u>	<u>\$ 35.3</u>	<u>\$ 27.7</u>

## 11. Earnings Per Common Unit

Basic and diluted net income per common unit are calculated as follows:

	Three Months Ended June 30, 2019		Six Months Ended June 30, 2019	
	Basic	Diluted	Basic	Diluted
	(Dollars in millions)			
Net income attributable to common units	\$ 148,200,000	\$ 148,200,000	\$ 285,200,000	\$ 285,200,000
Weighted-average common units outstanding	110,440,227	120,920,439	109,828,740	118,372,885
Net income per common unit	<u>\$ 1.34</u>	<u>\$ 1.23</u>	<u>\$ 2.60</u>	<u>\$ 2.41</u>

	Three Months Ended June 30, 2018		Six Months Ended June 30, 2018	
	Basic	Diluted	Basic	Diluted
	(Dollars in millions)			
Net income attributable to common units	\$ 63,500,000	\$ 63,500,000	\$ 97,300,000	\$ 97,300,000
Weighted-average common units outstanding	102,465,109	112,582,728	101,603,587	111,948,144
Net income per common unit	<u>\$ 0.62</u>	<u>\$ 0.56</u>	<u>\$ 0.96</u>	<u>\$ 0.87</u>

The weighted-average common units outstanding, basic and diluted, are calculated as follows:

	Three Months Ended June 30, 2019		Six Months Ended June 30, 2019	
	Basic	Diluted	Basic	Diluted
	(Dollars in millions)			
The Carlyle Group L.P. weighted-average common units outstanding	110,440,227	110,440,227	109,828,740	109,828,740
Unvested deferred restricted common units	—	9,531,711	—	7,595,644
Issuable Carlyle Group L.P. common units	—	948,501	—	948,501
Weighted-average common units outstanding	<u>110,440,227</u>	<u>120,920,439</u>	<u>109,828,740</u>	<u>118,372,885</u>

	Three Months Ended June 30, 2018		Six Months Ended June 30, 2018	
	Basic	Diluted	Basic	Diluted
	(Dollars in millions)			
The Carlyle Group L.P. weighted-average common units outstanding	102,465,109	102,465,109	101,603,587	101,603,587
Unvested deferred restricted common units	—	9,717,091	—	9,944,029
Issuable Carlyle Group L.P. common units	—	400,528	—	400,528
Weighted-average common units outstanding	<u>102,465,109</u>	<u>112,582,728</u>	<u>101,603,587</u>	<u>111,948,144</u>

The Partnership applies the treasury stock method to determine the dilutive weighted-average common units represented by the unvested deferred restricted common units. Also included in the determination of dilutive weighted-average common units are issuable and contingently issuable Carlyle Holdings partnership units and common units associated with the Partnership's acquisitions, strategic investments in NGP and performance-vesting deferred restricted common units.

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The Partnership applies the “if-converted” method to the vested Carlyle Holdings partnership units to determine the dilutive weighted-average common units outstanding. The Partnership applies the treasury stock method to the unvested Carlyle Holdings partnership units and the “if-converted” method on the resulting number of additional Carlyle Holdings partnership units to determine the dilutive weighted-average common units represented by the unvested Carlyle Holdings partnership units.

In computing the dilutive effect that the exchange of Carlyle Holdings partnership units would have on earnings per common unit, the Partnership considered that net income available to holders of common units would increase due to the elimination of non-controlling interests in Carlyle Holdings (including any tax impact). Based on these calculations, 230,681,668 of vested Carlyle Holdings partnership units and 3,112 of unvested Carlyle Holdings partnership units for the three months ended June 30, 2019 and 230,784,908 of vested Carlyle Holdings partnership units and 1,556 of unvested Carlyle Holdings partnership units for the six months ended June 30, 2019 were antidilutive, and therefore have been excluded.

Further, based on these calculations, 230,870,928 of vested Carlyle Holdings partnership units and 2,511,832 of unvested Carlyle Holdings partnership units for the three months ended June 30, 2018 and 228,742,429 of vested Carlyle Holdings partnership units and 4,272,936 of unvested Carlyle Holdings partnership units for the six months ended June 30, 2018 were antidilutive, and therefore have been excluded.

## **12. Equity**

### **Preferred Unit Issuance**

On September 13, 2017, the Partnership issued 16,000,000 of 5.875% Series A Preferred Units (the “Preferred Units”) for gross proceeds of \$400.0 million, or \$387.5 million, net of issuance costs and expenses.

Distributions on the Preferred Units are payable quarterly on March 15, June 15, September 15, and December 15 of each year, beginning on December 15, 2017, when, as and if declared by the Board of Directors of the general partner of the Partnership, at a rate per annum of 5.875%. Distributions on the Preferred Units are discretionary and non-cumulative.

The Preferred Units are not convertible into common units or any other class or series of interests or any other security. Holders of the Preferred Units generally have no voting rights and have none of the voting rights given to holders of the Partnership’s common units, except as otherwise provided in the Partnership’s limited partnership agreement.

At any time, or from time to time, on or after September 15, 2022, the Partnership may, at its option, redeem the Preferred Units, in whole or in part, at a price of \$25.00 per Preferred Unit plus declared and unpaid distributions, if any. If a Change of Control Event or a Tax Redemption Event (each as defined in the Partnership’s limited partnership agreement) occurs prior to September 15, 2022, the Partnership may, at its option, redeem the Preferred Units, in whole but not in part, at a price of \$25.25 per Preferred Unit plus declared and unpaid distributions, if any. If a Rating Agency Event (as defined in the Partnership’s limited partnership agreement) occurs prior to September 15, 2022, the Partnership may, at its option, redeem the Preferred Units, in whole but not in part, at a price of \$25.50 per Preferred Unit plus declared and unpaid dividends, if any.

### **Unit Repurchase Program**

In December 2018, the Board of Directors of the general partner of the Partnership authorized the repurchase of up to \$200.0 million of common units and/or Carlyle Holdings units, inclusive of amounts remaining as originally authorized in February 2016. Under this new unit repurchase program, which became effective January 1, 2019, units may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The Partnership expects that the majority of repurchases under this program will be done via open market and brokered transactions. The timing and actual number of common units and/or Carlyle Holdings units repurchased will depend on a variety of factors, including legal requirements, price and economic and market conditions. This unit repurchase program may be suspended or discontinued at any time and does not have a specified expiration date. During the three and six months ended June 30, 2019, the Partnership paid an aggregate of \$1.5 million and \$12.0 million, respectively, to repurchase and retire approximately 0.1 million units and 0.7 million units, respectively, with all of the repurchases done via open market and brokered transactions.

### **Quarterly Unit Exchange Program**

Current and former senior Carlyle professionals are able to exchange their Carlyle Holdings partnership units for common units on a quarterly basis, subject to the terms of the Exchange Agreement. During the three and six months ended June 30, 2019, current and former senior Carlyle professionals exchanged 231,089 and 413,753, respectively, Carlyle Holdings partnership units for common units, resulting in a reallocation of capital of \$1.8 million and \$3.0 million, respectively, from non-controlling interests in Carlyle Holdings to partners’ capital and accumulated other comprehensive loss.

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**Distributions**

The table below presents information regarding the quarterly distributions on the common units, which were made at the sole discretion of the general partner of the Partnership. Because certain wholly owned subsidiaries of the Partnership must pay taxes and make payments under the tax receivable agreement, the amounts ultimately distributed to the common unitholders may be less, on a per unit basis, than the amounts distributed by the Carlyle Holdings partnerships to the other limited partners of the Carlyle Holdings partnerships in respect of their Carlyle Holdings partnership units.

<b>Distribution Record Date</b>	<b>Distribution Payment Date</b>	<b>Distribution per Common Unit</b>		<b>Distribution to Common Unitholders</b>	
		(Dollars in millions, except per unit data)			
May 11, 2018	May 17, 2018	\$ 0.27	\$ 27.8		
August 13, 2018	August 17, 2018	0.22		23.3	
November 13, 2018	November 20, 2018	0.42		45.5	
February 19, 2019	February 26, 2019	0.43		47.5	
Total 2018 Distribution Year		\$ 1.34	\$ 144.1		
<hr/>					
May 13, 2019	May 20, 2019	\$ 0.19	\$ 21.0		
August 12, 2019	August 19, 2019	0.43		49.9	
Total 2019 Distribution Year (through Q2 2019)		\$ 0.62	\$ 70.9		

The general partner will take into account general economic and business conditions, as well as the Partnership's strategic plans and prospects, business and investment opportunities, financial condition and obligations, legal, tax and regulatory restrictions, other constraints on the payment of distributions by the Partnership to its common unitholders or by subsidiaries to the Partnership, and other such factors as the general partner may deem relevant.

Under the Delaware Limited Partnership Act, the Partnership may not make a distribution to a partner if after the distribution all of the Partnership's liabilities, other than liabilities to partners on account of their partnership interest and liabilities for which the recourse of creditors is limited to specific property of the partnership, would exceed the fair value of the Partnership's assets. If the Partnership 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 the Partnership for the amount of the distribution for three years. In addition, the terms of the Partnership's senior credit facility provide certain limits on its ability to make distributions.

**13. Equity-Based Compensation**

In May 2012, Carlyle Group Management L.L.C., the general partner of the Partnership, adopted the Equity Incentive Plan. The Equity Incentive Plan is a source of equity-based awards permitting the Partnership to grant to Carlyle employees, directors of the Partnership's general partner and consultants non-qualified options, unit appreciation rights, common units, restricted common units, deferred restricted common units, phantom restricted common units and other awards based on the Partnership's common units and Carlyle Holdings partnership units. The total number of the Partnership's common units and Carlyle Holdings partnership units which were initially available for grant under the Equity Incentive Plan was 30,450,000. The Equity Incentive Plan contains a provision which automatically increases the number of the Partnership's common units and Carlyle Holdings partnership units available for grant based on a pre-determined formula; this increase occurs annually on January 1. As of January 1, 2019, pursuant to the formula, the total number of the Partnership's common units and Carlyle Holdings partnership units available for grant under the Equity Incentive Plan was 33,872,427.

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A summary of the status of the Partnership's non-vested equity-based awards as of June 30, 2019 and a summary of changes for the six months ended June 30, 2019, are presented below:

	<b>Carlyle Holdings</b>		<b>The Carlyle Group L.P.</b>	
	<b>Partnership Units</b>	<b>Weighted-Average Grant Date Fair Value</b>	<b>Deferred Restricted Common Units</b>	<b>Weighted-Average Grant Date Fair Value</b>
<b>Unvested Units</b>				
Balance, December 31, 2018	9,387	\$ 28.26	19,123,700	\$ 18.73
Granted	—	\$ —	5,490,376	\$ 15.13
Vested	—	\$ —	3,163,665	\$ 21.16
Forfeited	—	\$ —	648,856	\$ 17.65
Balance, June 30, 2019	<u>9,387</u>	<u>\$ 28.26</u>	<u>20,801,555</u>	<u>\$ 17.44</u>

The Partnership recorded compensation expense for deferred restricted common units of \$35.2 million and \$49.8 million for the three months ended June 30, 2019 and 2018, respectively, with \$3.2 million and \$4.2 million of corresponding deferred tax benefits, respectively. The Partnership recorded compensation expense for deferred restricted common units of \$71.1 million and \$94.2 million for the six months ended June 30, 2019 and 2018, respectively, with \$6.7 million and \$8.2 million of corresponding deferred tax benefits, respectively. As of June 30, 2019, the total unrecognized equity-based compensation expense related to unvested deferred restricted common units is \$231.4 million, which is expected to be recognized over a weighted-average term of 2.5 years.

#### **14. Segment Reporting**

Carlyle conducts its operations through four reportable segments:

*Corporate Private Equity* – The Corporate Private Equity segment is comprised of the Partnership's operations that advise a diverse group of funds that invest in buyout, middle market and growth capital transactions that focus on either a particular geography or a particular industry.

*Real Assets* – The Real Assets segment is comprised of the Partnership's operations that advise U.S. and international funds focused on real estate, infrastructure, energy and renewable energy transactions.

*Global Credit* – The Global Credit segment advises a group of funds that pursue investment opportunities across various types of credit, including loans & structured credit, direct lending, opportunistic credit, energy credit, distressed credit and aviation finance.

*Investment Solutions* – The Investment Solutions segment advises global private equity fund of funds programs and related co-investment and secondary activities through AlpInvest. This segment also includes Metropolitan, a global manager of real estate fund of funds and related co-investment and secondary activities.

The Partnership's reportable business segments are differentiated by their various investment focuses and strategies. Overhead costs are generally allocated based on cash-based compensation and benefits expense for each segment. The Partnership's earnings from its investment in NGP are presented in the respective operating captions within the Real Assets segment.

*Distributable Earnings.* Distributable Earnings, or "DE," is a key performance benchmark used in the Partnership's industry and is evaluated regularly by management in making resource deployment and compensation decisions and in assessing performance of the Partnership's four reportable segments. Management also uses DE in budgeting, forecasting, and the overall management of the Partnership's segments. Management believes that reporting DE is helpful to understanding the Partnership's business and that investors should review the same supplemental financial measure that management uses to analyze the Partnership's segment performance. DE is intended to show the amount of net realized earnings without the effects of the consolidation of the Consolidated Funds. DE is derived from the Partnership's segment reported results and is used to assess performance and determine amounts potentially available for distribution from Carlyle Holdings to its unitholders.

Distributable Earnings differs from income (loss) before provision for income taxes computed in accordance with U.S. GAAP in that it includes certain tax expenses associated with performance revenues (comprised of performance allocations and incentive fees), and does not include unrealized performance allocations and related compensation expense, unrealized principal investment income, equity-based compensation expense, net income (loss) attributable to non-Carlyle interests in

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**(Unaudited)**

consolidated entities, or charges (credits) related to Carlyle corporate actions and non-recurring items. Charges (credits) related to Carlyle corporate actions and non-recurring items include: charges associated with acquisitions or strategic investments, changes in the tax receivable agreement liability, amortization and any impairment charges associated with acquired intangible assets, transaction costs associated with acquisitions, charges associated with earnouts and contingent consideration including gains and losses associated with the estimated fair value of contingent considerations issued in conjunction with acquisitions or strategic investments, impairment charges associated with lease right-of-use assets, gains and losses from the retirement of debt, charges associated with contract terminations and employee severance. Management believes the inclusion or exclusion of these items provides investors with a meaningful indication of the Partnership's core operating performance.

**Fee Related Earnings.** Fee Related Earnings, or "FRE," is used to assess the ability of the business to cover direct base compensation and operating expenses from total fee revenues. FRE differs from income (loss) before provision for income taxes computed in accordance with U.S. GAAP in that it adjusts for the items included in the calculation of DE and also adjusts DE to exclude net realized performance revenues, realized principal investment income, net interest (interest income less interest expense), and certain general, administrative and other expenses when the timing of any future payment is uncertain.

In connection with a change to the Partnership's chief operating decision makers, management has reevaluated the manner in which it makes operational and resource deployment decisions and assesses the overall performance of the Partnership's business. Effective with the three months ended December 31, 2018, DE and FRE are the performance measures for the Partnership's profitability used by management in making operational and resource deployment decisions. Previously, Economic Income ("EI") was also a key performance measure. The key distinction between DE and EI is that DE reflects the earnings of the Partnership excluding unrealized performance revenues and related compensation expense, and unrealized principal investment income.

In connection with this modification, segment information as of June 30, 2018 has been presented in this Quarterly Report on Form 10-Q to conform to the Partnership's current segment presentation for comparability purposes. Consequently, this information will be different from the historical segment financial results reported by the Partnership in its reports filed with the SEC.

**The Carlyle Group L.P.**

**Notes to the Condensed Consolidated Financial Statements  
(Unaudited)**

The following table presents the financial data for the Partnership's four reportable segments for the three and six months ended June 30, 2019:

	Three Months Ended June 30, 2019				
	Corporate Private Equity	Real Assets	Global Credit	Investment Solutions	Total
(Dollars in millions)					
<b>Segment Revenues</b>					
Fund level fee revenues					
Fund management fees	\$ 190.3	\$ 105.8	\$ 79.2	\$ 39.2	\$ 414.5
Portfolio advisory fees, net and other	3.6	0.5	1.2	—	5.3
Transaction fees, net	7.4	—	2.2	—	9.6
Total fund level fee revenues	201.3	106.3	82.6	39.2	429.4
Realized performance revenues	11.2	24.6	0.1	6.0	41.9
Realized principal investment income (loss)	1.0	70.1	1.4	1.4	73.9
Interest income	1.2	0.7	3.4	0.2	5.5
Total revenues	214.7	201.7	87.5	46.8	550.7
<b>Segment Expenses</b>					
Compensation and benefits					
Cash-based compensation and benefits	101.1	34.0	49.5	22.5	207.1
Realized performance revenues related compensation	5.4	11.2	—	4.5	21.1
Total compensation and benefits	106.5	45.2	49.5	27.0	228.2
General, administrative, and other indirect expenses	33.3	17.0	20.5	9.2	80.0
Depreciation and amortization expense	4.5	1.8	2.0	1.3	9.6
Interest expense	7.9	3.1	6.7	1.8	19.5
Total expenses	152.2	67.1	78.7	39.3	337.3
<b>Distributable Earnings</b>	<b>\$ 62.5</b>	<b>\$ 134.6</b>	<b>\$ 8.8</b>	<b>\$ 7.5</b>	<b>\$ 213.4</b>
(-) Realized Net Performance Revenues	5.8	13.4	0.1	1.5	20.8
(-) Realized Principal Investment Income	1.0	70.1	1.4	1.4	73.9
(+) Net Interest	6.7	2.4	3.3	1.6	14.0
<b>(=) Fee Related Earnings</b>	<b>\$ 62.4</b>	<b>\$ 53.5</b>	<b>\$ 10.6</b>	<b>\$ 6.2</b>	<b>\$ 132.7</b>

**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**

Six Months Ended June 30, 2019

	Corporate Private Equity	Real Assets	Global Credit	Investment Solutions	Total
(Dollars in millions)					
<b>Segment Revenues</b>					
Fund level fee revenues					
Fund management fees	\$ 380.3	\$ 183.2	\$ 154.0	\$ 78.6	\$ 796.1
Portfolio advisory fees, net and other	7.1	1.4	2.3	—	10.8
Transaction fees, net	7.7	2.4	4.0	—	14.1
Total fund level fee revenues	395.1	187.0	160.3	78.6	821.0
Realized performance revenues	34.6	29.5	0.1	26.9	91.1
Realized principal investment income (loss)	(1.3)	71.7	6.0	1.6	78.0
Interest income	2.4	1.2	7.2	0.7	11.5
Total revenues	430.8	289.4	173.6	107.8	1,001.6
<b>Segment Expenses</b>					
Compensation and benefits					
Cash-based compensation and benefits	197.8	69.8	96.1	45.7	409.4
Realized performance revenues related compensation	15.8	23.2	—	24.3	63.3
Total compensation and benefits	213.6	93.0	96.1	70.0	472.7
General, administrative, and other indirect expenses	67.4	33.8	37.0	17.5	155.7
Depreciation and amortization expense	9.4	3.7	4.1	2.7	19.9
Interest expense	15.8	6.2	13.4	3.7	39.1
Total expenses	306.2	136.7	150.6	93.9	687.4
<b>Distributable Earnings</b>	<b>\$ 124.6</b>	<b>\$ 152.7</b>	<b>\$ 23.0</b>	<b>\$ 13.9</b>	<b>\$ 314.2</b>
(-) Realized Net Performance Revenues	18.8	6.3	0.1	2.6	27.8
(-) Realized Principal Investment Income (Loss)	(1.3)	71.7	6.0	1.6	78.0
(+) Net Interest	13.4	5.0	6.2	3.0	27.6
<b>(=) Fee Related Earnings</b>	<b>\$ 120.5</b>	<b>\$ 79.7</b>	<b>\$ 23.1</b>	<b>\$ 12.7</b>	<b>\$ 236.0</b>
Segment assets as of June 30, 2019	<b>\$ 3,193.0</b>	<b>\$ 2,032.1</b>	<b>\$ 2,301.1</b>	<b>\$ 1,079.6</b>	<b>\$ 8,605.8</b>

**The Carlyle Group L.P.**

**Notes to the Condensed Consolidated Financial Statements  
(Unaudited)**

The following table presents the financial data for the Partnership's four reportable segments for the three and six months ended June 30, 2018:

	Three Months Ended June 30, 2018				
	Corporate Private Equity	Real Assets	Global Credit	Investment Solutions	Total
(Dollars in millions)					
<b>Segment Revenues</b>					
Fund level fee revenues					
Fund management fees	\$ 148.0	\$ 78.7	\$ 59.8	\$ 41.6	\$ 328.1
Portfolio advisory fees, net and other	3.4	1.1	1.0	0.1	5.6
Transaction fees, net	3.6	0.1	0.1	—	3.8
Total fund level fee revenues	155.0	79.9	60.9	41.7	337.5
Realized performance revenues	52.0	33.6	4.7	9.2	99.5
Realized principal investment income (loss)	12.3	3.1	2.4	(0.1)	17.7
Interest income	2.5	1.2	3.9	0.3	7.9
Total revenues	221.8	117.8	71.9	51.1	462.6
<b>Segment Expenses</b>					
Compensation and benefits					
Cash-based compensation and benefits	90.5	29.3	30.5	22.0	172.3
Realized performance revenues related compensation	24.0	15.0	2.1	8.8	49.9
Total compensation and benefits	114.5	44.3	32.6	30.8	222.2
General, administrative, and other indirect expenses	56.5	15.9	17.3	9.2	98.9
Depreciation and amortization expense	4.2	1.6	1.6	1.1	8.5
Interest expense	7.1	4.1	5.8	1.5	18.5
Total expenses	182.3	65.9	57.3	42.6	348.1
<b>Distributable Earnings</b>	<b>\$ 39.5</b>	<b>\$ 51.9</b>	<b>\$ 14.6</b>	<b>\$ 8.5</b>	<b>\$ 114.5</b>
(-) Realized Net Performance Revenues	28.0	18.6	2.6	0.4	49.6
(-) Realized Principal Investment Income (Loss)	12.3	3.1	2.4	(0.1)	17.7
(+) Net Interest	4.6	2.9	1.9	1.2	10.6
<b>(=) Fee Related Earnings</b>	<b>\$ 3.8</b>	<b>\$ 33.1</b>	<b>\$ 11.5</b>	<b>\$ 9.4</b>	<b>\$ 57.8</b>

**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**

Six Months Ended June 30, 2018

	Corporate Private Equity	Real Assets	Global Credit	Investment Solutions	Total
(Dollars in millions)					
<b>Segment Revenues</b>					
Fund level fee revenues					
Fund management fees	\$ 262.1	\$ 153.1	\$ 118.5	\$ 81.9	\$ 615.6
Portfolio advisory fees, net and other	9.7	2.6	2.7	0.3	15.3
Transaction fees, net	3.9	2.8	0.1	—	6.8
Total fund level fee revenues	275.7	158.5	121.3	82.2	637.7
Realized performance revenues	240.0	41.4	5.8	23.3	310.5
Realized principal investment income	20.2	11.3	4.9	—	36.4
Interest income	4.5	2.1	7.2	0.8	14.6
Total revenues	540.4	213.3	139.2	106.3	999.2
<b>Segment Expenses</b>					
Compensation and benefits					
Cash-based compensation and benefits	187.7	64.0	64.5	45.2	361.4
Realized performance revenues related compensation	114.7	19.0	2.7	21.4	157.8
Total compensation and benefits	302.4	83.0	67.2	66.6	519.2
General, administrative, and other indirect expenses	89.4	34.0	33.1	17.2	173.7
Depreciation and amortization expense	8.2	3.2	3.0	2.2	16.6
Interest expense	14.1	8.0	11.1	3.1	36.3
Total expenses	414.1	128.2	114.4	89.1	745.8
<b>Distributable Earnings</b>	<b>\$ 126.3</b>	<b>\$ 85.1</b>	<b>\$ 24.8</b>	<b>\$ 17.2</b>	<b>\$ 253.4</b>
(-) Realized Net Performance Revenues	125.3	22.4	3.1	1.9	152.7
(-) Realized Principal Investment Income	20.2	11.3	4.9	—	36.4
(+) Net Interest	9.6	5.9	3.9	2.3	21.7
<b>(=) Fee Related Earnings</b>	<b>\$ (9.6)</b>	<b>\$ 57.3</b>	<b>\$ 20.7</b>	<b>\$ 17.6</b>	<b>\$ 86.0</b>

**The Carlyle Group L.P.**

**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**

The following table reconciles the Total Segments to the Partnership's Income Before Provision for Taxes for the three months ended June 30, 2019 and 2018.

	Three Months Ended June 30, 2019						
	Total Reportable Segments	Consolidated Funds		Reconciling Items		Carlyle Consolidated	
	(Dollars in millions)						
Revenues	\$ 550.7	\$ 45.8	\$ 464.6	(a)	\$ 1,061.1		
Expenses	\$ 337.3	\$ 36.8	\$ 154.2	(b)	\$ 528.3		
Other income	\$ —	\$ 9.2	\$ —	(c)	\$ 9.2		
Distributable earnings	\$ 213.4	\$ 18.2	\$ 310.4	(d)	\$ 542.0		

	Three Months Ended June 30, 2018						
	Total Reportable Segments	Consolidated Funds		Reconciling Items		Carlyle Consolidated	
	(Dollars in millions)						
Revenues	\$ 462.6	\$ 53.6	\$ 377.4	(a)	\$ 893.6		
Expenses	\$ 348.1	\$ 62.0	\$ 243.6	(b)	\$ 653.7		
Other income	\$ —	\$ 12.9	\$ —	(c)	\$ 12.9		
Distributable earnings	\$ 114.5	\$ 4.5	\$ 133.8	(d)	\$ 252.8		

The following table reconciles the Total Segments to the Partnership's Income Before Provision for Taxes for the six months ended June 30, 2019 and 2018, and Total Assets as of June 30, 2019.

	Six Months Ended June 30, 2019						
	Total Reportable Segments	Consolidated Funds		Reconciling Items		Carlyle Consolidated	
	(Dollars in millions)						
Revenues	\$ 1,001.6	\$ 98.2	\$ 1,048.3	(a)	\$ 2,148.1		
Expenses	\$ 687.4	\$ 80.5	\$ 362.9	(b)	\$ 1,130.8		
Other income	\$ —	\$ (5.0)	\$ —	(c)	\$ (5.0)		
Distributable earnings	\$ 314.2	\$ 12.7	\$ 685.4	(d)	\$ 1,012.3		
Total assets	\$ 8,605.8	\$ 5,055.7	\$ (260.7)	(e)	\$ 13,400.8		

	Six Months Ended June 30, 2018						
	Total Reportable Segments	Consolidated Funds		Reconciling Items		Carlyle Consolidated	
	(Dollars in millions)						
Revenues	\$ 999.2	\$ 100.9	\$ 496.3	(a)	\$ 1,596.4		
Expenses	\$ 745.8	\$ 106.3	\$ 380.9	(b)	\$ 1,233.0		
Other income	\$ —	\$ 14.9	\$ —	(c)	\$ 14.9		
Distributable earnings	\$ 253.4	\$ 9.5	\$ 115.4	(d)	\$ 378.3		

- (a) The Revenues adjustment principally represents unrealized performance revenues, unrealized principal investment income, revenues earned from the Consolidated Funds which were eliminated in consolidation to arrive at the Partnership's total revenues, adjustments for amounts attributable to non-controlling interests in consolidated entities, adjustments related to expenses associated with the investments in NGP Management and its affiliates that are included in operating captions or are excluded from the segment results, adjustments to reflect the reimbursement of certain costs

**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**

incurred on behalf of Carlyle funds on a net basis, and the inclusion of tax expenses associated with certain performance revenues, as detailed below (Dollars in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Unrealized performance revenues	\$ 167.3	\$ 370.0	\$ 469.1	\$ 476.4
Unrealized principal investment income	234.9	7.6	473.5	18.5
Adjusted unrealized principal investment income from investment in Fortitude Re	40.1	—	67.1	—
Adjustments related to expenses associated with investments in NGP Management and its affiliates	(4.1)	(4.9)	(8.1)	(9.6)
Tax expense associated with performance revenues	—	(5.5)	—	(5.0)
Non-Carlyle economic interests in acquired businesses and other adjustments to present certain costs on a net basis	42.7	35.5	63.1	55.7
Elimination of expenses of Consolidated Funds	(16.3)	(25.3)	(16.4)	(39.7)
	<b>\$ 464.6</b>	<b>\$ 377.4</b>	<b>\$ 1,048.3</b>	<b>\$ 496.3</b>

The following table reconciles the total segments fund level fee revenue to the most directly comparable U.S. GAAP measure, the Partnership's consolidated fund management fees, for the three and six months ended June 30, 2019 and 2018.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
(Dollars in millions)				
Total Reportable Segments - Fund level fee revenues	\$ 429.4	\$ 337.5	\$ 821.0	\$ 637.7
Adjustments <sup>(1)</sup>	(38.5)	(36.2)	(76.7)	(71.9)
Carlyle Consolidated - Fund management fees	<b>\$ 390.9</b>	<b>\$ 301.3</b>	<b>\$ 744.3</b>	<b>\$ 565.8</b>

- (1) Adjustments represent the reclassification of NGP management fees from principal investment income, the reclassification of certain incentive fees from business development companies and other credit products, management fees earned from consolidated CLOs which were eliminated in consolidation to arrive at the Partnership's fund management fees, and the reclassification of certain amounts included in portfolio advisory fees, net and other in the segment results that are included in interest and other income in the U.S. GAAP results.
- (b) The Expenses adjustment represents the elimination of intercompany expenses of the Consolidated Funds payable to the Partnership, the inclusion of equity-based compensation, certain tax expenses associated with realized performance revenues related compensation, and unrealized performance revenues related compensation, adjustments related to expenses associated with the investment in NGP Management that are included in operating captions, adjustments to reflect the reimbursement of certain costs incurred on behalf of Carlyle funds on a net basis, changes in the tax receivable agreement liability, and charges and credits associated with Carlyle corporate actions and non-recurring items, as detailed below (Dollars in millions):

**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Unrealized performance revenues related compensation	\$ 84.9	\$ 170.0	\$ 230.9	\$ 219.5
Equity-based compensation	38.3	68.4	77.7	156.2
Acquisition related charges and amortization of intangibles and impairment	15.4	9.2	27.4	13.8
Other non-operating expense	0.4	0.3	0.7	0.6
Tax expense associated with performance revenues related compensation	3.6	(1.7)	(2.5)	(3.3)
Non-Carlyle economic interests in acquired businesses and other adjustments to present certain costs on a net basis	10.0	9.8	30.9	13.3
Severance and other adjustments	10.9	4.3	12.7	5.9
Elimination of expenses of Consolidated Funds	(9.3)	(16.7)	(14.9)	(25.1)
	<b>\$ 154.2</b>	<b>\$ 243.6</b>	<b>\$ 362.9</b>	<b>\$ 380.9</b>

(c) The Other Income (Loss) adjustment results from the Consolidated Funds which were eliminated in consolidation to arrive at the Partnership's total Other Income (Loss).

(d) The following table is a reconciliation of Income Before Provision for Income Taxes to Distributable Earnings and to Fee Related Earnings (Dollars in millions):

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Income before provision for income taxes</b>	<b>\$ 542.0</b>	<b>\$ 252.8</b>	<b>\$ 1,012.3</b>	<b>\$ 378.3</b>
Adjustments:				
Net unrealized performance revenues	(82.4)	(200.0)	(238.2)	(256.9)
Unrealized principal investment income	(234.9)	(7.6)	(473.5)	(18.5)
Adjusted unrealized principal investment income from investment in Fortitude Re	(40.1)	—	(67.1)	—
Equity-based compensation <sup>(1)</sup>	38.3	68.4	77.7	156.2
Acquisition related charges, including amortization of intangibles and impairment	15.4	9.2	27.4	13.8
Other non-operating expense	0.4	0.3	0.7	0.6
Tax expense associated with performance revenues	3.6	3.8	(2.5)	1.7
Net (income) loss attributable to non-controlling interests in consolidated entities	(39.8)	(16.7)	(35.3)	(27.7)
Severance and other adjustments	10.9	4.3	12.7	5.9
<b>Distributable Earnings</b>	<b>\$ 213.4</b>	<b>\$ 114.5</b>	<b>\$ 314.2</b>	<b>\$ 253.4</b>
Realized performance revenues, net of related compensation <sup>(2)</sup>	20.8	49.6	27.8	152.7
Realized principal investment income <sup>(2)</sup>	73.9	17.7	78.0	36.4
Net interest	14.0	10.6	27.6	21.7
<b>Fee Related Earnings</b>	<b>\$ 132.7</b>	<b>\$ 57.8</b>	<b>\$ 236.0</b>	<b>\$ 86.0</b>

(1) Equity-based compensation for the three months ended June 30, 2019 includes \$3.6 million which is included in principal investment income and general, administrative and other expenses in our U.S. GAAP statement of operations, as well as \$0.1 million related to units issued in conjunction with a previous acquisition. Equity-based compensation for the six months ended June 30, 2019 includes \$7.6 million which is included in principal investment income and general, administrative and other expenses in our U.S. GAAP statement of operations, as well as \$0.1 million related to units issued in conjunction with a previous acquisition.

**The Carlyle Group L.P.**

**Notes to the Condensed Consolidated Financial Statements  
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(2) See reconciliation to most directly comparable U.S. GAAP measure below:

	Three Months Ended June 30, 2019			Total Reportable Segments
	Carlyle Consolidated	Adjustments <sup>(3)</sup>	(Dollars in millions)	Total Reportable Segments
Performance revenues	\$ 247.6	\$ (205.7)	\$ 41.9	
Performance revenues related compensation expense	113.6	(92.5)		21.1
Net performance revenues	\$ 134.0	\$ (113.2)	\$ 20.8	
Principal investment income (loss)	\$ 342.0	\$ (268.1)	\$ 73.9	

	Six Months Ended June 30, 2019			Total Reportable Segments
	Carlyle Consolidated	Adjustments <sup>(3)</sup>	(Dollars in millions)	Total Reportable Segments
Performance revenues	\$ 596.7	\$ (505.6)	\$ 91.1	
Performance revenues related compensation expense	299.0	(235.7)		63.3
Net performance revenues	\$ 297.7	\$ (269.9)	\$ 27.8	
Principal investment income (loss)	\$ 643.8	\$ (565.8)	\$ 78.0	

	Three Months Ended June 30, 2018			Total Reportable Segments
	Carlyle Consolidated	Adjustments <sup>(3)</sup>	(Dollars in millions)	Total Reportable Segments
Performance revenues	\$ 425.1	\$ (325.6)	\$ 99.5	
Performance revenues related compensation expense	222.0	(172.1)		49.9
Net performance revenues	\$ 203.1	\$ (153.5)	\$ 49.6	
Principal investment income (loss)	\$ 78.2	\$ (60.5)	\$ 17.7	

	Six Months Ended June 30, 2018			Total Reportable Segments
	Carlyle Consolidated	Adjustments <sup>(3)</sup>	(Dollars in millions)	Total Reportable Segments
Performance revenues	\$ 733.2	\$ (422.7)	\$ 310.5	
Performance revenues related compensation expense	380.0	(222.2)		157.8
Net performance revenues	\$ 353.2	\$ (200.5)	\$ 152.7	
Principal investment income (loss)	\$ 132.3	\$ (95.9)	\$ 36.4	

(3) Adjustments to performance revenues and principal investment income (loss) relate to (i) unrealized performance allocations net of related compensation expense and unrealized principal investment income, which are excluded from the segment results, (ii) amounts earned from the Consolidated Funds, which were eliminated in the U.S. GAAP consolidation but were included in the segment results, (iii) amounts attributable to non-controlling interests in consolidated entities, which were excluded from the segment results, (iv) the reclassification of NGP

**Notes to the Condensed Consolidated Financial Statements  
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performance revenues, which are included in investment income in U.S. GAAP financial statements, (v) the reclassification of certain incentive fees from business development companies, which are included in fund management fees in the segment results, and (vi) the reclassification of certain tax expenses associated with performance revenues. Adjustments to principal investment income (loss) also include the reclassification of earnings for the investments in NGP Management and its affiliates to the appropriate operating captions for the segment results, and the exclusion of charges associated with the investment in NGP Management and its affiliates that are excluded from the segment results.

- (e) The Total Assets adjustment represents the addition of the assets of the Consolidated Funds that were eliminated in consolidation to arrive at the Partnership's total assets.

**15. Subsequent Events**

On July 31, 2019, Carlyle announced its decision to convert The Carlyle Group L.P. from a Delaware limited partnership to a Delaware corporation named The Carlyle Group Inc. (the "Conversion"). The Conversion is expected to become effective on January 1, 2020. Carlyle also announced the termination of future obligations under the tax receivable agreement, whereby the Partnership will be obligated to pay cash payments aggregating to \$1.50 per Carlyle Holdings partnership unit exchanged in connection with the Conversion, payable in five annual installments of \$0.30 per unit. Based on the Carlyle Holdings partnership units outstanding as of June 30, 2019, the total cash payments in connection with this termination would be approximately \$346 million. However, this amount will be reduced if any Carlyle Holdings partnership units are exchanged prior to the Conversion.

**Distributions**

In July 2019, the Board of Directors of the general partner of the Partnership declared a quarterly distribution of \$0.43 per common unit to common unitholders of record at the close of business on August 12, 2019, payable on August 19, 2019.

In July 2019, the Board of Directors of the general partner of the Partnership declared a quarterly distribution of \$0.367188 per Preferred Unit to preferred unitholders of record at the close of business on September 1, 2019, payable on September 16, 2019. See Note 12 for more information on the Preferred Units.

**Notes to the Condensed Consolidated Financial Statements**  
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**16. Supplemental Financial Information**

The following supplemental financial information illustrates the consolidating effects of the Consolidated Funds on the Partnership's financial position as of June 30, 2019 and December 31, 2018 and results of operations for the three and six months ended June 30, 2019 and 2018. The supplemental statement of cash flows is presented without effects of the Consolidated Funds.

	As of June 30, 2019				
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated	
	(Dollars in millions)				
<b>Assets</b>					
Cash and cash equivalents	\$ 669.2	\$ —	\$ —	\$ 669.2	
Cash and cash equivalents held at Consolidated Funds	—	214.3	—	214.3	
Restricted cash	14.4	—	—	14.4	
Investments, including performance allocations of \$3,907.1 million	6,891.0	—	(184.0)	6,707.0	
Investments of Consolidated Funds	—	4,759.6	—	4,759.6	
Due from affiliates and other receivables, net	389.9	—	(76.7)	313.2	
Due from affiliates and other receivables of Consolidated Funds, net	—	81.8	—	81.8	
Fixed assets, net	106.1	—	—	106.1	
Lease right-of-use assets, net	231.3	—	—	231.3	
Deposits and other	62.6	—	—	62.6	
Intangible assets, net	70.3	—	—	70.3	
Deferred tax assets	171.0	—	—	171.0	
Total assets	<u>\$ 8,605.8</u>	<u>\$ 5,055.7</u>	<u>\$ (260.7)</u>	<u>\$ 13,400.8</u>	
<b>Liabilities and partners' capital</b>					
Debt obligations	\$ 1,531.8	\$ —	\$ —	\$ 1,531.8	
Loans payable of Consolidated Funds	—	4,506.3	—	4,506.3	
Accounts payable, accrued expenses and other liabilities	337.5	—	—	337.5	
Accrued compensation and benefits	2,413.4	—	—	2,413.4	
Due to affiliates	192.1	71.5	(71.5)	192.1	
Deferred revenue	91.5	—	—	91.5	
Deferred tax liabilities	60.7	—	—	60.7	
Other liabilities of Consolidated Funds	—	278.1	—	278.1	
Lease liabilities	307.9	—	—	307.9	
Accrued giveback obligations	63.2	—	—	63.2	
Total liabilities	<u>4,998.1</u>	<u>4,855.9</u>	<u>(71.5)</u>	<u>9,782.5</u>	
Series A preferred units	387.5	—	—	387.5	
Partners' capital	921.2	60.1	(60.1)	921.2	
Accumulated other comprehensive income (loss)	(77.1)	0.6	(1.3)	(77.8)	
Non-controlling interests in consolidated entities	296.0	12.5	—	308.5	
Non-controlling interests in Carlyle Holdings	<u>2,080.1</u>	<u>126.6</u>	<u>(127.8)</u>	<u>2,078.9</u>	
Total partners' capital	3,607.7	199.8	(189.2)	3,618.3	
Total liabilities and partners' capital	<u><u>\$ 8,605.8</u></u>	<u><u>\$ 5,055.7</u></u>	<u><u>\$ (260.7)</u></u>	<u><u>\$ 13,400.8</u></u>	

**The Carlyle Group L.P.**

**Notes to the Condensed Consolidated Financial Statements  
(Unaudited)**

	As of December 31, 2018				
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated	
	(Dollars in millions)				
<b>Assets</b>					
Cash and cash equivalents	\$ 629.6	\$ —	\$ —	\$ 629.6	
Cash and cash equivalents held at Consolidated Funds	—	247.5	—	247.5	
Restricted cash	8.7	—	—	8.7	
Corporate treasury investments	51.7	—	—	51.7	
Investments, including performance allocations of \$3,480.0 million	5,917.8	—	(220.3)	5,697.5	
Investments of Consolidated Funds	—	5,286.6	—	5,286.6	
Due from affiliates and other receivables, net	446.8	—	(5.7)	441.1	
Due from affiliates and other receivables of Consolidated Funds, net	—	135.4	—	135.4	
Fixed assets, net	95.1	—	—	95.1	
Deposits and other	49.3	—	—	49.3	
Intangible assets, net	77.3	—	—	77.3	
Deferred tax assets	194.4	—	—	194.4	
Total assets	<u>\$ 7,470.7</u>	<u>\$ 5,669.5</u>	<u>\$ (226.0)</u>	<u>\$ 12,914.2</u>	
<b>Liabilities and partners' capital</b>					
Loans payable	\$ 1,550.4	\$ —	\$ —	\$ 1,550.4	
Loans payable of Consolidated Funds	—	4,840.1	—	4,840.1	
Accounts payable, accrued expenses and other liabilities	442.2	—	—	442.2	
Accrued compensation and benefits	2,222.3	—	—	2,222.3	
Due to affiliates	174.0	—	—	174.0	
Deferred revenue	111.3	—	—	111.3	
Deferred tax liabilities	64.3	—	—	64.3	
Other liabilities of Consolidated Funds	—	610.1	—	610.1	
Accrued giveback obligations	63.2	—	—	63.2	
Total liabilities	<u>4,627.7</u>	<u>5,450.2</u>	<u>—</u>	<u>10,077.9</u>	
Series A preferred units	387.5	—	—	387.5	
Partners' capital	673.4	68.2	(68.2)	673.4	
Accumulated other comprehensive income (loss)	(80.7)	1.1	(3.7)	(83.3)	
Non-controlling interests in consolidated entities	323.0	1.2	—	324.2	
Non-controlling interests in Carlyle Holdings	1,539.8	148.8	(154.1)	1,534.5	
Total partners' capital	<u>2,843.0</u>	<u>219.3</u>	<u>(226.0)</u>	<u>2,836.3</u>	
Total liabilities and partners' capital	<u>\$ 7,470.7</u>	<u>\$ 5,669.5</u>	<u>\$ (226.0)</u>	<u>\$ 12,914.2</u>	

**The Carlyle Group L.P.**

**Notes to the Condensed Consolidated Financial Statements  
(Unaudited)**

	<b>Three Months Ended June 30, 2019</b>				
	<b>Consolidated Operating Entities</b>	<b>Consolidated Funds</b>	<b>Eliminations</b>	<b>Consolidated</b>	
	<b>(Dollars in millions)</b>				
<b>Revenues</b>					
Fund management fees	\$ 396.4	\$ —	\$ (5.5)	\$ 390.9	
Incentive fees	8.8	—	—	8.8	
Investment income (loss)					
Performance allocations	247.6	—	—	247.6	
Principal investment income	346.2	—	(4.2)	342.0	
Total investment income	593.8	—	(4.2)	589.6	
Interest and other income	32.6	—	(6.6)	26.0	
Interest and other income of Consolidated Funds	—	45.8	—	45.8	
Total revenues	1,031.6	45.8	(16.3)	1,061.1	
<b>Expenses</b>					
Compensation and benefits					
Cash-based compensation and benefits	221.4	—	—	221.4	
Equity-based compensation	35.2	—	—	35.2	
Performance allocations and incentive fee related compensation	113.6	—	—	113.6	
Total compensation and benefits	370.2	—	—	370.2	
General, administrative and other expenses	110.7	—	—	110.7	
Interest	19.5	—	—	19.5	
Interest and other expenses of Consolidated Funds	—	36.8	(9.3)	27.5	
Other non-operating expenses	0.4	—	—	0.4	
Total expenses	500.8	36.8	(9.3)	528.3	
<b>Other income</b>					
Net investment losses of Consolidated Funds	—	9.2	—	9.2	
Income before provision for income taxes	530.8	18.2	(7.0)	542.0	
Provision for income taxes	15.5	—	—	15.5	
Net income	515.3	18.2	(7.0)	526.5	
Net income attributable to non-controlling interests in consolidated entities	28.6	—	11.2	39.8	
Net income attributable to Carlyle Holdings	486.7	18.2	(18.2)	486.7	
Net income attributable to non-controlling interests in Carlyle Holdings	332.6	—	—	332.6	
Net income attributable to The Carlyle Group L.P.	154.1	18.2	(18.2)	154.1	
Net income attributable to Series A Preferred Unitholders	5.9	—	—	5.9	
Net income attributable to The Carlyle Group L.P. Common Unitholders	\$ 148.2	\$ 18.2	\$ (18.2)	\$ 148.2	

**The Carlyle Group L.P.**

**Notes to the Condensed Consolidated Financial Statements  
(Unaudited)**

	<b>Six Months Ended June 30, 2019</b>			
	<b>Consolidated Operating Entities</b>	<b>Consolidated Funds</b>	<b>Eliminations</b>	<b>Consolidated</b>
	(Dollars in millions)			
<b>Revenues</b>				
Fund management fees	\$ 755.1	\$ —	\$ (10.8)	\$ 744.3
Incentive fees	16.9	—	—	16.9
Investment income (loss)				
Performance allocations	596.7	—	—	596.7
Principal investment income	635.8	—	8.0	643.8
Total investment income	1,232.5	—	8.0	1,240.5
Interest and other income	61.8	—	(13.6)	48.2
Interest and other income of Consolidated Funds	—	98.2	—	98.2
Total revenues	2,066.3	98.2	(16.4)	2,148.1
<b>Expenses</b>				
Compensation and benefits				
Cash-based compensation and benefits	431.9	—	—	431.9
Equity-based compensation	71.2	—	—	71.2
Performance allocations and incentive fee related compensation	299.0	—	—	299.0
Total compensation and benefits	802.1	—	—	802.1
General, administrative and other expenses	223.2	—	—	223.2
Interest	39.2	—	—	39.2
Interest and other expenses of Consolidated Funds	—	80.5	(14.9)	65.6
Other non-operating expenses	0.7	—	—	0.7
Total expenses	1,065.2	80.5	(14.9)	1,130.8
<b>Other income</b>				
Net investment losses of Consolidated Funds	—	(5.0)	—	(5.0)
Income before provision for income taxes	1,001.1	12.7	(1.5)	1,012.3
Provision for income taxes	39.5	—	—	39.5
Net income	961.6	12.7	(1.5)	972.8
Net income attributable to non-controlling interests in consolidated entities	24.1	—	11.2	35.3
Net income attributable to Carlyle Holdings	937.5	12.7	(12.7)	937.5
Net income attributable to non-controlling interests in Carlyle Holdings	640.5	—	—	640.5
Net income attributable to The Carlyle Group L.P.	297.0	12.7	(12.7)	297.0
Net income attributable to Series A Preferred Unitholders	11.8	—	—	11.8
Net income attributable to The Carlyle Group L.P. Common Unitholders	\$ 285.2	\$ 12.7	\$ (12.7)	\$ 285.2

The Carlyle Group L.P.

**Notes to the Condensed Consolidated Financial Statements**  
 (Unaudited)

**Three months ended June 30, 2018**

	<b>Consolidated Operating Entities</b>	<b>Consolidated Funds</b>	<b>Eliminations</b>	<b>Consolidated</b>
	(Dollars in millions)			
<b>Revenues</b>				
Fund management fees	\$ 307.4	\$ —	\$ (6.1)	\$ 301.3
Incentive fees	7.3	—	0.1	7.4
Investment income (loss)				
Performance allocations	425.1	—	—	425.1
Principal investment income	92.0	—	(13.8)	78.2
Total investment income	517.1	—	(13.8)	503.3
Interest and other income	33.5	—	(5.5)	28.0
Interest and other income of Consolidated Funds	—	53.6	—	53.6
Total revenues	865.3	53.6	(25.3)	893.6
<b>Expenses</b>				
Compensation and benefits				
Cash-based compensation and benefits	176.0	—	—	176.0
Equity-based compensation	64.9	—	—	64.9
Performance allocations and incentive fee related compensation	222.0	—	—	222.0
Total compensation and benefits	462.9	—	—	462.9
General, administrative and other expenses	126.8	—	—	126.8
Interest	18.4	—	—	18.4
Interest and other expenses of Consolidated Funds	—	62.0	(16.7)	45.3
Other non-operating expenses	0.3	—	—	0.3
Total expenses	608.4	62.0	(16.7)	653.7
<b>Other income</b>				
Net investment gains of Consolidated Funds	—	12.9	—	12.9
Income before provision for income taxes	256.9	4.5	(8.6)	252.8
Provision for income taxes	11.6	—	—	11.6
Net income	245.3	4.5	(8.6)	241.2
Net income attributable to non-controlling interests in consolidated entities	20.8	—	(4.1)	16.7
Net income attributable to Carlyle Holdings	224.5	4.5	(4.5)	224.5
Net income attributable to non-controlling interests in Carlyle Holdings	155.1	—	—	155.1
Net income attributable to The Carlyle Group L.P.	69.4	4.5	(4.5)	69.4
Net income attributable to Series A Preferred Unitholders	5.9	—	—	5.9
Net income attributable to The Carlyle Group L.P. Common Unitholders	<u>\$ 63.5</u>	<u>\$ 4.5</u>	<u>\$ (4.5)</u>	<u>\$ 63.5</u>

The Carlyle Group L.P.

**Notes to the Condensed Consolidated Financial Statements  
(Unaudited)**

Six months ended June 30, 2018

	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
<b>Revenues</b>				
Fund management fees	\$ 577.7	\$ —	\$ (11.9)	\$ 565.8
Incentive fees	13.7	—	—	13.7
Investment income (loss)				
Performance allocations	733.2	—	—	733.2
Principal investment income	148.6	—	(16.3)	132.3
Total investment income	<u>881.8</u>	<u>—</u>	(16.3)	865.5
Interest and other income	62.0	—	(11.5)	50.5
Interest and other income of Consolidated Funds	<u>—</u>	<u>100.9</u>	<u>—</u>	<u>100.9</u>
Total revenues	<u>1,535.2</u>	<u>100.9</u>	(39.7)	1,596.4
<b>Expenses</b>				
Compensation and benefits				
Cash-based compensation and benefits	363.3	—	—	363.3
Equity-based compensation	149.8	—	—	149.8
Performance allocations and incentive fee related compensation	<u>380.0</u>	<u>—</u>	<u>—</u>	<u>380.0</u>
Total compensation and benefits	<u>893.1</u>	<u>—</u>	<u>—</u>	<u>893.1</u>
General, administrative and other expenses	221.8	—	—	221.8
Interest	36.3	—	—	36.3
Interest and other expenses of Consolidated Funds	<u>—</u>	<u>106.3</u>	(25.1)	81.2
Other non-operating expenses	0.6	—	—	0.6
Total expenses	<u>1,151.8</u>	<u>106.3</u>	(25.1)	1,233.0
<b>Other income</b>				
Net investment gains of Consolidated Funds	<u>—</u>	<u>14.9</u>	<u>—</u>	<u>14.9</u>
Income before provision for income taxes	<u>383.4</u>	<u>9.5</u>	(14.6)	378.3
Provision for income taxes	<u>19.4</u>	<u>—</u>	<u>—</u>	<u>19.4</u>
Net income	<u>364.0</u>	<u>9.5</u>	(14.6)	358.9
Net income attributable to non-controlling interests in consolidated entities	<u>32.8</u>	<u>—</u>	(5.1)	27.7
Net income attributable to Carlyle Holdings	<u>331.2</u>	<u>9.5</u>	(9.5)	331.2
Net income attributable to non-controlling interests in Carlyle Holdings	<u>222.1</u>	<u>—</u>	<u>—</u>	<u>222.1</u>
Net income attributable to The Carlyle Group L.P.	<u>109.1</u>	<u>9.5</u>	(9.5)	109.1
Net income attributable to Series A Preferred Unitholders	<u>11.8</u>	<u>—</u>	<u>—</u>	<u>11.8</u>
Net income attributable to The Carlyle Group L.P. Common Unitholders	<u>\$ 97.3</u>	<u>\$ 9.5</u>	<u>\$ (9.5)</u>	<u>\$ 97.3</u>

**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**

	<b>Six Months Ended June 30,</b>		
	<b>2019</b>	<b>2018</b>	
	<b>(Dollars in millions)</b>		
<b>Cash flows from operating activities</b>			
Net income	\$ 961.6	\$ 364.0	
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	28.8	21.9	
Equity-based compensation	71.2	149.8	
Non-cash performance allocations and incentive fees	(268.3)	(215.6)	
Non-cash principal investment income	(628.3)	(134.5)	
Other non-cash amounts	4.6	4.7	
Purchases of investments	(120.4)	(274.9)	
Proceeds from the sale of investments	231.0	393.0	
Payments of contingent consideration	—	(37.5)	
Change in deferred taxes, net	20.3	(2.6)	
Change in due from affiliates and other receivables	31.8	(48.6)	
Change in deposits and other	(13.9)	(12.1)	
Change in accounts payable, accrued expenses and other liabilities	(44.4)	0.8	
Change in accrued compensation and benefits	(23.2)	(8.9)	
Change in due to affiliates	(1.2)	(26.6)	
Change in lease right-of-use asset and lease liability	2.9	—	
Change in deferred revenue	(18.7)	(19.3)	
Net cash provided by operating activities	233.8	153.6	
<b>Cash flows from investing activities</b>			
Purchases of fixed assets, net	(23.7)	(12.5)	
Net cash used in investing activities	(23.7)	(12.5)	
<b>Cash flows from financing activities</b>			
Repayment of term loan	(25.0)	—	
Payments on debt obligations	(13.6)	(13.8)	
Proceeds from debt obligations	20.4	34.5	
Distributions to common unitholders	(68.5)	(61.0)	
Distributions to preferred unitholders	(11.8)	(11.8)	
Distributions to non-controlling interest holders in Carlyle Holdings	(143.2)	(140.4)	
Contributions from non-controlling interest holders	9.1	8.9	
Distributions to non-controlling interest holders	(31.9)	(51.8)	
Common units repurchased	(12.0)	(51.0)	
Change in due to/from affiliates financing activities	114.5	4.0	
Net cash used in financing activities	(162.0)	(282.4)	
Effect of foreign exchange rate changes	(2.8)	(9.0)	
Increase (decrease) in cash, cash equivalents and restricted cash	45.3	(150.3)	
Cash, cash equivalents and restricted cash, beginning of period	638.3	1,028.8	
Cash, cash equivalents and restricted cash, end of period	\$ 683.6	\$ 878.5	
<b>Reconciliation of cash, cash equivalents and restricted cash, end of period:</b>			
Cash and cash equivalents	\$ 669.2	\$ 876.8	
Restricted cash	14.4	1.7	
Total cash, cash equivalents and restricted cash, end of period	\$ 683.6	\$ 878.5	
Cash and cash equivalents held at Consolidated Funds	\$ 214.3	\$ 395.3	

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion analyzes the financial condition and results of operations of The Carlyle Group L.P. (the "Partnership"). Such analysis should be read in conjunction with the consolidated financial statements and the related notes included in this Quarterly Report on Form 10-Q and the Annual Report on Form 10-K for the year ended December 31, 2018.*

### **Overview**

We conduct our operations through four reportable segments: Corporate Private Equity, Real Assets, Global Credit, and Investment Solutions.

- *Corporate Private Equity* — Our Corporate Private Equity segment advises our 24 buyout and 11 middle market and growth capital funds, which seek a wide variety of investments of different sizes and growth potentials. As of June 30, 2019, our Corporate Private Equity segment had \$84 billion in AUM and \$61 billion in Fee-earning AUM.
- *Real Assets* — Our Real Assets segment advises our ten U.S. and internationally focused real estate funds, our two infrastructure funds, our two power funds, our two international energy funds, as well as our three Legacy Energy funds (funds that we jointly advise with Riverstone). The segment also includes three NGP Predecessor Funds and four NGP Carry Funds advised by NGP. As of June 30, 2019, our Real Assets segment had \$47 billion in AUM and \$33 billion in Fee-earning AUM.
- *Global Credit* — Our Global Credit segment advises a group of 60 funds that pursue investment strategies including loans and structured credit, direct lending, opportunistic credit, energy credit, distressed credit, and aircraft financing and servicing. As of June 30, 2019, our Global Credit segment had \$47 billion in AUM and \$36 billion in Fee-earning AUM.
- *Investment Solutions* — Our Investment Solutions segment advises global private equity and real estate fund of funds programs and related co-investment and secondary activities across 241 fund vehicles. As of June 30, 2019, our Investment Solutions segment had \$45 billion in AUM and \$29 billion in Fee-earning AUM.

We earn management fees pursuant to contractual arrangements with the investment funds that we manage and fees for transaction advisory and oversight services provided to portfolio companies of these funds. We also typically receive from an investment fund either an incentive fee or a special residual allocation of income, which we refer to as a performance allocation, or carried interest, in the event that specified investment returns are achieved by the fund. Under U.S. generally accepted accounting principles ("U.S. GAAP"), we are required to consolidate some of the investment funds that we advise. However, for segment reporting purposes, we present revenues and expenses on a basis that deconsolidates these investment funds. Accordingly, our segment revenues primarily consist of fund management and related advisory fees, realized performance revenues (consisting of incentive fees and performance allocations), realized principal investment income, including realized gains on our investments in our funds and other trading securities, as well as interest and other income. Our segment expenses primarily consist of compensation and benefits expenses, including salaries, bonuses, realized performance payment arrangements, and general and administrative expenses. While our segment expenses include depreciation and interest expense, our segment expenses exclude acquisition-related charges and amortization of intangibles and impairment. Refer to Note 14 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for more information on the differences between our financial results reported pursuant to U.S. GAAP and our financial results for segment reporting purposes.

### **Our Family of Funds**

The following chart presents the name (acronym), total capital commitments (in the case of our carry funds, structured credit funds, and the NGP Predecessor Funds), assets under management (in the case of structured products), gross assets (in the case of our BDCs) and vintage year of the active funds in each of our segments, as of June 30, 2019. We present total capital commitments (as opposed to assets under management) for our closed-end investment funds because we believe this metric provides the most useful information regarding the relative size and scale of such funds. In the case of our products which are open-ended and accordingly do not have permanent committed capital, we generally believe the most useful metric regarding relative size and scale is assets under management.

Corporate Private Equity			Global Credit			Real Assets <sup>4</sup>		
Buyout Carry Funds			Loans & Structured Credit			Real Estate Carry Funds		
<b>Carlyle Partners (U.S.)</b>			<b>Cash CLO's</b>			<b>Carlyle Realty Partners (U.S.)</b>		
CP VII	\$18.5 bn	2018	U.S.	\$17.6 bn	2012-2019	CRP VIII	\$5.5 bn	2017
CP VI	\$13.0 bn	2014	Europe	€6.4 bn	2013-2019	CRP VII	\$4.2 bn	2014
CP V	\$13.7 bn	2007	<b>Structured Credit Carry Funds</b>			CRP VI	\$2.3 bn	2011
CP IV	\$7.9 bn	2005	CSC	\$0.8 bn	2017	CRP V	\$3.0 bn	2006
<b>Global Financial Services Partners</b>			CASCOF	\$0.4 bn	2015	CRP IV	\$1.0 bn	2005
CGFSP III	\$1.0 bn	2018	<b>Direct Lending</b>			CRP III	\$0.6 bn	2001
CGFSP II	\$1.0 bn	2013	<b>Business Development Companies<sup>1</sup></b>			<b>Core Plus Real Estate (U.S.)</b>		
CGFSP I	\$1.1 bn	2008	TCG BDC II, Inc.	\$1.6 bn	2017	CPI <sup>2</sup>	\$2.4 bn	2016
<b>Carlyle Europe Partners</b>			TCG BDC, Inc.	\$2.2 bn	2013	<b>International Real Estate</b>		
CEP V	€6.3 bn	2018	<b>Opportunistic Credit Carry Fund</b>			CER	€0.5 bn	2017
CEP IV	€3.7 bn	2014	CCOF	\$2.4 bn	2017	CEREP III	€2.2 bn	2007
CEP III	€5.3 bn	2007	<b>Energy Credit Carry Funds</b>			<b>Natural Resources Funds</b>		
CEP II	€1.8 bn	2003	CEMOF II	\$2.8 bn	2015	<b>NGP Energy Carry Funds</b>		
<b>Carlyle Asia Partners</b>			CEMOF I	\$1.4 bn	2011	NGP XII	\$4.3 bn	2017
CAP V	\$6.6 bn	2018	<b>Distressed Credit Carry Funds</b>			NGP XI	\$5.3 bn	2014
CBPF II	RMB 1.5 bn	2017	CSP IV	\$2.5 bn	2016	NGP X	\$3.6 bn	2012
CAP IV	\$3.9 bn	2014	CSP III	\$0.7 bn	2011	<b>NGP Agribusiness Carry Fund</b>		
CAP III	\$2.6 bn	2008	CSP II	\$1.4 bn	2007	NGP GAP	\$0.4 bn	2014
CAP II	\$1.8 bn	2006	<b>Carlyle Aviation Partners</b>			<b>NGP Predecessor Funds</b>		
<b>Carlyle Japan Partners</b>			SASOF IV	\$1.0 bn	2018	Various <sup>3</sup>	\$5.7 bn	2007-2008
CJP III	¥119.5 bn	2013	SASOF III	\$0.8 bn	2015	<b>International Energy Carry Funds</b>		
CJP II	¥165.6 bn	2006	SASOF II	\$0.6 bn	2012	CIEP II	\$1.6 bn	2019
<b>Carlyle Global Partners</b>			Securitization Vehicles <sup>2</sup>	\$2.4 bn	Various	CIEP I	\$2.5 bn	2013
CGP II	\$1.0 bn	2019	Liquid Products <sup>2</sup>	\$0.9 bn	Various	<b>Infrastructure Carry Funds</b>		
CGP I	\$3.6 bn	2015	Managed Accounts <sup>2</sup>	\$0.9 bn	Various	CGI	\$2.2 bn	2019
<b>Carlyle MENA Partners</b>			<b>Investment Solutions</b>			CIP I	\$1.1 bn	2006
MENA I	\$0.5 bn	2008	<b>AlpInvest</b>			<b>Power Carry Funds</b>		
<b>Carlyle South American Buyout Fund</b>			<b>Fund of Private Equity Funds</b>			CPP II	\$1.5 bn	2014
CSABF I	\$0.8 bn	2009	84 vehicles	€43.3 bn	2000-2019	CPOCP	\$0.5 bn	2013
<b>Carlyle Sub-Saharan Africa Fund</b>			<b>Secondary Investments</b>					
CSSAF I	\$0.7 bn	2012	60 vehicles	€16.3 bn	2002-2019			
<b>Carlyle Peru Fund</b>			<b>Co-Investments</b>					
CPF I	\$0.3 bn	2012	62 vehicles	€16.3 bn	2002-2019			
<b>Middle Market &amp; Growth Carry Funds</b>			<b>Metropolitan Real Estate</b>					
<b>Carlyle U.S. Venture/Growth Partners</b>			<b>Real Estate Fund of Funds</b>					
CEO II	\$2.4 bn	2015	35 vehicles	\$4.8 bn	2002-2019			
CEO I	\$1.1 bn	2011						
CUSGF III	\$0.6 bn	2006						
CVP II	\$0.6 bn	2001						
<b>Carlyle Europe Technology Partners</b>								
CETP IV	€1.4 bn	2019						
CETP III	€0.7 bn	2014						
CETP II	€0.5 bn	2008						
<b>Carlyle Asia Venture/Growth Partners</b>								
CAGP V	\$0.3 bn	2017						
CAGP IV	\$1.0 bn	2008						
CAGP III	\$0.7 bn	2005						
<b>Carlyle Cardinal Ireland</b>								
CCI	€0.3 bn	2014						

Note: All amounts shown represent total capital commitments as of June 30, 2019 unless otherwise noted. Certain of our recent vintage funds are currently in fundraising and total capital commitments are subject to change. In addition, certain carry funds included herein may be disclosed which are not included in fund performance if they have not made an initial capital call or commenced investment activity. The NGP funds are advised by NGP Energy Capital Management, LLC, a separately registered investment adviser, and we do not serve as an investment adviser to those funds.

(1) Amounts represent gross assets plus any available capital as of June 30, 2019.

(2) Amounts represent Total AUM as of June 30, 2019.

(3) Includes NGP M&R, NGP ETP II, and NGP IX, on which we are not entitled to a share of carried interest.

(4) Real Assets also includes the Legacy Energy funds, which we jointly advise with Riverstone Holdings L.L.C. The impact of these funds is no longer significant to our results of operations.

## Trends Affecting our Business

Expectations for global economic growth have continued to moderate through the first half of the year. In the U.S., growth has decelerated relative to 2018, but consumption remains strong amid low unemployment, reasonable wage growth and generally strong household balance sheets. Most economic weakness has been concentrated in construction, industrial production and broader business spending. The softness in business spending appears to be attributable to some combination of weak corporate earnings, heightened “late-cycle” fears among business managers and the effects from the U.S.-China trade dispute, which has depressed global trade volumes and industrial production. Rising compensation and input costs have led to a decline in operating margins, while a strong dollar has depressed the domestic value of foreign sales and earnings.

Trade tensions continued to exert a significant impact on the world economy during the second quarter. Global trade volumes are stagnant year-over-year in sharp contrast to the 4% growth experienced as recently as October 2018. In China, official data indicate real gross domestic product grew just 6.2% in the second quarter of 2019 as compared to a year earlier, the lowest rate recorded since the series began in 1992. This relative weakness was largely driven by a drop in exports, as well as declines in housing activity. Data over the past six-to-nine months also highlight that the costs of the trade dispute have had negative effects on the overall global economy. Since the global trade system is based on integrated, cross-border value chains, negative effects have also been seen in the export sectors of large open economies such as those in South Korea, Japan, and Germany.

In response to economic weakness and the absence of inflationary pressures through the first half of 2019, major central banks continue to move policy in a more accommodative direction. In the U.S., the Federal Reserve announced a 25 basis point cut to the target federal funds rate on July 31. Additional accommodation could help ease the strength of the U.S. dollar and enable other central banks to reduce rates without risking a subsequent sell-off of their currencies. The Reserve Bank of India cut its policy interest rate by 25 basis points in June and officially changed its policy stance to “accommodative” from “neutral” after GDP growth in the first quarter of 2019 came in at a disappointing 5.8% annual rate. Other central banks around the globe, such as in Indonesia, Australia, South Africa, and Brazil, have already cut or are expected to cut rates in the near term. The European Central Bank (ECB) also indicated on July 25 that it is planning to cut short-term interest rates soon, and possibly resume its asset purchasing program. Futures markets anticipate the ECB will cut its deposit rate as soon as September 2019.

The shifting central bank policy has contributed to record highs in U.S. equity markets. The S&P 500 rose 4% in the second quarter, the MSCI ACWI was up 3%, and the EuroStoxx 600 was up 1.5%. The Shanghai Composite was down 3.6% in the second quarter, having peaked in April. Simultaneously, as central banks around the world shift to more accommodative policy stances, government bonds have continued to rally, particularly in the long-end. In Japan, 75% of government bonds outstanding have negative yields as of the end of June, while in Europe the share is just over 50%.

While the shift in Federal Reserve policy has generally boosted the corporate bond markets, the performance of investment grade versus high yield debt has diverged. Since the end of April, the spread between BBB and high yield bonds has risen from a 2019 low of 202 basis points to 240 basis points as of July 15. Concerns about slowing economic growth, trade tensions, and the health of CCC-rated corporates have steered investors towards higher-quality debt. This is in sharp contrast to the first quarter of 2019, when high-yield bond funds experienced their second-highest net quarterly inflows ever. Meanwhile, leveraged loan funds continue to suffer, with 35 consecutive weeks of outflows. Since leveraged loans have floating rates, static or falling interest rates are detrimental to their performance. Overall, the shift in rate expectations has reduced the availability of funding liquidity for leveraged loans for our portfolio.

In the second quarter, we saw a continued reversal of the late year 2018 decline in the public markets, but the impact on our overall portfolio was affected by many factors including, but not limited to, energy and energy-related investments in our portfolio. Our overall carry fund portfolio appreciated by 2% in the second quarter. Our Corporate Private Equity funds appreciated by 1% in the quarter. Our Real Estate funds appreciated by 6% during the quarter, primarily due to continued appreciation in two large U.S. real estate investments and progression in several smaller development deals, while our Natural Resources funds depreciated by 4% in the quarter, primarily reflecting downward pressure on energy funds with significant development and non-producing investments. Our Global Credit carry funds appreciated by 1% in the second quarter and our Investment Solutions funds appreciated by 4%. Our public portfolio (which represents approximately 7% of the remaining fair value across our Corporate Private Equity, Real Assets and Global Credit carry fund portfolio) depreciated 5% in the second quarter, reflecting the impact of certain energy investments in the portfolio.

We raised \$3.5 billion of new capital in the second quarter, and have now surpassed our multi-year \$100 billion fundraising target and believe we will continue to raise incremental new capital throughout the year. While we expect

additional funds to launch over the next several quarters, we also expect that our overall fundraising pace will decelerate from the last few years given the mix of our investment products in the market.

During the second quarter, our carry funds invested \$7.3 billion in new or follow-on transactions and have invested approximately \$25.6 billion over the last twelve months. However, across the market overall corporate exit activity has declined in 2019 as compared to 2018 as management teams may be more hesitant to undertake large acquisitions due to concerns the economy may face a downturn over the next year. Mergers & Acquisitions ("M&A") transactions are down 16% globally in the first half of 2019 relative to the same period in 2018 and syndicated lending in the U.S. had the lowest second quarter volume in 7 years with total issuance down 33% relative to 2018. The investment environment remains challenging and competitive against this backdrop. High levels of dry powder in our industry combined with slowing global growth, corporate hesitancy around M&A activity and volatile markets could adversely affect both investment pace and realizations in our funds for the remainder of 2019. In the second quarter, we realized proceeds from our carry funds of \$4.4 billion, and net accrued performance revenues increased to \$1.9 billion. While our investment teams work to create value at our portfolio companies, we expect that net realized performance revenues will continue at lower levels for the second half of 2019. We continue to believe that our portfolio is positioned to generate significant realized performance revenues in future years, as the next generation of funds matures further into the harvesting period.

During the quarter, there has been increasing public discourse, debate and media coverage regarding the appropriate extent of regulation and oversight of the financial industry, including investment firms, as well as the tax treatment of certain investments. We anticipate that such active debate and media coverage will continue to increase in connection with the 2020 U.S. presidential election cycle as financial proposals are put forth by potential U.S. presidential candidates. We continue to monitor these developments to analyze their potential impact on our business.

#### **Recent Transactions**

On July 31, 2019, we announced our decision to convert (the "Conversion") The Carlyle Group L.P. (the "Partnership") from a Delaware limited partnership to a Delaware corporation named The Carlyle Group Inc. (the "Corporation"). See "— Conversion to a Corporation."

#### **Distributions**

In July 2019, the Board of Directors of our general partner declared a quarterly distribution of \$0.43 per unit to common unitholders of record at the close of business on August 12, 2019, payable on August 19, 2019.

The Board of Directors of our general partner has declared a quarterly distribution of \$0.367188 per Preferred Unit to holders of record at the close of business on September 1, 2019, payable on September 16, 2019. Distributions on the Preferred Units are discretionary and non-cumulative. See Note 12 of our unaudited condensed consolidated financial statements for more information on the Preferred Units.

#### **Conversion to a Corporation**

On July 31, 2019, we announced our decision to convert The Carlyle Group L.P. from a Delaware limited partnership to a Delaware corporation named The Carlyle Group Inc. We expect the Conversion to become effective on January 1, 2020 (such date and time at which the Conversion becomes effective, the "Effective Time"). The Conversion was unanimously approved by the board of directors of our general partner, Carlyle Group Management L.L.C., following our receipt of special approval of the Conversion from the conflicts committee of the board of directors of our general partner, pursuant to our limited partnership agreement. Under section 14.3(c) of our limited partnership agreement, no vote of the unitholders is required or will be sought for the Conversion.

As more fully described below, the Conversion and related transactions will simplify our corporate and capital structure with a single class of common stock, providing one vote per share, that will be held by both our public stockholders and the senior Carlyle professionals and other former limited partners of the Carlyle Holdings partnerships. We believe this will enhance transparency and align incentives for all stockholders going forward. Furthermore, we believe that the Conversion will improve our trading liquidity and make us more attractive to new investors. We expect that simplifying the tax reporting of our owners by eliminating Schedule K-1s will make our equity eligible for investment by a broader universe of institutional investors that today are restricted from owning it. Following the Conversion, we also anticipate that our common stock will be eligible for inclusion in benchmark stock indices utilized by more than \$7 trillion of industry assets. Further, simplifying our tax structure should increase the appeal of our equity to non-U.S. investors for whom certain kinds of pass through income can be problematic. As a result, we believe the Conversion will meaningfully expand our global investor base and drive greater value for our stockholders over time.

## **Conversion Steps**

In order to implement the Conversion, Carlyle Group Management L.L.C., in its capacity as the Partnership's general partner, will file with the Secretary of State of the State of Delaware a Certificate of Conversion (the "Certificate of Conversion") and, in its capacity as sole incorporator of the Corporation, will file with the Secretary of State of the State of Delaware a Certificate of Incorporation (the "Certificate of Incorporation"). As a result, at the Effective Time, the Partnership will convert to the Corporation.

At the Effective Time, (a) each common unit of the Partnership ("Common Unit") outstanding immediately prior to the Effective Time will be converted into one issued and outstanding, fully paid and nonassessable share of common stock, \$0.01 par value per share, of the Corporation ("Common Stock"), (b) unless earlier redeemed or retired, each 5.875% Series A Preferred Unit of the Partnership outstanding immediately prior to the Effective Time will be converted into one issued and outstanding, fully paid and nonassessable share of preferred stock, \$0.01 par value per share, of the Corporation, designated as "Series A Preferred Stock" ("Series A Preferred Stock"), (c) each special voting unit of the Partnership outstanding immediately prior to the Effective Time will be canceled for no consideration and the former holder(s) thereof will cease to have any rights with respect thereto and (d) each general partner unit of the Partnership outstanding immediate prior to the Effective Time will be canceled for no consideration and the former holder(s) thereof will cease to have any rights with respect thereto, in each case without any action required on the part of the Partnership, the Corporation, any former holder of any Partnership interest or other person.

In connection with the Conversion, at or prior to the Effective Time, holders of Carlyle Holdings partnership units will also exchange such units for an equivalent number of shares of common stock in the Corporation and certain other restructuring steps will occur (such restructuring steps, together with the Conversion, the "Transactions").

As a result of the Transactions, holders of Common Units and the former Carlyle Holdings limited partners will become holders of Common Stock, which will continue to be listed on the Nasdaq Global Select Market under the symbol "CG"; and, unless such preferred units are earlier redeemed or retired, holders of Series A Preferred Units will become holders of Series A Preferred Stock, which will continue to be listed on the Nasdaq Global Select Market under the symbol "TCGP", in each case, at the opening of trading immediately following the Effective Time.

Prior to the Effective Time, we will notify Nasdaq that the Certificate of Conversion will be filed with the Secretary of State of Delaware and request that, as of the open of business on the first trading day following the Effective Date, Nasdaq cease trading of the Common Units and Series A Preferred Units on Nasdaq and commence trading of the Common Stock and Series A Preferred Stock on Nasdaq under the existing ticker symbols "CG" and "TCGP", respectively. It is expected that new CUSIP numbers will be issued for each of the Common Stock and Series A Preferred Stock.

The Conversion is expected to qualify for the non-recognition of gain or loss to our common unitholders for U.S. federal income tax purposes. The application of the non-recognition rules to non-U.S. common unitholders in the context of the Conversion is dependent on local tax requirements. All common unitholders should consult their own advisors as to the consequences of the Conversion to them. Final Schedule K-1s will be issued in respect of our final taxable period as a limited partnership ending December 31, 2019. Following the Conversion, dividends will be reported to stockholders on Form 1099-DIV. We believe this change will simplify our stockholders' tax reporting obligations. For U.S. federal income tax purposes, any dividends we pay following the Conversion generally will be treated as qualified dividend income (generally taxable to U.S. individual stockholders at capital gain rates) paid by a domestic corporation to the extent paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes, with any excess dividends treated as return of capital to the extent of the stockholder's basis.

Following the Conversion, all of the net income attributable to the Corporation will be subject to U.S. federal (and state and local) corporate income taxes. See "Part II. Item 1A. Risk Factors - Following the Conversion, we expect to pay more corporate income taxes than we would have as a limited partnership."

## **Post-Conversion Governance**

As a result of the Conversion, the business and affairs of the Corporation will be overseen by a board of directors of the Corporation, rather than by the board of directors of our general partner. At the Effective Time, the directors of our general partner immediately prior to the Effective Time will become the directors of the Corporation and cease to be directors of our general partner. In addition, the audit committee, the compensation committee, the executive committee and the nominating and corporate governance committee of our general partner's board, and the membership thereof, immediately prior to the Effective Time, will be replicated at the Corporation at the Effective Time. Following the Conversion, when the provisions of our existing partnership agreement that contemplate a standing conflicts committee will no longer apply, disinterested members of our board of directors will continue to address conflicts, including by referral of such matters to the audit committee or such

other committee of disinterested directors as the board deems appropriate. In addition, at the Effective Time, the executive officers of our general partner will become the executive officers of the Corporation.

Following the Conversion, the holders of Common Stock will be entitled to vote on all matters on which stockholders of a corporation are generally entitled to vote on under the Delaware General Corporation Law (“DGCL”), including the election of the board of directors of the Corporation. Holders of Common Stock will be entitled to one vote per share of Common Stock. Except as provided in the Certificate of Incorporation and Bylaws and under the DGCL and the rules of Nasdaq, shares of Series A Preferred Stock will be generally non-voting similar to the existing Series A Preferred Units.

In connection with the Conversion, senior Carlyle professionals will generally be required to grant an irrevocable proxy to Carlyle Group Management L.L.C. that will entitle it to vote their shares of Common Stock until the earlier of (i) such time as Carlyle Group Management L.L.C. ceases to have voting power over shares of Common Stock representing at least 20% of the total voting power of all the then outstanding shares of capital stock entitled to vote in the election of directors and (ii) January 1, 2025. Consequently, Carlyle Group Management L.L.C. will initially control a majority of the voting power in the Corporation. As a result, the Corporation will initially be a “controlled company” within the meaning of the corporate governance standards of Nasdaq and, like the Partnership, will qualify for exceptions from certain corporate governance rules of Nasdaq.

In addition, in connection with the Transactions, the Corporation will enter into stockholder agreements with our Founders, William E. Conway, Jr., Daniel A. D’Aniello and David M. Rubenstein. Pursuant to these agreements, each of our Founders will have the right to nominate one director to the Corporation’s board of directors for so long as such Founder and/or his Founder Group (as defined in the stockholder agreements) beneficially owns at least 5% of the issued and outstanding Common Stock. In addition, each Founder will have the right to nominate a second director to the Corporation’s board of directors until the earlier of (x) such time as such Founder and/or his Founder Group ceases to beneficially own at least 20 million shares of Common Stock and (y) January 1, 2027. For so long as at least one Founder is entitled to designate two directors to the board, the Founders then serving on the board may (i) designate a Founder to serve as chair or co-chair and (ii) designate a Founder to serve on each of the compensation and nominating committees and any executive committee, subject to applicable law and listing standards.

The foregoing descriptions are qualified by reference to the forms of the Certificate of Incorporation, the Bylaws, and stockholder agreements, which are filed as Exhibits 3.3, 3.4 and 10.5, respectively, to this Quarterly Report on Form 10-Q.

#### ***Post-Conversion Dividend Policy***

We anticipate that our dividend policy as a corporation will be to pay dividends to holders of our Common Stock in an initial amount of \$0.25 per share each quarter (\$1.00 per share annually), subject to the discretion of our board of directors and compliance with applicable law. We believe that the fixed dividend will enhance capital allocation flexibility and offers an attractive yield.

#### ***Termination of Tax Receivable Agreement***

Holders of Carlyle Holdings partnership units will cease to have any rights to payments under, or in connection with the termination of, the tax receivable agreement except for (i) payment obligations pre-existing at the time of the Transactions with respect to exchanges that have occurred prior to the Transactions and (ii) the payments described below. Holders of Carlyle Holdings partnership units will receive cash payments aggregating \$1.50 per Carlyle Holdings partnership unit exchanged in the Transactions, payable in five annual installments of \$0.30 each. The payment obligations will be general unsecured obligations of the Corporation or a subsidiary thereof and will not bear interest. We anticipate that the net impact on Carlyle of these payments will be partially offset by tax benefits. By terminating the tax receivable agreement apart from legacy payment obligations relating to historical exchanges that occurred prior to the Transactions, we believe we will further enhance the alignment between the senior Carlyle professionals and other former limited partners of the Carlyle Holdings partnerships and public stockholders.

#### ***Key Financial Measures***

Our key financial measures are discussed in the following pages. Additional information regarding these key financial measures and our other significant accounting policies can be found in Note 2 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

## **Revenues**

Revenues primarily consist of fund management fees, incentive fees, investment income (including performance allocations), realized and unrealized gains of our investments in our funds and other principal investments, as well as interest and other income.

**Fund Management Fees.** Fund management fees include management fees and transaction and portfolio advisory fees. We earn management fees for advisory services we provide to funds in which we hold a general partner interest or with which we have an investment advisory or investment management agreement. Additionally, management fees include catch-up management fees, which are episodic in nature and represent management fees charged to fund investors in subsequent closings of a fund which apply to the time period between the fee initiation date and the subsequent closing date.

Management fees attributable to Carlyle Partners VII, L.P. (“CP VII”), our seventh U.S. buyout fund with \$17.5 billion of Fee-earning AUM as of June 30, 2019 were approximately 16% of total management fees recognized during the three and six months ended June 30, 2019. Management fees attributable to CP VII were approximately 14% of total management fees recognized during the three months ended June 30, 2018. Management fees attributable to Carlyle Partners VI, L.P. (“CP VI”), our sixth U.S. buyout fund with approximately \$9.1 billion of Fee-earning AUM as of June 30, 2019 were approximately 11% of total management fees recognized during the six months ended June 30, 2018. No other fund generated over 10% of total management fees in the periods presented.

Fund management fees exclude the reimbursement of any partnership expenses paid by the Partnership on behalf of the Carlyle funds pursuant to the limited partnership agreements, including amounts related to the pursuit of actual, proposed, or unconsummated investments, professional fees, expenses associated with the acquisition, holding and disposition of investments, and other fund administrative expenses.

Transaction and portfolio advisory fees include fees we receive for the transaction and portfolio advisory services we provide to our portfolio companies, as well as underwriting fees from our loan syndication and capital markets business, Carlyle Capital Solutions (“CCS”). When covered by separate contractual agreements, we recognize transaction and portfolio advisory fees for these services when the performance obligation has been satisfied and collection is reasonably assured. We are required to offset our fund management fees earned by a percentage of the transaction and advisory fees earned, which we refer to as the “rebate offsets.” Historically, such rebate offset percentages generally approximated 80% of the fund’s portion of the transaction and advisory fees earned. However, the percentage of transaction and portfolio advisory fees we share with our investors on our recent vintage funds has generally increased, and as such the rebate offset percentages generally range from 80% to 100% of the fund’s portion of the transaction and advisory fees earned. The recognition of portfolio advisory fees and transactions fees can be volatile as they are primarily generated by investment activity within our funds, and therefore are impacted by our investment pace. Underwriting fees include gains, losses and fees arising from securities offerings in which we participate in the underwriter syndicate.

**Incentive Fees.** Incentive fees consist of performance-based incentive arrangements pursuant to management contracts, primarily from certain of our Global Credit funds, when the return on assets under management exceeds certain benchmark returns or other performance targets. In such arrangements, incentive fees are recognized when the performance benchmark has been achieved.

**Investment Income.** Investment income consists of our performance allocations as well as the realized and unrealized gains and losses resulting from our equity method investments and other principal investments.

Performance allocations consist principally of the performance-based capital allocation from fund limited partners to us, commonly referred to as carried interest, from certain of our investment funds, which we refer to as the “carry funds.” Carried interest revenue is recognized by Carlyle upon appreciation of the valuation of our funds’ investments above certain return hurdles as set forth in each respective partnership agreement and is based on the amount that would be due to us pursuant to the fund partnership agreement at each period end as if the funds were liquidated at such date. Accordingly, the amount of carried interest recognized as performance allocations reflects our share of the fair value gains and losses of the associated funds’ underlying investments measured at their then-current fair values relative to the fair values as of the end of the prior period. As a result, the performance allocations earned in an applicable reporting period are not indicative of any future period, as fair values are based on conditions prevalent as of the reporting date. Refer to “— Trends Affecting our Business” for further discussion.

In addition to the performance allocations from our Corporate Private Equity and Real Assets funds and closed-end carry funds in the Global Credit segment, we are also entitled to receive performance allocations from our Investment Solutions and NGP Carry Funds. The timing of performance allocations realizations for these funds is typically later than in our other carry funds based on the terms of such arrangements.

Our performance allocations are generated by a diverse set of funds with different vintages, geographic concentration, investment strategies and industry specialties. For an explanation of the fund acronyms used throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations section, refer to "— Our Family of Funds."

Performance allocations in excess of 10% of the total for the three and six months ended June 30, 2019 and 2018 were generated from the following funds:

Three Months Ended June 30,						Six Months Ended June 30,					
2019			2018			2019			2018		
(Dollars in millions)											
CRP V	\$	103.5	CP VI	\$	120.2	CRP V	\$	164.2	CP VI	\$	164.7
CAP IV		61.3	CIEP		48.4				CEP IV		112.0
CRP VII		28.2							CRP VII		79.1
Alpinvest Co - & Secondary Investments 2006-2008		(25.2)									
CP VI		(34.5)									

No other fund generated over 10% of performance allocations in the periods presented above.

Under our arrangements with the historical owners and management team of AlpInvest, we generally do not retain any carried interest in respect of the historical investments and commitments to our fund vehicles that existed as of July 1, 2011 (including any options to increase any such commitments exercised after such date). We are entitled to 15% of the carried interest in respect of commitments from the historical owners of AlpInvest for the period between 2011 and 2020, except in certain instances, and 40% of the carried interest in respect of all other commitments (including all future commitments from third parties). In certain instances, carried interest associated with the AlpInvest fund vehicles is subject to entity level income taxes in the Netherlands.

Realized carried interest may be clawed back or given back to the fund if the fund's investment values decline below certain return hurdles, which vary from fund to fund. When the fair value of a fund's investments remains constant or falls below certain return hurdles, previously recognized performance allocations are reversed. In all cases, each investment fund is considered separately in evaluating carried interest and potential giveback obligations. For any given period, performance allocations revenue on our statement of operations may include reversals of previously recognized performance allocations due to a decrease in the value of a particular fund that results in a decrease of cumulative performance allocations earned to date. Since fund return hurdles are cumulative, previously recognized performance allocations also may be reversed in a period of appreciation that is lower than the particular fund's hurdle rate. For the three months ended June 30, 2019 and 2018, the reversals of performance allocations were \$80.1 million and \$71.3 million, respectively. For the six months ended June 30, 2019 and 2018, the reversals of performance allocations were \$31.9 million and \$94.0 million, respectively. Additionally, unrealized performance allocations reverse when performance allocations are realized, and unrealized performance allocations can be negative if the amount of realized performance allocations exceed total performance allocations generated in the period.

As of June 30, 2019, accrued performance allocations and accrued giveback obligations were approximately \$3.9 billion and \$63.2 million, respectively. Each balance assumes a hypothetical liquidation of the funds' investments at June 30, 2019 at their then current fair values. These assets and liabilities will continue to fluctuate in accordance with the fair values of the funds' investments until they are realized. As of June 30, 2019, approximately \$36.0 million of the accrued giveback obligation is the responsibility of various current and former senior Carlyle professionals and other limited partners of the Carlyle Holdings partnerships, and the net accrued giveback obligation attributable to Carlyle Holdings is \$27.2 million. The Partnership uses "net accrued performance revenues" to refer to the aggregation of the accrued performance allocations and incentive fees net of (i) accrued giveback obligations, (ii) accrued performance allocations and incentive fee-related compensation, (iii) performance allocations and incentive fee-related tax obligations, and (iv) accrued performance allocations and incentive fees attributable to non-controlling interests and excludes any net accrued performance allocations and incentive fees that have been realized but will be collected in subsequent periods. Net accrued performance revenues as of June 30, 2019 are \$1.9 billion.

In addition, realized performance allocations may be reversed in future periods to the extent that such amounts become subject to a giveback obligation. If, at June 30, 2019, all investments held by our carry funds were deemed worthless, the amount of realized and previously distributed performance allocations subject to potential giveback would be approximately

\$0.4 billion on an after-tax basis where applicable. See the related discussion of “Contingent Obligations (Giveback)” within “— Liquidity and Capital Resources.”

The following table summarizes the total amount of aggregate giveback obligations that we have realized since Carlyle’s inception. Given various current and former senior Carlyle professionals and other limited partners of the Carlyle Holdings partnerships are responsible for paying the majority of the realized giveback obligation, the table below also summarizes the amount that was attributable to Carlyle Holdings (Dollars in millions):

	Inception through June 30, 2019	
	Total Giveback	Giveback Attributable to Carlyle Holdings
Various Legacy Energy Funds	\$ 156.7	\$ 55.9
All other Carlyle Funds	56.9	0.6
<b>Aggregate Giveback since Inception</b>	<b>\$ 213.6</b>	<b>\$ 56.5</b>

The amounts above include \$40.6 million attributable to Legacy Energy Fund IV that was realized in the three months ended March 31, 2019, of which \$19.9 million was attributable to Carlyle Holdings.

The funding for employee obligations and givebacks related to carry realized pre-IPO is primarily through a collection of employee receivables related to giveback obligations and from non-controlling interests for their portion of the obligation. The realization of giveback obligations for the Partnership's portion of such obligations reduces Distributable Earnings in the period realized and negatively impacts earnings available for distributions to unitholders in the period realized. Further, each individual recipient of realized carried interest typically signs a guarantee agreement or partnership agreement that personally obligates such person to return his/her pro rata share of any amounts of realized carried interest previously distributed that are later clawed back. Accordingly, carried interest as performance allocation compensation is subject to return to the Partnership in the event a giveback obligation is funded. Generally, the actual giveback liability, if any, does not become due until the end of a fund's life.

Each investment fund is considered separately in evaluating carried interest and potential giveback obligations. As a result, performance allocations within funds will continue to fluctuate primarily due to certain investments within each fund constituting a material portion of the carry in that fund. Additionally, the fair value of investments in our funds may have substantial fluctuations from period to period.

In addition, in our discussion of our non-GAAP results, we use the term “realized net performance revenues” to refer to realized performance allocations and incentive fees from our funds, net of the portion allocated to our investment professionals, if any, and certain tax expenses associated with carried interest attributable to certain partners and employees, which are reflected as realized performance allocations and incentive fees related compensation expense. See “— Non-GAAP Financial Measures” for the amount of realized performance revenues recognized each period. See “— Segment Analysis” for the realized performance revenues by segment and related discussion for each period.

Investment income also represents the unrealized and realized gains and losses on our principal investments, including our investments in Carlyle funds that are not consolidated, as well as any interest and other income. Investment income also includes the related amortization of the basis difference between the carrying value of our investment and our share of the underlying net assets of the investee, as well as the compensation expense associated with compensatory arrangements provided by us to employees of our equity method investee, as it relates to our investments in NGP. Principal investment income also includes our share of earnings from our strategic investment in Fortitude Re. Realized principal investment income (loss) is recorded when we redeem all or a portion of our investment or when we receive or are due cash income, such as dividends or distributions. A realized principal investment loss is also recorded when an investment is deemed to be worthless. Unrealized principal investment income (loss) results from changes in the fair value of the underlying investment, as well as the reversal of previously recognized unrealized gains (losses) at the time an investment is realized.

*Fair Value Measurement.* U.S. GAAP establishes a hierachal disclosure framework which ranks the observability of market price inputs used in measuring financial instruments at fair value. The observability of inputs is impacted by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices, or for which fair value can be measured from quoted prices in active markets, will generally have a higher degree of market price observability and a lesser degree of judgment applied in determining fair value.

The table below summarizes the valuation of investments and other financial instruments included within our AUM, by segment and fair value hierarchy levels, as of June 30, 2019 (Dollars in millions):

	As of June 30, 2019							
	Corporate Private Equity	Real Assets	Global Credit	Investment Solutions	Total			
<b>Consolidated Results</b>								
Level I	\$ 3,812	\$ 3,142	\$ 253	\$ 1,250	\$ 8,457			
Level II	201	408	1,314	92	2,015			
Level III	47,424	25,638	36,992	30,610	140,664			
Fair Value of Investments	51,437	29,188	38,559	31,952	151,136			
Available Capital	32,425	17,613	8,010	13,474	71,522			
<b>Total AUM</b>	<b>\$ 83,862</b>	<b>\$ 46,801</b>	<b>\$ 46,569</b>	<b>\$ 45,426</b>	<b>\$ 222,658</b>			

*Interest and Other Income of Consolidated Funds.* Interest and other income of Consolidated Funds primarily represents the interest earned on CLO assets. However, the Consolidated Funds are not the same entities in all periods presented. The Consolidated Funds in future periods may change due to changes in fund terms, formation of new funds, and terminations of funds.

*Net Investment Gains (Losses) of Consolidated Funds.* Net investment gains (losses) of Consolidated Funds measures the change in the difference in fair value between the assets and the liabilities of the Consolidated Funds. A gain (loss) indicates that the fair value of the assets of the Consolidated Funds appreciated more (less), or depreciated less (more), than the fair value of the liabilities of the Consolidated Funds. A gain or loss is not necessarily indicative of the investment performance of the Consolidated Funds and does not impact the management or incentive fees received by Carlyle for its management of the Consolidated Funds. The portion of the net investment gains (losses) of Consolidated Funds attributable to the limited partner investors is allocated to non-controlling interests. Therefore a gain or loss is not expected to have a material impact on the revenues or profitability of the Partnership. Moreover, although the assets of the Consolidated Funds are consolidated onto our balance sheet pursuant to U.S. GAAP, ultimately we do not have recourse to such assets and such liabilities are generally non-recourse to us. Therefore, a gain or loss from the Consolidated Funds generally does not impact the assets available to our equity holders.

#### Expenses

*Compensation and Benefits.* Compensation includes salaries, bonuses, equity-based compensation, and performance payment arrangements. Bonuses are accrued over the service period to which they relate.

We recognize as compensation expense the portion of performance allocations and incentive fees that are due to our employees, senior Carlyle professionals, advisors, and operating executives in a manner consistent with how we recognize the performance allocations and incentive fee revenue. These amounts are accounted for as compensation expense in conjunction with the related performance allocations and incentive fee revenue and, until paid, are recognized as a component of the accrued compensation and benefits liability. Compensation in respect of performance allocations and incentive fees is paid when the related performance allocations and incentive fees are realized, and not when such performance allocations and incentive fees are accrued. The funds do not have a uniform allocation of performance allocations and incentive fees to our employees, senior Carlyle professionals, advisors, and operating executives. Therefore, for any given period, the ratio of performance allocations and incentive fee compensation to performance allocations and incentive fee revenue may vary based on the funds generating the performance allocations and incentive fee revenue for that period and their particular allocation percentages.

In addition, we have implemented various equity-based compensation arrangements that require senior Carlyle professionals and other employees to vest ownership of a portion of their equity interests over a service period of up to 60 months, which under U.S. GAAP will result in compensation charges over current and future periods. Further, in order to recruit and retain existing and future senior Carlyle professionals and other employees, we have implemented additional equity-based compensation programs that have resulted in increases to our equity-based compensation expenses in 2017 and 2018. However, we intend to grant fewer equity awards to employees than we have previously. For example, in February 2018 and 2019, we granted approximately 11.3 million and 5.3 million of deferred restricted common units, respectively, across a significant number of our employees; these awards vest over a period of 12 to 60 months. Compensation charges associated with all equity-based compensation grants are excluded from Fee Related Earnings and Distributable Earnings.

We may hire additional individuals and overall compensation levels may correspondingly increase, which could result in an increase in compensation and benefits expense. As a result of acquisitions, we have charges associated with contingent consideration taking the form of earn-outs and profit participation, some of which are reflected as compensation expense.

**General, Administrative and Other Expenses.** General, administrative and other expenses include occupancy and equipment expenses and other expenses, which consist principally of professional fees, including those related to our global regulatory compliance program, external costs of fundraising, travel and related expenses, communications and information services, depreciation and amortization (including intangible asset amortization and impairment) and foreign currency transactions. We expect that general, administrative and other expenses will vary due to infrequently occurring or unusual items, such as impairment of intangible assets and expenses or insurance recoveries associated with litigation and contingencies. Also, in periods of significant fundraising, to the extent that we use third parties to assist in our fundraising efforts, our general, administrative and other expenses may increase accordingly. Additionally, we anticipate that general, administrative and other expenses will fluctuate from period to period due to the impact of foreign exchange transactions.

**Interest and Other Expenses of Consolidated Funds.** The interest and other expenses of Consolidated Funds consist primarily of interest expenses related primarily to our CLO loans, professional fees and other third-party expenses.

**Income Taxes.** The Carlyle Holdings partnerships and their subsidiaries primarily operate as pass through entities for U.S. income tax purposes and record a provision for state and local income taxes for certain entities based on applicable laws and a provision for foreign income taxes for certain foreign entities. In addition, Carlyle Holdings I GP Inc. is subject to U.S. income taxes on only a portion of our income or loss. Depending on the sources of our taxable income or loss, our income tax provision or benefit can vary significantly from period to period.

Income taxes for foreign entities are accounted for using the asset and liability method of accounting. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis, using currently enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period in which the change is enacted. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some or all of the deferred tax assets will not be realized.

In the normal course of business, we are subject to examination by federal and certain state, local and foreign tax regulators. With a few exceptions, as of June 30, 2019, our U.S. federal income tax returns for the years 2015 through 2017 are open under the normal three-year statute of limitations and therefore subject to examination. State and local tax returns are generally subject to audit from 2014 to 2017. Foreign tax returns are generally subject to audit from 2011 to 2017. Certain of our affiliates are currently under audit by federal, state and foreign tax authorities. We do not believe the outcome of any future audit will have a material impact on our consolidated financial statements.

On July 31, 2019, we announced our Conversion from a Delaware limited partnership to the Corporation. See "Part II. Item 1A. Risk Factors—Following the Conversion, we expect to pay more corporate income taxes than we would have as a limited partnership" and "—Conversion to a Corporation."

**Non-controlling Interests in Consolidated Entities.** Non-controlling interests in consolidated entities represent the component of equity in consolidated entities not held by us. These interests are adjusted for general partner allocations.

We record significant non-controlling interests in Carlyle Holdings relating to the ownership interests of the limited partners of the Carlyle Holdings partnerships. The Partnership, through wholly owned subsidiaries, is the sole general partner of Carlyle Holdings. Accordingly, the Partnership consolidates the financial position and results of operations of Carlyle Holdings into its financial statements, and the other ownership interests in Carlyle Holdings are reflected as a non-controlling interest in the Partnership's financial statements. As described above under "—Conversion to a Corporation—Conversion Steps," the limited partners of the Carlyle Holdings partnerships will exchange their Carlyle Holdings partnership units for an equivalent number of shares of common stock of The Carlyle Group Inc. in the Transactions. As a result, we expect that following the Conversion, the consolidated balance sheet of The Carlyle Group Inc. will not reflect any non-controlling interests in Carlyle Holdings.

#### **Non-GAAP Financial Measures**

In connection with a change to the Partnership's chief operating decision makers, management has reevaluated the manner in which it makes operational and resource deployment decisions and assesses the overall performance of the Partnership's business. Effective with the three months ended December 31, 2018, Distributable Earnings and Fee Related Earnings are the performance measures for the Partnership's profitability used by management in making operational and resource deployment decisions. Previously, Economic Income was also a key performance measure. The key distinction between Distributable Earnings and Economic Income is that Distributable Earnings reflects the earnings of the Partnership excluding unrealized performance revenues and related compensation expense, and unrealized principal investment income.

In connection with this modification, segment information as of and for the three and six months ended June 30, 2018 has been presented in this Quarterly Report on Form 10-Q to conform to the Partnership's current presentation of segment results for comparability purposes. Consequently, this information will be different from the historical segment financial results reporting by the Partnership in its reports filed with the SEC.

**Distributable Earnings.** Distributable Earnings, or "DE", is a key performance benchmark used in our industry and is evaluated regularly by management in making resource deployment and compensation decisions, and in assessing the performance of our four segments. We also use DE in our budgeting, forecasting, and the overall management of our segments. We believe that reporting DE is helpful to understanding our business and that investors should review the same supplemental financial measure that management uses to analyze our segment performance. DE is intended to show the amount of net realized earnings without the effects of consolidation of the Consolidated Funds. DE is derived from our segment reported results and is an additional measure to assess performance and determine amounts potentially available for distribution from Carlyle Holdings to its unitholders.

Distributable Earnings differs from income (loss) before provision for income taxes computed in accordance with U.S. GAAP in that it includes certain tax expenses associated with performance revenues (comprised of performance allocations and incentive fees), and does not include unrealized performance allocations and related compensation expense, unrealized principal investment income, equity-based compensation expense, net income (loss) attributable to non-Carlyle interest in consolidated entities, or charges (credits) related to Carlyle corporate actions and non-recurring items. Charges (credits) related to Carlyle corporate actions and non-recurring items include: charges associated with acquisitions or strategic investments, changes in the tax receivable agreement liability, amortization and any impairment charges associated with acquired intangible assets, transaction costs associated with acquisitions, charges associated with earnouts and contingent consideration including gains and losses associated with the estimated fair value of contingent consideration issued in conjunction with acquisitions or strategic investments, impairment charges associated with lease right-of-use assets, gains and losses from the retirement of debt, charges associated with contract terminations and employee severance. We believe the inclusion or exclusion of these items provides investors with a meaningful indication of our core operating performance. This measure supplements and should be considered in addition to and not in lieu of the results of operations discussed further under "Consolidated Results of Operations" prepared in accordance with U.S. GAAP.

**Fee Related Earnings.** Fee Related Earnings, or "FRE", is a component of DE and is used to assess the ability of the business to cover direct base compensation and operating expenses from total fee revenues. FRE differs from income (loss) before provision for income taxes computed in accordance with U.S. GAAP in that it adjusts for the items included in the calculation of DE and also adjusts DE to exclude net realized performance revenues, realized principal investment income from investments in Carlyle funds, net interest (interest income less interest expense), and certain general, administrative and other expenses when the timing of any future payment is uncertain.

### **Operating Metrics**

We monitor certain operating metrics that are common to the asset management industry.

**Fee-earning Assets under Management.** Fee-earning assets under management or Fee-earning AUM refers to the assets we manage or advise from which we derive recurring fund management fees. Our Fee-earning AUM is generally based on one of the following, once fees have been activated:

- (a) the amount of limited partner capital commitments, generally for carry funds where the original investment period has not expired, for AlpInvest carry funds during the commitment fee period and for Metropolitan carry funds during the weighted-average investment period of the underlying funds (see "Fee-earning AUM based on capital commitments" in the table below for the amount of this component at each period);
- (b) the remaining amount of limited partner invested capital at cost, generally for carry funds and certain co-investment vehicles where the original investment period has expired, Metropolitan carry funds after the expiration of the weighted-average investment period of the underlying funds, and one of our business development companies (see "Fee-earning AUM based on invested capital" in the table below for the amount of this component at each period);
- (c) the amount of aggregate fee-earning collateral balance at par of our CLOs and other securitization vehicles, as defined in the fund indentures (typically exclusive of equities and defaulted positions) as of the quarterly cut-off date;
- (d) the external investor portion of the net asset value of our open-ended funds (pre redemptions and subscriptions), as well as certain carry funds (see "Fee-earning AUM based on net asset value" in the table below for the amount of this component at each period);
- (e) the gross assets (including assets acquired with leverage), excluding cash and cash equivalents, of one of our business development companies and certain carry funds (see "Fee-earning AUM based on lower of cost or fair value and other" in the table below for the amount of this component at each period); and

- (f) the lower of cost or fair value of invested capital, generally for AlpInvest carry funds where the commitment fee period has expired and certain carry funds where the investment period has expired, (see “Fee-earning AUM based on lower of cost or fair value and other” in the table below for the amount of this component at each period).

The table below details Fee-earning AUM by its respective components at each period.

	As of June 30,	
	2019	2018
<b>Consolidated Results</b>		(Dollars in millions)
<b>Components of Fee-earning AUM</b>		
Fee-earning AUM based on capital commitments (1)	\$ 68,634	\$ 61,823
Fee-earning AUM based on invested capital (2)	43,262	41,110
Fee-earning AUM based on collateral balances, at par (3)	23,970	20,046
Fee-earning AUM based on net asset value (4)	3,799	2,228
Fee-earning AUM based on lower of cost or fair value and other (5)	18,777	21,270
<b>Balance, End of Period (6) (7)</b>	<b>\$ 158,442</b>	<b>\$ 146,477</b>

- (1) Reflects limited partner capital commitments where the original investment period, weighted-average investment period, or commitment fee period has not expired.
- (2) Reflects limited partner invested capital at cost and includes amounts committed to or reserved for investments for certain Real Assets and Investment Solutions funds.
- (3) Represents the amount of aggregate Fee-earning collateral balances and principal balances, at par, for our CLOs/structured products.
- (4) Reflects the net asset value (pre-redemptions and subscriptions) of our open-ended funds, as well as certain other carry funds.
- (5) Includes funds with fees based on gross asset value.
- (6) Energy III, Energy IV, and Renew II (collectively, the “Legacy Energy Funds”), are managed with Riverstone Holdings LLC and its affiliates. Affiliates of both Carlyle and Riverstone act as investment advisors to each of the Legacy Energy Funds. Carlyle has a minority representation on the management committees of Energy IV and Renew II. Carlyle and Riverstone each hold half of the seats on the management committee of Energy III, but the investment period for this fund has expired and the remaining investments in such fund are being disposed of in the ordinary course of business. As of June 30, 2019, the Legacy Energy Funds had, in the aggregate, approximately \$3.4 billion in AUM and \$3.1 billion in Fee-earning AUM. We are no longer raising capital for the Legacy Energy Funds and expect these balances to continue to decrease over time as the funds wind down.
- (7) Ending balance excludes \$7.9 billion of pending Fee-earning AUM for which fees have not yet been activated.

The table below provides the period to period rollforward of Fee-earning AUM.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<b>Consolidated Results</b>			(Dollars in millions)	
<b>Fee-earning AUM Rollforward</b>				
Balance, Beginning of Period	\$ 160,023	\$ 125,771	\$ 159,552	\$ 124,595
Inflows, including Commitments (1)	4,339	27,565	7,570	30,768
Outflows, including Distributions (2)	(6,752)	(4,904)	(9,020)	(7,746)
Market Appreciation/(Depreciation) (3)	128	13	62	(22)
Foreign Exchange and other (4)	704	(1,968)	278	(1,118)
<b>Balance, End of Period</b>	<b>\$ 158,442</b>	<b>\$ 146,477</b>	<b>\$ 158,442</b>	<b>\$ 146,477</b>

- (1) Inflows represents limited partner capital raised by our carry funds or separately managed accounts for which management fees based on commitments were activated during the period, the fee-earning commitments invested in vehicles for which management fees are based on invested capital, the fee-earning collateral balance of new CLO issuances, as well as gross subscriptions in our vehicles for which management fees are based on net asset value. Inflows exclude fundraising amounts during the period for which fees have not yet been activated, which are referenced as Pending Fee-earning AUM.

- (2) Outflows represents the impact of limited partner distributions from vehicles with management fees based on remaining invested capital at cost or fair value, changes in basis for funds where the investment period, weighted-average investment period or commitment fee period has expired during the period, reductions for funds that are no longer calling for fees, gross redemptions in our open-ended funds, and runoff of CLO collateral balances. Distributions for funds earning management fees based on commitments during the period do not affect Fee-earning AUM.
- (3) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on portfolio investments in our carry funds based on the lower of cost or fair value and net asset value.
- (4) Includes activity of funds with fees based on gross asset value. Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.

Refer to “— Segment Analysis” for a detailed discussion by segment of the activity affecting Fee-earning AUM for each of the periods presented by segment.

*Assets under Management.* Assets under management or AUM refers to the assets we manage or advise. Our AUM equals the sum of the following:

- (a) the aggregate fair value of our carry funds and related co-investment vehicles, NGP Predecessor Funds and separately managed accounts, plus the capital that Carlyle is entitled to call from investors in those funds and vehicles (including Carlyle commitments to those funds and vehicles and those of senior Carlyle professionals and employees) pursuant to the terms of their capital commitments to those funds and vehicles;
- (b) the amount of aggregate collateral balance and principal cash at par or aggregate principal amount of the notes of our CLOs and other structured products (inclusive of all positions);
- (c) the net asset value (pre-redemptions and subscriptions) of our open-ended funds; and
- (d) the gross assets (including assets acquired with leverage) of our business development companies, plus the capital that Carlyle is entitled to call from investors in those vehicles pursuant to the terms of their capital commitments to those vehicles.

We include in our calculation of AUM and Fee-earning AUM certain energy and renewable resources funds that we jointly advise with Riverstone and the NGP Energy Funds that are advised by NGP.

For most of our carry funds, total AUM includes the fair value of the capital invested, whereas Fee-earning AUM includes the amount of capital commitments or the remaining amount of invested capital, depending on whether the original investment period for the fund has expired. As such, Fee-earning AUM may be greater than total AUM when the aggregate fair value of the remaining investments is less than the cost of those investments.

Our calculations of Fee-earning AUM and AUM may differ from the calculations of other asset managers. As a result, these measures may not be comparable to similar measures presented by other asset managers. In addition, our calculation of AUM (but not Fee-earning AUM) includes uncalled commitments to, and the fair value of invested capital in, our investment funds from Carlyle and our personnel, regardless of whether such commitments or invested capital are subject to management fees or performance allocations. Our calculations of AUM or Fee-earning AUM are not based on any definition of AUM or Fee-earning AUM that is set forth in the agreements governing the investment funds that we manage or advise.

We generally use Fee-earning AUM as a metric to measure changes in the assets from which we earn recurring management fees. Total AUM tends to be a better measure of our investment and fundraising performance as it reflects investments at fair value plus available capital.

*Available Capital.* “Available Capital” refers to the amount of capital commitments available to be called for investments, which may be reduced for equity invested that is funded via a fund credit facility and expected to be called from investors at a later date, plus any additional assets/liabilities at the fund level other than active investments. Amounts previously called may be added back to available capital following certain distributions. “Expired Available Capital” occurs when a fund has passed the investment and follow-on periods and can no longer invest capital into new or existing deals. Any remaining Available Capital, typically a result of either recycled distributions or specific reserves established for the follow-on period that are not drawn, can only be called for fees and expenses and is therefore removed from the Total AUM calculation.

The table below provides the period to period rollforward of Total AUM.

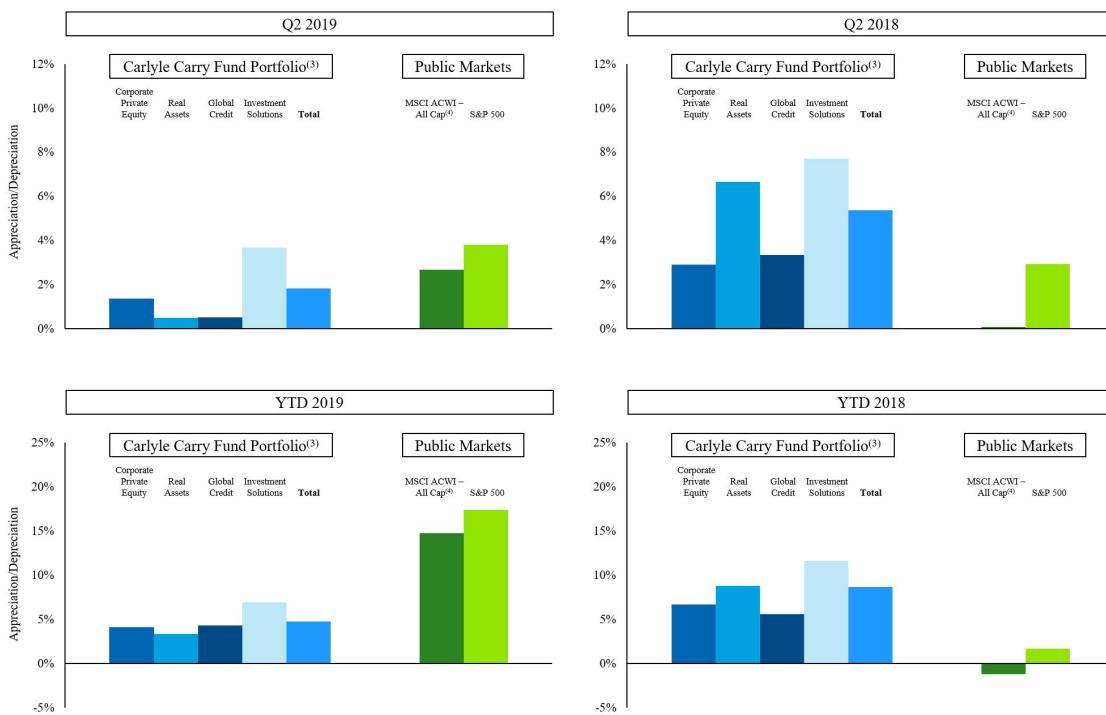
	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019		
	(Dollars in millions)			
<b>Consolidated Results</b>				
<b>Total AUM Rollforward</b>				
Balance, Beginning of Period	\$ 221,500	\$ 216,470		
New Commitments (1)	3,486	10,399		
Outflows (2)	(4,423)	(8,275)		
Market Appreciation/(Depreciation) (3)	2,048	5,409		
Foreign Exchange Gain/(Loss) (4)	728	(413)		
Other (5)	(681)	(932)		
<b>Balance, End of Period</b>	<b>\$ 222,658</b>	<b>\$ 222,658</b>		

- (1) New Commitments reflects the impact of gross fundraising during the period. For funds or vehicles denominated in foreign currencies, this reflects translation at the average quarterly rate, while the separately reported Fundraising metric is translated at the spot rate for each individual closing.
- (2) Outflows includes distributions in our carry funds, related co-investment vehicles, separately managed accounts and the NGP Predecessor Funds, gross redemptions in our open-ended funds, and runoff of CLO collateral balances.
- (3) Market Appreciation/(Depreciation) generally represents realized and unrealized gains (losses) on portfolio investments in our carry funds and related co-investment vehicles, the NGP Predecessor Funds and separately managed accounts.
- (4) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.
- (5) Includes expiring available capital, the impact of capital calls for fees and expenses, change in gross asset value for our business development companies and other changes in AUM.

Please refer to “— Segment Analysis” for a detailed discussion by segment of the activity affecting Total AUM for each of the periods presented.

The table below presents the change in appreciation on portfolio investments of our carry funds. Please refer to “— Segment Analysis” for a detailed discussion by segment of the activity affecting Total AUM for each of the periods presented.

### Carlyle Portfolio Appreciation<sup>(1,2)</sup> vs. % Change in MSCI All Country World Index - All Cap



- (1) Reflects carry funds only. Appreciation/Depreciation is fund only, and excludes the impact of external co-investment.
- (2) For Carlyle returns, “Appreciation/Depreciation” represents realized and unrealized gain / loss for the period on a total return basis before fees and expenses. The percentage of return is calculated as the sum of ending remaining investment fair market value (“FMV”) and net investment outflow (sales proceeds less net purchases) less beginning remaining investment FMV divided by beginning remaining investment FMV.
- (3) In the Corporate Private Equity, Real Assets, and Global Credit carry funds, public investments made up 7% of remaining fair value at June 30, 2019 and 13% of remaining fair value at June 30, 2018. For Q2 2019, public investments depreciated 5% while private investments appreciated 2%, compared to 12% public appreciation and 5% private appreciation for Q2 2018. Public portfolio includes initial public offerings (“IPO”) that occurred in the quarter. Investments may be reported as private in quarters prior to the IPO quarter.
- (4) The MSCI ACWI - All Cap Index represents the performance of the MSCI All Country World Index across all market capitalization sizes of the global equity market. There are significant differences between the types of securities and assets typically acquired by our carry funds and the investments covered by the MSCI All Country World Index. Specifically, our carry funds may make investments in securities and other assets that have a greater degree of risk and volatility, and less liquidity, than those securities included in the MSCI All Country World Index. Moreover, investors in the securities included in the MSCI All Country World Index may not be subject to the management fees, carried interest or expenses to which investors in our carry funds are typically subject. Comparisons between the carry fund appreciation and the MSCI All Country World Index are included for informational purposes only.

## **Consolidation of Certain Carlyle Funds**

The Partnership consolidates all entities that it controls either through a majority voting interest or as the primary beneficiary of variable interest entities. The entities we consolidate are referred to collectively as the Consolidated Funds in our unaudited condensed consolidated financial statements. As of June 30, 2019, our Consolidated Funds represent approximately 2% of our AUM; 1% of our management fees for both the three and six months ended June 30, 2019, and 1% of our investment income for both the three and six months ended June 30, 2019.

We are not required under the consolidation guidance to consolidate in our financial statements most of the investment funds we advise. However, we consolidate certain CLOs that we advise. As of June 30, 2019, our consolidated CLOs held approximately \$4.9 billion of total assets and comprised substantially all of the assets and loans payable of the Consolidated Funds. The assets and liabilities of the Consolidated Funds are generally held within separate legal entities and, as a result, the liabilities of the Consolidated Funds are non-recourse to us.

Generally, the consolidation of the Consolidated Funds has a gross-up effect on our assets, liabilities and cash flows but has no net effect on the net income attributable to the Partnership and partners' capital. The majority of the net economic ownership interests of the Consolidated Funds are reflected as non-controlling interests in consolidated entities in the consolidated financial statements. Because only a small portion of our funds are consolidated, the performance of the Consolidated Funds is not necessarily consistent with or representative of the combined performance trends of all of our funds.

For further information on our consolidation policy and the consolidation of certain funds, see Note 2 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

## **Consolidated Results of Operations**

The following table and discussion sets forth information regarding our unaudited condensed consolidated results of operations for the three and six months ended June 30, 2019 and 2018. The unaudited condensed consolidated financial statements have been prepared on substantially the same basis for all historical periods presented; however, the consolidated funds are not the same entities in all periods shown due to changes in U.S. GAAP, changes in fund terms and the creation and termination of funds. As further described above, the consolidation of these funds primarily had the impact of increasing interest and other income of Consolidated Funds, interest and other expenses of Consolidated Funds, and net investment gains (losses) of Consolidated Funds in the year that the fund is initially consolidated. The consolidation of these funds had no effect on net income attributable to the Partnership for the periods presented.

	Three Months Ended June 30,		Six Months Ended June 30, 2019	
	2019	2018	2019	2018
(Dollars in millions, except unit and per unit data)				
<b>Revenues</b>				
Fund management fees	\$ 390.9	\$ 301.3	\$ 744.3	\$ 565.8
Incentive fees	8.8	7.4	16.9	13.7
Investment income				
Performance allocations	247.6	425.1	596.7	733.2
Principal investment income	342.0	78.2	643.8	132.3
Total investment income	589.6	503.3	1,240.5	865.5
Interest and other income	26.0	28.0	48.2	50.5
Interest and other income of Consolidated Funds	45.8	53.6	98.2	100.9
Total revenues	1,061.1	893.6	2,148.1	1,596.4
<b>Expenses</b>				
Compensation and benefits				
Cash-based compensation and benefits	221.4	176.0	431.9	363.3
Equity-based compensation	35.2	64.9	71.2	149.8
Performance allocations and incentive fee related compensation	113.6	222.0	299.0	380.0
Total compensation and benefits	370.2	462.9	802.1	893.1
General, administrative and other expenses	110.7	126.8	223.2	221.8
Interest	19.5	18.4	39.2	36.3
Interest and other expenses of Consolidated Funds	27.5	45.3	65.6	81.2
Other non-operating expenses	0.4	0.3	0.7	0.6
Total expenses	528.3	653.7	1,130.8	1,233.0
<b>Other income</b>				
Net investment gains of Consolidated Funds	9.2	12.9	(5.0)	14.9
Income before provision for income taxes	542.0	252.8	1,012.3	378.3
Provision for income taxes	15.5	11.6	39.5	19.4
Net income	526.5	241.2	972.8	358.9
Net income attributable to non-controlling interests in consolidated entities	39.8	16.7	35.3	27.7
Net income attributable to Carlyle Holdings	486.7	224.5	937.5	331.2
Net income attributable to non-controlling interests in Carlyle Holdings	332.6	155.1	640.5	222.1
Net income attributable to The Carlyle Group L.P.	154.1	69.4	297.0	109.1
Net income attributable to Series A Preferred Unitholders	5.9	5.9	11.8	11.8
Net income attributable to The Carlyle Group L.P. common unitholders	\$ 148.2	\$ 63.5	\$ 285.2	\$ 97.3
Net income attributable to The Carlyle Group L.P. per common unit				
Basic	\$ 1.34	\$ 0.62	\$ 2.60	\$ 0.96
Diluted	\$ 1.23	\$ 0.56	\$ 2.41	\$ 0.87
Weighted-average common units				
Basic	110,440,227	102,465,109	109,828,740	101,603,587
Diluted	120,920,439	112,582,728	118,372,885	111,948,144

**Three Months Ended June 30, 2019 Compared to the Three Months Ended June 30, 2018 and Six Months Ended June 30, 2019 Compared to the Six Months Ended June 30, 2018**

**Revenues**

Total revenues increased \$167.5 million, or 19%, for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 and increased \$551.7 million, or 35%, for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018. The following table provides the components of the changes in total revenues for the three and six months ended June 30, 2019:

	Three Months Ended June 30,	Six Months Ended June 30,
	2019 v. 2018	
	(Dollars in millions)	
Total Revenues, June 30, 2018	\$ 893.6	\$ 1,596.4
Increases (Decreases):		
Increase in fund management fees	89.6	178.5
Increase in incentive fees	1.4	3.2
Increase in investment income, including performance allocations	86.3	375.0
Decrease in interest and other income	(2.0)	(2.3)
Decrease in interest and other income of Consolidated Funds	(7.8)	(2.7)
Total increase	167.5	551.7
Total Revenues, June 30, 2019	<u>\$ 1,061.1</u>	<u>\$ 2,148.1</u>

**Fund Management Fees.** Fund management fees increased \$89.6 million, or 30%, to \$390.9 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 and increased \$178.5 million, or 32%, to \$744.3 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018, primarily due to the following:

	Three Months Ended June 30,	Six Months Ended June 30,
	2019 v. 2018	
	(Dollars in millions)	
Higher management fees from the commencement of the investment period for certain newly raised funds	\$ 90.6	\$ 223.2
Lower management fees resulting from the change in basis for earning management fees from commitments to invested capital for certain funds and from distributions from funds whose management fees are based on invested capital	(26.1)	(70.8)
Increase in catch-up management fees from subsequent closes of funds that are in the fundraising period	16.9	15.5
Higher transaction and portfolio advisory fees	7.1	9.3
All other changes	1.1	1.3
Total increase in fund management fees	<u>\$ 89.6</u>	<u>\$ 178.5</u>

Fund management fees include transaction and portfolio advisory fees, net of rebate offsets, of \$14.2 million and \$7.0 million for the three months ended June 30, 2019 and 2018, respectively, and \$23.1 million and \$13.6 million for the six months ended June 30, 2019 and 2018, respectively. The increase in transaction and portfolio advisory fees for both the three and six months ended June 30, 2019 resulted primarily from transaction fees earned related to investments in one of our U.S. buyout funds and CCS underwriting fees in 2019.

**Investment Income.** Investment income increased \$86.3 million to \$589.6 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 and increased \$375.0 million to \$1,240.5 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018, primarily due to the following:

	Three Months Ended June 30,	Six Months Ended June 30,
	2019 v. 2018	
	(Dollars in millions)	
Decrease in performance allocations, excluding NGP	\$ (177.5)	\$ (136.5)
Decrease in investment income from NGP, which includes performance allocations from the investments in NGP	(81.7)	(82.8)
Decrease in investment income from our buyout and growth funds	(5.0)	(10.3)
Increase in gains on foreign currency hedges	—	1.3
Decrease in investment income from our real assets funds, excluding NGP	(4.2)	(2.1)
Increase from the settlement of CEREP I tax matter in 2019	71.5	71.5
Increase in investment income from our distressed debt funds and energy mezzanine funds	4.3	3.1
Increase in investment income from CLOs	4.5	2.7
Investment income from Fortitude Re (1)	271.0	527.3
All other changes	3.4	0.8
Total increase in investment income	\$ 86.3	\$ 375.0

(1) The Partnership's earnings from its investment in Fortitude Re for the three and six months ended June 30, 2019 were \$271.0 million and \$527.3 million, respectively, which represents 19.9% of Fortitude Re's estimated net income for the respective periods. These amounts are inclusive of \$230.9 million and \$460.2 million of unrealized gains, respectively, resulting from changes in the fair value of embedded derivatives related to certain reinsurance contracts included in Fortitude Re's U.S. GAAP financial statements. Modified coinsurance is subject to the general accounting principles for hedging, specifically the guidance originally issued as Derivatives Implementation Group Issue No. B36: *Embedded Derivatives: Modified Coinsurance Agreements and Debt Instruments That Incorporate Credit Risk Exposures That Are Unrelated or Only Partially Related to the Creditworthiness of the Obligor under Those Instruments* ("DIG B36"). The significant increase in fair value on the embedded derivatives during the quarter is primarily a result of a narrowing of credit spreads during the period.

**Performance Allocations.** Performance allocations decreased \$177.5 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 and decreased \$136.5 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018. Performance allocations by segment on a consolidated U.S. GAAP basis for the three and six months ended June 30, 2019 and 2018 comprised the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Corporate Private Equity	\$ 82.5	\$ 210.7	\$ 215.3	\$ 468.6
Real Assets	149.6	138.4	259.0	135.1
Global Credit	(5.5)	12.3	24.1	14.9
Investment Solutions	21.0	63.7	98.3	114.6
Total performance allocations	\$ 247.6	\$ 425.1	\$ 596.7	\$ 733.2
Total carry fund appreciation	2%	5%	5%	9%

Approximately \$133.3 million of our performance allocations for the three months ended June 30, 2019 were related to CRP V, CAP IV, CRP VII, Alpinvest Co - & Secondary Investments 2006-2008 and CP VI, which had a \$34.5 million reversal of previously accrued performance allocations, while approximately \$168.6 million of our performance allocations for the three months ended June 30, 2018 were related to CP VI and CIEP. Approximately \$164.2 million of our performance allocations for the six months ended June 30, 2019 were related to CRP V, while approximately \$355.8 million of our performance allocations for the six months ended June 30, 2018 were related to CP VI, CEP IV and CRP VII.

Expectations for global economic growth have continued to moderate through the first half of the year. In the U.S., growth has decelerated relative to 2018, but consumption remains strong amid low unemployment, reasonable wage growth and generally strong household balance sheets. Most economic weakness has been concentrated in construction, industrial production and broader business spending. In response to economic weakness and the absence of inflationary pressures through the first half of 2019, major central banks continue to move policy in a more accommodative direction. The shifting central bank policy has contributed to record highs in U.S. equity markets. The S&P 500 rose 4% in the second quarter, the MSCI ACWI was up 3%, and the EuroStoxx 600 was up 1.5%. However, the impact of the continued reversal of the late-year 2018 decline in the public markets on our overall portfolio was muted by the effect of energy and energy-related investments in our portfolio. Our overall carry fund portfolio appreciated by 2% in the second quarter. Our Corporate Private Equity funds appreciated by 1% in the quarter. Our Real Estate funds appreciated by 6% during the quarter, primarily due to continued appreciation in two large U.S. real estate investments and progression in several smaller development deals, while our Natural Resources funds depreciated by 4% in the quarter, primarily reflecting downward pressure on energy funds with significant development and non-producing investments. Our Global Credit carry funds appreciated by 1% in the second quarter and our Investment Solutions funds appreciated by 4%. Our public portfolio (which represents approximately 7% of the remaining fair value across our Corporate Private Equity, Real Assets and Global Credit carry fund portfolio) depreciated 5% in the second quarter, reflecting the impact of certain energy investments in the portfolio.

*Interest and Other Income.* Interest and other income decreased \$2.0 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018, and decreased \$2.3 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018. Decreases were primarily as a result of decreased interest income related to corporate treasury investments, partially offset by the reimbursement of certain costs incurred on behalf of Carlyle funds.

*Interest and Other Income of Consolidated Funds.* Our CLOs generate interest income primarily from investments in bonds and loans inclusive of amortization of discounts and generate other income from consent and amendment fees. Substantially all interest and other income of the CLOs and other consolidated funds together with interest expense of our CLOs and net investment gains (losses) of Consolidated Funds is attributable to the related funds' limited partners or CLO investors. Accordingly, such amounts have no material impact on net income attributable to the Partnership.

Interest and other income of Consolidated Funds decreased \$7.8 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 and decreased \$2.7 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018. Substantially all of the decrease in interest and other income of Consolidated Funds relates to decreased interest income from CLOs.

#### Expenses

Total expenses decreased \$125.4 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 and decreased \$102.2 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018. The following table provides the components of the changes in total expenses for the three and six months ended June 30, 2019:

	Three Months Ended June 30,	Six Months Ended June 30,
	(Dollars in millions)	
Total Expenses, June 30, 2018	\$ 653.7	\$ 1,233.0
Increases (Decreases):		
Decrease in total compensation and benefits	(92.7)	(91.0)
(Decrease) increase in general, administrative and other expenses	(16.1)	1.4
Decrease in interest and other expenses of Consolidated Funds	(17.8)	(15.6)
All other changes	1.2	3.0
Total decrease	<u>(125.4)</u>	<u>(102.2)</u>
Total Expenses, June 30, 2019	<u>\$ 528.3</u>	<u>\$ 1,130.8</u>

**Total Compensation and Benefits.** Total compensation and benefits decreased \$92.7 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 and decreased \$91.0 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018, due to the following:

	<b>Three Months Ended June 30,</b>	<b>Six Months Ended June 30,</b>
	2019 v. 2018	
	(Dollars in millions)	
Increase in cash-based compensation and benefits	\$ 45.4	\$ 68.6
Decrease in equity-based compensation	(29.7)	(78.6)
Decrease in performance allocations and incentive fee related compensation	(108.4)	(81.0)
Decrease in total compensation and benefits	\$ (92.7)	\$ (91.0)

**Cash-based Compensation and Benefits.** Cash-based compensation and benefits increased \$45.4 million, or 26%, for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 and increased \$68.6 million, or 19%, for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018, primarily due to the following:

	<b>Three Months Ended June 30,</b>	<b>Six Months Ended June 30,</b>
	2019 v. 2018	
	(Dollars in millions)	
Increase in headcount and bonuses	\$ 39.7	\$ 61.9
Decrease in compensation costs associated with fundraising activities	(11.8)	(23.5)
Increases associated with the Carlyle Aviation Partners acquisition:		
Compensation and benefits	7.4	13.4
Contingent earnout	10.1	16.8
Total increase in cash-based compensation and benefits	\$ 45.4	\$ 68.6

**Equity-based Compensation.** Equity-based compensation decreased \$29.7 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 and decreased \$78.6 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018. The decrease in equity-based compensation was primarily due to the timing of the last vesting of awards related to our initial public offering in 2012 in May 2018. This decrease is partially offset by the ongoing grants of deferred restricted common units to new and existing employees during 2018 and 2019.

**Performance allocations and incentive fee related compensation expense.** Performance allocations and incentive fee related compensation expense decreased \$108.4 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 and decreased \$81.0 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018. Performance allocations and incentive fee related compensation as a percentage of performance allocations and incentive fees was 46% and 50% for the three and six months ended June 30, 2019, respectively, and 52% for both the three and six months ended June 30, 2018. For our largest segment, Corporate Private Equity, our performance allocations and incentive fee related compensation expense as a percentage of performance allocations and incentive fees is generally around 45%. Performance allocations from our Investment Solutions segment pay a higher ratio of performance allocations and incentive fees as compensation, primarily as a result of the terms of our acquisition of AlpInvest. Conversely, performance allocations from the Legacy Energy funds in our Real Assets segment are primarily allocated to Carlyle because the investment teams for the Legacy Energy funds are employed by Riverstone and not Carlyle.

**General, Administrative and Other Expenses.** General, administrative and other expenses decreased \$16.1 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 and increased \$1.4 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018, primarily due to:

	Three Months Ended June 30,	Six Months Ended June 30,
	2019 v. 2018	
	(Dollars in millions)	
Higher intangible asset amortization	\$ 1.3	\$ 2.5
Higher professional fees	7.2	20.0
Lower external fundraising costs	(28.5)	(33.7)
Foreign exchange and other changes	3.9	12.6
Total (decrease) increase in general, administrative and other expenses	\$ (16.1)	\$ 1.4

**Interest and Other Expenses of Consolidated Funds.** Interest and other expenses of Consolidated Funds decreased \$17.8 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 and decreased \$15.6 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018. The decreases are primarily due to lower interest expense on the consolidated CLOs.

The CLOs incur interest expense on their loans payable and incur other expenses consisting of trustee fees, rating agency fees and professional fees. Substantially all interest and other income of our CLOs together with interest expense of our CLOs and net investment gains (losses) of Consolidated Funds is attributable to the related funds' limited partners or CLO investors. Accordingly, such amounts have no material impact on net income attributable to the Partnership.

#### *Net Investment Gains of Consolidated Funds*

For the three months ended June 30, 2019, net investment gains of Consolidated Funds were \$9.2 million as compared to net investment gains of \$12.9 million for the three months ended June 30, 2018. For the six months ended June 30, 2019, net investment losses of Consolidated Funds were \$5.0 million as compared to net investment gains of \$14.9 million for the six months ended June 30, 2018. For both the three and six months ended June 30, 2019 and 2018, net investment gains (losses) comprise the activity of the consolidated CLOs and certain other funds. For the consolidated CLOs, the amount reflects the net gain or loss on the fair value adjustment of both the assets and liabilities. The components of net investment gains (losses) of Consolidated Funds for the respective periods are:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Realized gains (losses)	\$ (3.4)	\$ (1.6)	\$ (11.4)	\$ (4.3)
Net change in unrealized gains (losses)	20.5	(24.5)	29.6	(37.2)
<b>Total gains (losses)</b>	<b>17.1</b>	<b>(26.1)</b>	<b>18.2</b>	<b>(41.5)</b>
Gains (Losses) from liabilities of CLOs	(7.9)	39.0	(23.2)	56.4
<b>Total net investment gains of Consolidated Funds</b>	<b>\$ 9.2</b>	<b>\$ 12.9</b>	<b>\$ (5.0)</b>	<b>\$ 14.9</b>

#### *Net Income Attributable to Non-controlling Interests in Consolidated Entities*

Net income attributable to non-controlling interests in consolidated entities was \$39.8 million for the three months ended June 30, 2019 as compared to net income of \$16.7 million for the three months ended June 30, 2018. Net income attributable to non-controlling interests in consolidated entities was \$35.3 million for the six months ended June 30, 2019 as compared to net income of \$27.7 million for the six months ended June 30, 2018. These amounts are primarily attributable to the net earnings or losses of the Consolidated Funds for each period, which are substantially all allocated to the related funds' limited partners or CLO investors. This balance also includes the net income attributable to non-controlling interests in carried interest, giveback obligations, and cash held for carried interest distributions.

### *Net Income Attributable to The Carlyle Group L.P. Common Unitholders*

The net income attributable to The Carlyle Group L.P. common unitholders was \$148.2 million for the three months ended June 30, 2019 as compared to \$63.5 million for the three months ended June 30, 2018. The net income attributable to The Carlyle Group L.P. common unitholders was \$285.2 million for the six months ended June 30, 2019 as compared to \$97.3 million for the six months ended June 30, 2018. The Partnership is allocated a portion of the net income (loss) attributable to Carlyle Holdings based on the Partnership's ownership in Carlyle Holdings (which was approximately 32% and 30% as of June 30, 2019 and 2018, respectively). Net income or loss attributable to The Carlyle Group L.P. common unitholders also includes 100% of the net income (loss) attributable to the Partnership's wholly-owned taxable subsidiary, Carlyle Holdings I GP Inc., which was \$(11.5) million and \$(4.7) million for the three months ended June 30, 2019 and 2018, respectively, and \$(21.3) million and \$(0.6) million for the six months ended June 30, 2019 and 2018, respectively. As a result, the total net income or loss attributable to the Partnership will vary as a percentage of the net income or loss attributable to Carlyle Holdings.

### **Non-GAAP Financial Measures**

The following tables set forth information in the format used by management when making resource deployment decisions and in assessing performance of our segments. These non-GAAP financial measures are presented for the three and six months ended June 30, 2019 and 2018. Our Non-GAAP financial measures exclude the effects of unrealized performance allocations net of related compensation expense, unrealized principal investment income, consolidated funds, acquisition-related items including amortization and any impairment charges of acquired intangible assets and contingent consideration taking the form of earn-outs, charges associated with equity-based compensation, changes in the tax receivable agreement liability, corporate actions and infrequently occurring or unusual events.

The following table shows our total segment DE and FRE for the three and six months ended June 30, 2019 and 2018.

	Three Months Ended June 30,		Six Months Ended June 30, 2019	
			2019	2018
	(Dollars in millions)			
Total Segment Revenues	\$ 550.7	\$ 462.6	\$ 1,001.6	\$ 999.2
Total Segment Expenses	337.3	348.1	687.4	745.8
<b>Distributable Earnings</b>	<b>\$ 213.4</b>	<b>\$ 114.5</b>	<b>\$ 314.2</b>	<b>\$ 253.4</b>
(-) Realized Net Performance Revenues	20.8	49.6	27.8	152.7
(-) Realized Principal Investment Income	73.9	17.7	78.0	36.4
(+) Net Interest	14.0	10.6	27.6	21.7
<b>(=) Fee Related Earnings</b>	<b>\$ 132.7</b>	<b>\$ 57.8</b>	<b>\$ 236.0</b>	<b>\$ 86.0</b>

The following table sets forth our total segment revenues for the three and six months ended June 30, 2019 and 2018.

	Three Months Ended June 30,		Six Months Ended June 30, 2019	
			2019	2018
	(Dollars in millions)			
<b>Segment Revenues</b>				
Fund level fee revenues				
Fund management fees	\$ 414.5	\$ 328.1	\$ 796.1	\$ 615.6
Portfolio advisory fees, net and other	5.3	5.6	10.8	15.3
Transaction fees, net	9.6	3.8	14.1	6.8
Total fund level fee revenues	429.4	337.5	821.0	637.7
Realized performance revenues	41.9	99.5	91.1	310.5
Realized principal investment income	73.9	17.7	78.0	36.4
Interest income	5.5	7.9	11.5	14.6
<b>Total Segment Revenues</b>	<b>\$ 550.7</b>	<b>\$ 462.6</b>	<b>\$ 1,001.6</b>	<b>\$ 999.2</b>

The following table sets forth our total segment expenses for the three and six months ended June 30, 2019 and 2018.

Segment Expenses	Three Months Ended June 30,		Six Months Ended June 30, 2019	
	2019	2018	2019	2018
	(Dollars in millions)			
Compensation and benefits				
Cash-based compensation and benefits	\$ 207.1	\$ 172.3	\$ 409.4	\$ 361.4
Realized performance revenue related compensation	21.1	49.9	63.3	157.8
Total compensation and benefits	228.2	222.2	472.7	519.2
General, administrative, and other indirect expenses	80.0	98.9	155.7	173.7
Depreciation and amortization expense	9.6	8.5	19.9	16.6
Interest expense	19.5	18.5	39.1	36.3
Total Segment Expenses	\$ 337.3	\$ 348.1	\$ 687.4	\$ 745.8

Income before provision for income taxes is the GAAP financial measure most comparable to Distributable Earnings and Fee Related Earnings. The following table is a reconciliation of income before provision for income taxes to Distributable Earnings and to Fee Related Earnings.

Income before provision for income taxes	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Income before provision for income taxes	\$ 542.0	\$ 252.8	\$ 1,012.3	\$ 378.3
Adjustments:				
Net unrealized performance revenues	(82.4)	(200.0)	(238.2)	(256.9)
Unrealized principal investment income	(234.9)	(7.6)	(473.5)	(18.5)
Adjusted unrealized principal investment income from investment in Fortitude Re	(40.1)	—	(67.1)	—
Equity-based compensation <sup>(1)</sup>	38.3	68.4	77.7	156.2
Acquisition related charges, including amortization of intangibles and impairment	15.4	9.2	27.4	13.8
Other non-operating expense	0.4	0.3	0.7	0.6
Tax expense associated with performance fee revenues	3.6	3.8	(2.5)	1.7
Net income attributable to non-controlling interests in consolidated entities	(39.8)	(16.7)	(35.3)	(27.7)
Severance and other adjustments	10.9	4.3	12.7	5.9
(=) Distributable Earnings	\$ 213.4	\$ 114.5	\$ 314.2	\$ 253.4
(-) Realized net performance revenues <sup>(2)</sup>	20.8	49.6	27.8	152.7
(-) Realized principal investment income <sup>(2)</sup>	73.9	17.7	78.0	36.4
(+) Net Interest	14.0	10.6	27.6	21.7
(=) Fee Related Earnings	\$ 132.7	\$ 57.8	\$ 236.0	\$ 86.0

- (1) Equity-based compensation for the three months ended June 30, 2019 includes \$3.6 million which is included in principal investment income and general, administrative and other expenses in our U.S. GAAP statement of operations, as well as \$0.1 million related to units issued in conjunction with a previous acquisition. Equity-based compensation for the six months ended June 30, 2019 includes \$7.6 million which is included in principal investment income and general, administrative and other expenses in our U.S. GAAP statement of operations, as well as \$0.1 million related to units issued in conjunction with a previous acquisition.

(2) See reconciliation to most directly comparable U.S. GAAP measure below:

Three Months Ended June 30, 2019

	Carlyle Consolidated	Adjustments <sup>(3)</sup>	Total Reportable Segments
	(Dollars in millions)		
Performance revenues	247.6	(205.7)	41.9
Performance revenues related compensation expense	113.6	(92.5)	21.1
Net performance revenues	\$ 134.0	\$ (113.2)	\$ 20.8
Principal investment income (loss)	\$ 342.0	\$ (268.1)	\$ 73.9

Six Months Ended June 30, 2019

	Carlyle Consolidated	Adjustments <sup>(3)</sup>	Total Reportable Segments
	(Dollars in millions)		
Performance revenues	\$ 596.7	\$ (505.6)	\$ 91.1
Performance revenues related compensation expense	299.0	(235.7)	63.3
Net performance revenues	\$ 297.7	\$ (269.9)	\$ 27.8
Principal investment income (loss)	\$ 643.8	\$ (565.8)	\$ 78.0

Three Months Ended June 30, 2018

	Carlyle Consolidated	Adjustments <sup>(3)</sup>	Total Reportable Segments
	(Dollars in millions)		
Performance revenues	\$ 425.1	\$ (325.6)	\$ 99.5
Performance revenues related compensation expense	222.0	(172.1)	49.9
Net performance revenues	\$ 203.1	\$ (153.5)	\$ 49.6
Principal investment income (loss)	\$ 78.2	\$ (60.5)	\$ 17.7

Six Months Ended June 30, 2018

	Carlyle Consolidated	Adjustments <sup>(3)</sup>	Total Reportable Segments
	(Dollars in millions)		
Performance revenues	\$ 733.2	\$ (422.7)	\$ 310.5
Performance revenues related compensation expense	380.0	(222.2)	157.8
Net performance revenues	\$ 353.2	\$ (200.5)	\$ 152.7
Principal investment income (loss)	\$ 132.3	\$ (95.9)	\$ 36.4

(3) Adjustments to performance revenues and principal investment income (loss) relate to (i) unrealized performance allocations net of related compensation expense and unrealized principal investment income, which are excluded from our Non-GAAP results, (ii) amounts earned from the Consolidated Funds, which were eliminated in the U.S. GAAP consolidation but were included in the Non-GAAP results, (iii) amounts attributable to non-controlling interests in consolidated entities, which were excluded from the Non-GAAP results, (iv) the reclassification of NGP performance revenues, which are included in investment income in the U.S. GAAP financial statements, (v) the reclassification of certain incentive fees from business development companies, which are included in fund management fees in the segment results, and (vi) the reclassification of certain tax expenses associated with performance revenues. Adjustments to principal investment income (loss) also include the reclassification of earnings for the investment in NGP Management and its affiliates to the appropriate operating captions for the Non-GAAP results, the exclusion of charges associated with the investment in NGP

Management and its affiliates that are excluded from the Non-GAAP results (see Note 4 to our unaudited condensed consolidated financial statements).

Distributable Earnings for our reportable segments are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Corporate Private Equity	\$ 62.5	\$ 39.5	\$ 124.6	\$ 126.3
Real Assets	134.6	51.9	152.7	85.1
Global Credit	8.8	14.6	23.0	24.8
Investment Solutions	7.5	8.5	13.9	17.2
<b>Distributable Earnings</b>	<b>\$ 213.4</b>	<b>\$ 114.5</b>	<b>\$ 314.2</b>	<b>\$ 253.4</b>

#### Segment Analysis

Discussed below is our DE and FRE for our segments for the periods presented. Our segment information is reflected in the manner used by our senior management to make operating and compensation decisions, assess performance and allocate resources.

For segment reporting purposes, revenues and expenses are presented on a basis that deconsolidates our Consolidated Funds. As a result, segment revenues from management fees, realized performance revenues and realized principal investment income (loss) are different than those presented on a consolidated U.S. GAAP basis because these revenues recognized in certain segments are received from Consolidated Funds and are eliminated in consolidation when presented on a consolidated U.S. GAAP basis. Furthermore, segment expenses are different than related amounts presented on a consolidated U.S. GAAP basis due to the exclusion of fund expenses that are paid by the Consolidated Funds.

## **Corporate Private Equity**

The following table presents our results of operations for our Corporate Private Equity segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
<b>Segment Revenues</b>				
Fund level fee revenues				
Fund management fees	\$ 190.3	\$ 148.0	\$ 380.3	\$ 262.1
Portfolio advisory fees, net and other	3.6	3.4	7.1	9.7
Transaction fees, net	7.4	3.6	7.7	3.9
Total fund level fee revenues	201.3	155.0	395.1	275.7
Realized performance revenues	11.2	52.0	34.6	240.0
Realized principal investment income	1.0	12.3	(1.3)	20.2
Interest income	1.2	2.5	2.4	4.5
Total revenues	214.7	221.8	430.8	540.4
<b>Segment Expenses</b>				
Compensation and benefits				
Cash-based compensation and benefits	101.1	90.5	197.8	187.7
Realized performance revenues related compensation	5.4	24.0	15.8	114.7
Total compensation and benefits	106.5	114.5	213.6	302.4
General, administrative, and other indirect expenses	33.3	56.5	67.4	89.4
Depreciation and amortization expense	4.5	4.2	9.4	8.2
Interest expense	7.9	7.1	15.8	14.1
Total expenses	152.2	182.3	306.2	414.1
<b>Distributable Earnings</b>				
(-) Realized Net Performance Revenues	\$ 62.5	\$ 39.5	\$ 124.6	\$ 126.3
(-) Realized Principal Investment Income	5.8	28.0	18.8	125.3
(+) Net Interest	1.0	12.3	(1.3)	20.2
(=) Fee Related Earnings	\$ 62.4	\$ 3.8	\$ 120.5	\$ (9.6)

**Distributable Earnings**

Distributable Earnings increased \$23.0 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 and decreased \$1.7 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018. The following table provides the components of the changes in distributable earnings for the three and six months ended June 30, 2019:

	<b>Three Months Ended June 30,</b>	<b>Six Months Ended June 30,</b>
	<b>(Dollars in millions)</b>	
Distributable earnings, June 30, 2018	\$ 39.5	\$ 126.3
Increases (decreases):		
Increase in fee related earnings	58.6	130.1
Decrease in realized net performance revenues	(22.2)	(106.5)
Decrease in realized principal investment income	(11.3)	(21.5)
Increase in net interest	(2.1)	(3.8)
Total increase (decrease)	23.0	(1.7)
Distributable earnings, June 30, 2019	\$ 62.5	\$ 124.6

*Realized Net Performance Revenues.* Realized net performance revenues decreased \$22.2 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 primarily due to lower realizations in our Asia buyout funds.

Realized net performance revenues decreased \$106.5 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018, primarily due to lower realizations in our Europe and Asia buyout funds. Realized net performance revenues were primarily generated by the following funds for the three and six months ended June 30, 2019 and 2018.

<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
CP V	CBPF I	CAP III	CEP III
CAP III	CP V	CAP III	
CP V		CBPF I	
		CAP II	

*Realized Principal Investment Income (Loss).* Realized principal investment income was \$1.0 million for the three months ended June 30, 2019 as compared to realized investment income of \$12.3 million for the three months ended June 30, 2018. The decrease for the three months ended June 30, 2019 was primarily due to lower realized gains from our investments in U.S. buyout funds. Realized principal investment loss was \$1.3 million for the six months ended June 30, 2019 as compared to realized principal investment income of \$20.2 million for the six months ended June 30, 2018. The decrease was primarily due to lower realized gains from our investments in U.S. and Asia buyout funds and our U.S. financial services funds, as well as realized losses for the six months ended June 30, 2019 in our Europe buyout funds.

### **Fee Related Earnings**

Fee related earnings increased \$58.6 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 and increased \$130.1 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018. The following table provides the components of the changes in fee related earnings for the three and six months ended June 30, 2019:

	<b>Three Months Ended June 30,</b>	<b>Six Months Ended June 30,</b>
	(Dollars in millions)	
Fee related earnings, June 30, 2018	\$ 3.8	\$ (9.6)
Increases (decreases):		
Increase in fee revenues	46.3	119.4
Increase in cash-based compensation and benefits	(10.6)	(10.1)
Decrease in general, administrative and other indirect expenses	23.2	22.0
All other changes	(0.3)	(1.2)
Total increase	<u>58.6</u>	<u>130.1</u>
Fee related earnings, June 30, 2019	<u><u>\$ 62.4</u></u>	<u><u>\$ 120.5</u></u>

**Fee Revenues.** Total fee revenues increased \$46.3 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 and increased \$119.4 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018, due to the following:

	<b>Three Months Ended June 30,</b>	<b>Six Months Ended June 30,</b>
	2019 v. 2018	
	(Dollars in millions)	
Higher fund management fees	\$ 42.3	\$ 118.2
Higher transaction fees	3.8	3.8
Higher (lower) portfolio advisory fees, net and other	0.2	(2.6)
Total increase in fee revenues	<u>\$ 46.3</u>	<u>\$ 119.4</u>

The increase in fund management fees for both the three and six months ended June 30, 2019 as compared to the three and six months ended June 30, 2018 was primarily due to the activation of management fees during the second quarter of 2018 on our seventh U.S. buyout fund (“CP VII”) and our fifth Asia buyout fund (“CAP V”), as well as activation of management fees during the fourth quarter of 2018 on our fifth Europe buyout fund (“CEP V”). These increases were partially offset by lower fee rates and a lower basis for CP VI, CEP IV and CAP IV as they have exited the investment period.

The total weighted-average management fee rates as of June 30, 2019 and 2018 were 1.23% and 1.22%, respectively. Fee-earning assets under management were \$60.5 billion and \$56.3 billion as of June 30, 2019 and 2018, respectively, reflecting an increase of \$4.2 billion.

**Cash-based compensation and benefits expense.** Cash-based compensation and benefits expense increased \$10.6 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 primarily due to an increase in projected year-end bonuses.

Cash-based compensation and benefits expense increased \$10.1 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018, primarily due to an increase in headcount and an increase in projected year-end bonuses, partially offset by lower compensation costs related to fundraising activities of approximately \$17.9 million.

**General, administrative and other indirect expenses.** General, administrative and other indirect expenses decreased \$23.2 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018, primarily due to lower external costs associated with fundraising activities of approximately \$28.4 million, partially offset by higher professional fees.

General, administrative and other indirect expenses decreased \$22.0 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018, primarily due to lower external costs associated with fundraising activities of approximately \$27.9 million, partially offset by higher professional fees.

**Fee-earning AUM as of and for the Three and Six Months Ended June 30, 2019 and 2018**

Fee-earning AUM is presented below for each period together with the components of change during each respective period.

The table below breaks out Fee-earning AUM by its respective components at each period.

	<b>As of June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Corporate Private Equity</b>	<b>(Dollars in millions)</b>	
<b>Components of Fee-earning AUM (1)</b>		
Fee-earning AUM based on capital commitments	\$ 36,539	\$ 33,148
Fee-earning AUM based on invested capital	21,927	20,651
Fee-earning AUM based on lower of cost or fair value	2,052	2,511
<b>Total Fee-earning AUM</b>	<b>\$ 60,518</b>	<b>\$ 56,310</b>
<b>Weighted Average Management Fee Rates (2)</b>		
All Funds	1.23%	1.22%
Funds in Investment Period	1.46%	1.46%

(1) For additional information concerning the components of Fee-earning AUM, see “—Fee-earning Assets under Management.”

(2) Represents the aggregate effective management fee rate of each fund in the segment, weighted by each fund’s Fee-earning AUM, as of the end of each period presented.

The table below provides the period to period rollforward of Fee-earning AUM.

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Corporate Private Equity</b>	<b>(Dollars in millions)</b>			
<b>Fee-earning AUM Rollforward</b>				
Balance, Beginning of Period	\$ 61,901	\$ 35,293	\$ 62,358	\$ 35,584
Inflows, including Fee-paying Commitments (1)	250	23,619	578	23,836
Outflows, including Distributions (2)	(1,797)	(2,143)	(2,322)	(2,913)
Market Appreciation/(Depreciation) (3)	(7)	(8)	(26)	22
Foreign Exchange and other (4)	171	(451)	(70)	(219)
<b>Balance, End of Period</b>	<b>\$ 60,518</b>	<b>\$ 56,310</b>	<b>\$ 60,518</b>	<b>\$ 56,310</b>

(1) Inflows represent limited partner capital raised and capital invested by carry funds outside the original investment period.

(2) Outflows represent distributions from funds outside the investment period and changes in fee basis for our carry funds where the original investment period has expired.

(3) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on portfolio investments in our carry funds based on the lower of cost or fair value.

(4) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of period end.

Fee-earning AUM was \$60.5 billion at June 30, 2019, a decrease of \$1.4 billion, or approximately 2%, compared to \$61.9 billion at March 31, 2019. The decrease was driven by outflows of \$1.8 billion primarily in our U.S. buyout funds. This was partially offset by inflows of \$0.3 billion primarily from capital invested in CP VI and CGP, and \$0.2 billion of foreign exchange gains from the translation of our EUR- and JPY-denominated funds’ AUM to USD. Investment and distribution activity by funds still in the investment period does not impact Fee-earning AUM as these funds are based on commitments.

Fee-earning AUM was \$60.5 billion at June 30, 2019, a decrease of \$1.9 billion, or approximately 3.0%, compared to \$62.4 billion at December 31, 2018. The decrease was driven by outflows of \$2.3 billion primarily in our U.S. buyout funds. This was partially offset by inflows of \$0.6 billion from new fee-earning commitments raised in CEP V and capital invested in CP VI and CGP.

Fee-earning AUM was \$60.5 billion at June 30, 2019, an increase of \$4.2 billion, or approximately 7%, compared to \$56.3 billion at June 30, 2018. The increase was driven by inflows of \$8.2 billion primarily related to new fee-earning commitments in CEP V. This was partially offset by outflows of \$3.8 billion primarily due to the step-down of fees in CEP IV, as well as dispositions in CP VI, CP V, and other funds which charge fees based on invested equity.

Fee-earning AUM was \$56.3 billion at June 30, 2018, an increase of \$21.0 billion, or approximately 60%, compared to \$35.3 billion at March 31, 2018. The increase was driven by inflows of \$23.6 billion from the activation of management fees in CP VII and CAP V. This was partially offset by outflows of \$2.1 billion primarily due to the step-down of fees in CP VI.

Fee-earning AUM was \$56.3 billion at June 30, 2018, an increase of \$20.7 billion, or approximately 58%, compared to \$35.6 billion at December 31, 2017. The increase was driven by inflows of \$23.8 billion primarily from new fee-earning commitments in CP VII and CAP V. Partially offsetting the increase were outflows of \$2.9 billion primarily due to the step-down of fees in CP VI.

**Total AUM as of and for the Three and Six Months Ended June 30, 2019**

The table below provides the period to period rollforward of Total AUM.

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019		
	(Dollars in millions)			
<b>Corporate Private Equity</b>				
<b>Total AUM Rollforward</b>				
Balance, Beginning of Period	\$ 84,260	\$ 80,759		
New Commitments (1)	520	4,138		
Outflows (2)	(1,462)	(2,251)		
Market Appreciation/(Depreciation) (3)	566	1,765		
Foreign Exchange Gain/(Loss) (4)	249	(80)		
Other (5)	(271)	(469)		
<b>Balance, End of Period</b>	<b>\$ 83,862</b>	<b>\$ 83,862</b>		

- (1) New Commitments reflects the impact of gross fundraising during the period. For funds or vehicles denominated in foreign currencies, this reflects translation at the average quarterly rate, while the separately reported Fundraising metric is translated at the spot rate for each individual closing.
- (2) Outflows includes distributions in our carry funds, related co-investment vehicles and separately managed accounts.
- (3) Market Appreciation/(Depreciation) generally represents realized and unrealized gains (losses) on portfolio investments in our carry funds, related co-investment vehicles and separately managed accounts.
- (4) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.
- (5) Includes expiring available capital, the impact of capital calls for fees and expenses and other changes in AUM.

Total AUM was \$83.9 billion at June 30, 2019, a decrease of \$0.4 billion, compared to \$84.3 billion as of March 31, 2019. The decrease was driven by outflows of \$1.5 billion primarily in our U.S. buyout and growth funds. This was partially offset by market appreciation of \$0.6 billion due to overall segment appreciation of 1% for the period. The carry funds driving appreciation for the period included \$0.1 billion attributable to CAP IV, \$0.1 billion attributable to CAP V, and \$0.1 billion attributable to CP V. New commitments during the period of \$0.5 billion were driven by fundraising in CSEOF and CEP V.

Total AUM was \$83.9 billion at June 30, 2019, an increase of \$3.1 billion, compared to \$80.8 billion as of December 31, 2018. The increase was driven by \$4.1 billion of new commitments raised primarily in CETP IV, CGP II, and CEP V. Also driving the increase was market appreciation of \$1.8 billion due to overall segment appreciation of 4% for the period. The carry funds driving appreciation for the period included \$0.3 billion attributable to CP VI, \$0.2 billion attributable to CAP IV, and \$0.2 billion attributable to CAP V. The increase was partially offset by outflows of \$2.3 billion primarily in our U.S. and Asia buyout funds.

#### **Fund Performance Metrics**

Fund performance information for our investment funds that generally have at least \$1.0 billion in capital commitments, cumulative equity invested or total value as of June 30, 2019, which we refer to as our “significant funds” is included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. The fund return information reflected in this discussion and analysis is not indicative of the performance of The Carlyle Group L.P. and is also not necessarily indicative of the future performance of any particular fund. An investment in The Carlyle Group L.P. is not an investment in any of our funds. There can be no assurance that any of our funds or our other existing and future funds will achieve similar returns.

The following tables reflect the performance of our significant funds in our Corporate Private Equity business. Please see “— Our Family of Funds” for a legend of the fund acronyms listed below.

	TOTAL INVESTMENTS										REALIZED/PARTIALLY REALIZED INVESTMENTS(5)								
	Fund Vintage (1)	Committed Capital	As of June 30, 2019					As of June 30, 2019											
			Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Gross IRR (7)(12)	Net IRR (8)(12)	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC (4)	Gross IRR(7)								
<b>Corporate Private Equity</b>																			
<b>Fully Invested/Committed Funds(6)</b>																			
CP II	1995	\$ 1,331.1	\$ 1,362.4	\$ 4,072.2	3.0x	34%	25%	\$ 1,362.4	\$ 4,072.2	3.0x	34%								
CP III	2000	\$ 3,912.7	\$ 4,031.6	\$ 10,146.9	2.5x	27%	21%	\$ 4,031.6	\$ 10,146.9	2.5x	27%								
CP IV	2005	\$ 7,850.0	\$ 7,612.6	\$ 18,026.3	2.4x	16%	13%	\$ 7,612.6	\$ 18,026.3	2.4x	16%								
CP V	2007	\$ 13,719.7	\$ 13,190.9	\$ 27,864.7	2.1x	18%	14%	\$ 10,484.8	\$ 26,154.5	2.5x	24%								
CP VI	2014	\$ 13,000.0	\$ 12,830.7	\$ 18,606.6	1.5x	15%	10%	\$ 1,972.9	\$ 4,919.2	2.5x	36%								
CEP I	1998	€ 1,003.6	€ 981.6	€ 2,126.5	2.2x	18%	11%	€ 981.6	€ 2,126.5	2.2x	18%								
CEP II	2003	€ 1,805.4	€ 2,048.4	€ 4,128.2	2.0x	36%	20%	€ 1,883.8	€ 4,106.8	2.2x	43%								
CEP III	2007	€ 5,294.9	€ 5,155.5	€ 11,602.9	2.3x	19%	14%	€ 4,533.6	€ 11,261.0	2.5x	21%								
CEP IV	2014	€ 3,669.5	€ 3,693.9	€ 4,936.8	1.3x	16%	8%	€ 570.2	€ 634.0	1.1x	5%								
CAP I	1998	\$ 750.0	\$ 627.7	\$ 2,521.8	4.0x	25%	18%	\$ 627.7	\$ 2,521.8	4.0x	25%								
CAP II	2006	\$ 1,810.0	\$ 1,628.2	\$ 3,081.4	1.9x	11%	8%	\$ 1,628.2	\$ 3,081.4	1.9x	11%								
CAP III	2008	\$ 2,551.6	\$ 2,543.2	\$ 4,722.2	1.9x	17%	11%	\$ 2,071.8	\$ 4,343.6	2.1x	20%								
CAP IV	2014	\$ 3,880.4	\$ 3,959.4	\$ 5,396.0	1.4x	13%	8%	\$ 589.1	\$ 1,080.5	1.8x	21%								
CJP I	2001	¥ 50,000.0	¥ 47,291.4	¥ 138,902.1	2.9x	61%	37%	¥ 47,291.4	¥ 138,902.1	2.9x	61%								
CJP II	2006	¥ 165,600.0	¥ 141,866.7	¥ 207,821.1	1.5x	7%	4%	¥ 134,666.7	¥ 203,831.2	1.5x	7%								
CGFSP I	2008	\$ 1,100.2	\$ 1,080.7	\$ 2,481.1	2.3x	20%	14%	\$ 1,080.7	\$ 2,481.1	2.3x	20%								
CGFSP II	2013	\$ 1,000.0	\$ 942.7	\$ 1,523.4	1.6x	21%	14%	\$ 317.3	\$ 605.1	1.9x	30%								
CEOFO I	2011	\$ 1,119.1	\$ 1,173.1	\$ 1,783.0	1.5x	13%	9%	\$ 346.9	\$ 850.9	2.5x	38%								
CETP II	2008	€ 521.6	€ 437.4	€ 1,282.9	2.9x	28%	19%	€ 393.0	€ 1,220.5	3.1x	29%								
CAGP IV	2008	\$ 1,041.4	\$ 954.1	\$ 1,313.5	1.4x	8%	4%	\$ 589.8	\$ 1,010.4	1.7x	13%								
All Other Funds (9)	Various		\$ 5,657.9	\$ 8,685.3	1.5x	16%	6%	\$ 4,105.2	\$ 6,543.2	1.6x	17%								
Coinvestment and SMA's (10)	Various		\$ 11,118.0	\$ 24,611.5	2.2x	36%	33%	\$ 7,346.5	\$ 21,046.2	2.9x	36%								
<b>Total Fully Invested Funds</b>			<b>\$ 84,458.1</b>	<b>\$ 165,401.2</b>	<b>2.0x</b>	<b>26%</b>	<b>18%</b>	<b>\$ 55,353.5</b>	<b>\$ 132,040.2</b>	<b>2.4x</b>	<b>27%</b>								
<b>Funds in the Investment Period (6)</b>																			
CP VII	2018	\$ 18,510.0	\$ 6,571.8	\$ 6,569.6	1.0x	NM	NM												
CEP V	2018	€ 6,317.8	€ 891.2	€ 897.1	1.0x	NM	NM												
CAP V	2018	\$ 6,554.2	\$ 1,144.8	\$ 1,310.4	1.1x	NM	NM												
CGP	2015	\$ 3,588.0	\$ 2,838.8	\$ 3,283.2	1.2x	7%	5%												
CJP III	2013	¥ 119,505.1	¥ 92,713.5	¥ 181,688.1	2.0x	28%	18%												
CEOFO II	2015	\$ 2,400.0	\$ 1,630.8	\$ 1,820.9	1.1x	NM	NM												
CGFSP III	2018	\$ 1,004.6	\$ 250.0	\$ 300.3	1.2x	NM	NM												
CETP III	2014	€ 656.6	€ 522.5	€ 1,005.2	1.9x	38%	23%												
All Other Funds (11)	Various		\$ 179.7	\$ 257.3	1.4x	NM	NM												
Coinvestment and SMA's (10)	Various		\$ 3,287.9	\$ 3,686.2	1.1x	NM	NM												
<b>Total Funds in the Investment Period</b>			<b>\$ 18,369.2</b>	<b>\$ 21,073.0</b>	<b>1.1x</b>	<b>15%</b>	<b>6%</b>	<b>\$ 420.4</b>	<b>\$ 1,263.7</b>	<b>3.0x</b>	<b>46%</b>								
<b>TOTAL CORPORATE PRIVATE EQUITY (13)</b>			<b>\$ 102,827.4</b>	<b>\$ 186,474.2</b>	<b>1.8x</b>	<b>26%</b>	<b>18%</b>	<b>\$ 55,773.9</b>	<b>\$ 133,303.8</b>	<b>2.4x</b>	<b>27%</b>								

- (1) The data presented herein that provides “inception to date” performance results of our segments relates to the period following the formation of the first fund within each segment. For our Corporate Private Equity segment our first fund was formed in 1990.
- (2) Represents the original cost of investments since inception of the fund.
- (3) Represents all realized proceeds combined with remaining fair value, before management fees, expenses and carried interest.
- (4) Multiple of invested capital (“MOIC”) represents total fair value, before management fees, expenses and carried interest, divided by cumulative invested capital.

- (5) An investment is considered realized when the investment fund has completely exited, and ceases to own an interest in, the investment. An investment is considered partially realized when the total amount of proceeds received in respect of such investment, including dividends, interest or other distributions and/or return of capital, represents at least 85% of invested capital and such investment is not yet fully realized. Because part of our value creation strategy involves pursuing best exit alternatives, we believe information regarding Realized/Partially Realized MOIC and Gross IRR, when considered together with the other investment performance metrics presented, provides investors with meaningful information regarding our investment performance by removing the impact of investments where significant realization activity has not yet occurred. Realized/Partially Realized MOIC and Gross IRR have limitations as measures of investment performance, and should not be considered in isolation. Such limitations include the fact that these measures do not include the performance of earlier stage and other investments that do not satisfy the criteria provided above. The exclusion of such investments will have a positive impact on Realized/Partially Realized MOIC and Gross IRR in instances when the MOIC and Gross IRR in respect of such investments are less than the aggregate MOIC and Gross IRR. Our measurements of Realized/Partially Realized MOIC and Gross IRR may not be comparable to those of other companies that use similarly titled measures. We do not present Realized/Partially Realized performance information separately for funds that are still in the investment period because of the relatively insignificant level of realizations for funds of this type. However, to the extent such funds have had realizations, they are included in the Realized/Partially Realized performance information presented for Total Corporate Private Equity.
- (6) Fully Invested funds are past the expiration date of the investment period as defined in the respective limited partnership agreement. In instances where a successor fund has had its first capital call, the predecessor fund is categorized as fully invested.
- (7) Gross Internal Rate of Return (“Gross IRR”) represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value before management fees, expenses and carried interest.
- (8) Net Internal Rate of Return (“Net IRR”) represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value after management fees, expenses and carried interest. Fund level IRRs are based on aggregate Limited Partner cash flows, and this blended return may differ from that of individual Limited Partners. As a result, certain funds may generate accrued performance revenues with a blended Net IRR that is below the preferred return hurdle for that fund.
- (9) Aggregate includes the following funds: CP I, CMG, CVP I, CVP II, CUSGF III, CEVP, CETP I, CAVP I, CAVP II, CAGP III, CSABF, CPF I, Mexico, CBPF, CCI, CSSAF, and MENA.
- (10) Includes coinvestments, separately managed accounts (SMA’s) and certain other stand-alone investments arranged by us.
- (11) Aggregate, which is considered not meaningful, includes the following funds and their respective commencement dates: CAGP V (May 2016), and CBPF II (November 2017).
- (12) For funds marked “NM,” IRR may be positive or negative, but is considered not meaningful because of the limited time since initial investment and early stage of capital deployment. For funds marked “Neg.” IRR is negative as of reporting period end.
- (13) For purposes of aggregation, funds that report in foreign currency have been converted to U.S. dollars at the reporting period spot rate.

	<b>Remaining Fair Value(1)</b>	<b>Unrealized MOIC(2)</b>	<b>Total MOIC(3)</b>	<b>% Invested(4)</b>	<b>In Accrued Carry/(Clawback) (5)</b>	<b>LTM Realized Carry (6)</b>	<b>Catch-up Rate</b>	<b>Fee Initiation Date(7)</b>	<b>Quarters Since Fee Initiation</b>	<b>Original Investment Period End Date</b>
<b>As of June 30, 2019</b>										
<b>Corporate Private Equity</b>										
CP VI	\$ 12,824.7	1.2x	1.5x	99%	X		100%	Jun-13	25	May-18
CP VII	\$ 6,566.1	1.0x	1.0x	36%			100%	May-18	5	May-24
CEP IV	€ 4,049.5	1.5x	1.3x	101%	X		100%	Sep-14	20	Aug-19
CAP IV	\$ 3,903.9	1.3x	1.4x	102%	X		100%	Jul-13	24	Nov-18
CGP	\$ 3,105.9	1.1x	1.2x	79%	X		100%	Jan-15	18	Dec-20
CP V	\$ 2,025.5	0.7x	2.1x	96%	X	X	100%	Jun-07	49	May-13
CEO II	\$ 1,680.2	1.1x	1.1x	68%			80%	Nov-15	15	Mar-21
CAP V	\$ 1,320.4	1.1x	1.1x	17%			100%	Jun-18	5	Jun-24
CJP III	¥ 125,875.2	1.7x	2.0x	78%	X		100%	Sep-13	24	Feb-20
CEP V	€ 906.0	1.0x	1.0x	14%			100%	Oct-18	3	Oct-24
CGFSP II	\$ 811.6	1.4x	1.6x	94%	X		100%	Jun-13	25	Dec-17
CETP III	€ 670.9	1.5x	1.9x	80%	X	X	100%	Jul-14	20	May-20
CEP III	€ 620.8	1.0x	2.3x	97%	X	X	100%	Jul-07	48	Dec-12
CEO I	\$ 669.7	1.1x	1.5x	105%	X		80%	Sep-11	32	May-17
CAP III	\$ 318.0	0.8x	1.9x	100%	X	X	100%	Jun-08	45	May-14
CGFSP III	\$ 298.5	1.2x	1.2x	25%			100%	May-18	5	Dec-23
CP IV	\$ 256.4	2.7x	2.4x	97%	X	X	80%	Apr-05	57	Dec-10
CAGP IV	\$ 237.4	0.7x	1.4x	92%			100%	Aug-08	44	Jun-14
All Other Funds (8)	\$ 2,449.1	1.2x	2.1x		NM	NM				
Coinvestment and SMA's (9)	\$ 6,675.2	1.0x	2.0x		NM	NM				
<b>Total Corporate Private Equity (10)</b>	<b>\$ 51,406.1</b>	<b>1.1x</b>	<b>1.8x</b>							

- (1) Remaining Fair Value reflects the unrealized carrying value of investments in carry funds and related co-investment vehicles. Significant funds with remaining fair value of greater than \$100 million are listed individually.
- (2) Unrealized multiple of invested capital (“MOIC”) represents remaining fair market value, before management fees, expenses and carried interest, divided by remaining investment cost.
- (3) Total MOIC represents total fair value (realized proceeds combined with remaining fair value), before management fees, expenses and carried interest, divided by cumulative invested capital. For certain funds, represents the original cost of investments net of investment-level recallable proceeds, which is adjusted to reflect recyclability of invested capital for the purpose of calculating the fund MOIC.
- (4) Represents cumulative invested capital as of the reporting period divided by total commitments. Amount can be greater than 100% due to the re-investment of recallable distributions to fund investors.
- (5) Fund has a net accrued performance revenue balance/(giveback obligation) as of the current quarter end, driven by a significant portion of the fund’s asset base.
- (6) Fund has generated realized net performance revenues/(realized giveback) in the last twelve months.
- (7) Represents the date of the first capital contribution for management fees.
- (8) Aggregate includes the following funds: CMG, CP I, CP II, CP III, CEP I, CEP II, CAP I, CAP II, CBPF, CBPF II, CJP I, CJP II, CEVP, CETP I, CETP II, CCI, CAVP I, CAVP II, CAGP III, CAGP V, Mexico, MENA, CSABF, CSSAF, CPF, CGFSP I, CVP I, CVP II, and CUSGF III. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.
- (9) Includes co-investments, prefund investments, separately managed accounts (SMA’s) and certain other stand-alone investments arranged by us. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.
- (10) For purposes of aggregation, funds that report in foreign currency have been converted to U.S. dollars at the reporting period spot rate.

## Real Assets

For purposes of presenting our results of operations for this segment, our earnings from our investments in NGP are presented in the respective operating captions. The following table presents our results of operations for our Real Assets segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
<b>Segment Revenues</b>				
Fund level fee revenues				
Fund management fees	\$ 105.8	\$ 78.7	\$ 183.2	\$ 153.1
Portfolio advisory fees, net and other	0.5	1.1	1.4	2.6
Transaction fees, net	—	0.1	2.4	2.8
Total fund level fee revenues	106.3	79.9	187.0	158.5
Realized performance revenues	24.6	33.6	29.5	41.4
Realized principal investment income	70.1	3.1	71.7	11.3
Interest income	0.7	1.2	1.2	2.1
Total revenues	201.7	117.8	289.4	213.3
<b>Segment Expenses</b>				
Compensation and benefits				
Cash-based compensation and benefits	34.0	29.3	69.8	64.0
Realized performance revenues related compensation	11.2	15.0	23.2	19.0
Total compensation and benefits	45.2	44.3	93.0	83.0
General, administrative, and other indirect expenses	17.0	15.9	33.8	34.0
Depreciation and amortization expense	1.8	1.6	3.7	3.2
Interest expense	3.1	4.1	6.2	8.0
Total expenses	67.1	65.9	136.7	128.2
<b>(=) Distributable Earnings</b>	<b>\$ 134.6</b>	<b>\$ 51.9</b>	<b>\$ 152.7</b>	<b>\$ 85.1</b>
(-) Realized Net Performance Revenues	13.4	18.6	6.3	22.4
(-) Realized Principal Investment Income	70.1	3.1	71.7	11.3
(+/-) Net Interest	2.4	2.9	5.0	5.9
<b>(=) Fee Related Earnings</b>	<b>\$ 53.5</b>	<b>\$ 33.1</b>	<b>\$ 79.7</b>	<b>\$ 57.3</b>

**Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018 and Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018**

**Distributable Earnings**

Distributable earnings increased \$82.7 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 and increased \$67.6 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018. The following table provides the components of the changes in distributable earnings for the three and six months ended June 30, 2019:

	Three Months Ended June 30,		Six Months Ended June 30,	
			2019 v. 2018	
	(Dollars in millions)			
Distributable earnings, June 30, 2018	\$	51.9	\$	85.1
Increases (decreases):				
Increase in fee related earnings		20.4		22.4
Decrease in realized net performance revenues		(5.2)		(16.1)
Increase in realized principal investment income		67.0		60.4
Decrease in net interest		0.5		0.9
Total increase		82.7		67.6
Distributable earnings, June 30, 2019	\$	134.6	\$	152.7

**Realized Net Performance Revenues.** Realized net performance revenues decreased \$5.2 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 primarily due to realizations in our Asia real estate funds in the three months ended June 30, 2018.

Realized net performance revenues decreased \$16.1 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018 primarily due to the \$19.9 million realized giveback on Riverstone Legacy Energy Fund IV in the three months ended March 31, 2019 and realizations in our Asia real estate funds in the three months ended June 30, 2018, partially offset by higher realizations in our U.S. real estate funds and our power opportunities fund. Realized net performance revenues were primarily generated by the following funds for the three and six months ended June 30, 2019 and 2018:

Three Months Ended June 30,		Six Months Ended June 30,	
2019	2018	2019	2018
CRP VII	CRP VII	Energy IV (clawback)	CRP VII
CAREP - External Coinvestment		CRP VII	CAREP - External Coinvestment
		CPI	
		CPOCP	

**Realized Principal Investment Income.** Realized principal investment income increased \$67.0 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 and increased \$60.4 million for the the six months ended June 30, 2019 as compared to the six months ended June 30, 2018 primarily related to the recovery of \$71.5 million from the final resolution of French tax litigation concerning a European real estate fund, which reversed a portion of an investment loss recognized in 2015. See Note 7 of our unaudited condensed consolidated financial statements for more information on this matter.

### **Fee Related Earnings**

Fee related earnings increased \$20.4 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 and increased \$22.4 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018. The following table provides the components of the changes in fee related earnings for the three and six months ended June 30, 2019:

	<b>Three Months Ended June 30,</b>	<b>Six Months Ended June 30,</b>
	<b>(Dollars in millions)</b>	
Fee related earnings, June 30, 2018	\$ 33.1	\$ 57.3
Increases (decreases):		
Increase in fee revenues	26.4	28.5
Increase in cash-based compensation and benefits	(4.7)	(5.8)
(A)crease decrease in general, administrative and other indirect expenses	(1.1)	0.2
All other changes	(0.2)	(0.5)
Total increase	20.4	22.4
Fee related earnings, June 30, 2019	\$ 53.5	\$ 79.7

**Fee Revenues.** Fee revenues increase \$26.4 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 and increased \$28.5 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018, due to the following:

	<b>Three Months Ended June 30,</b>	<b>Six Months Ended June 30,</b>
	<b>2019 v. 2018</b>	
	<b>(Dollars in millions)</b>	
Higher fund management fees	\$ 27.1	\$ 30.1
Lower transaction fees	(0.1)	(0.4)
Lower portfolio advisory fees, net and other	(0.6)	(1.2)
Total increase in fee revenues	\$ 26.4	\$ 28.5

The increase in fund management fees for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 primarily reflects the increased management fees from CGI. Management fees also included \$25.9 million in catch-up management fees mainly from subsequent closes in 2019 for CGI and NGP XII during the three months ended June 30, 2019 as compared to \$8.4 million in catch-up management fees earned during the three months ended June 30, 2018.

The increase in fund management fees for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018 primarily reflects the increased management fees from CGI, CIEP II and NGP XII, partially offset by lower management fees from CEREP III and CRP VII. Management fees also included \$26.7 million in catch-up management fees mainly from subsequent closes in 2019 for CGI and NGP XII during the six months ended June 30, 2019 as compared to approximately \$10.3 million in catch-up management fees earned during the six months ended June 30, 2018.

The weighted average management fee rate for funds in the investment period decreased to 1.28% at June 30, 2019 from 1.32% at June 30, 2018 due to new funds raised with lower management fee rates primarily in NGP XII and fee-paying capital invested in CPI which also has a lower rate, offset by funds raised over the past year with higher management fee rates, primarily in CIEP II and CGI. The total weighted average management fee rate was 1.22% at June 30, 2019, a slight decrease from 1.23% at June 30, 2018.

**Cash-based compensation and benefits expense.** Cash-based compensation and benefits expense increased \$4.7 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018, primarily due to an increase in higher projected year-end bonuses.

Cash based compensation and benefits expense increased \$5.8 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018, primarily due to higher projected year-end bonuses, partially offset by a decrease in compensation costs related to fundraising activities of approximately \$3.0 million.

**General, administrative and other indirect expenses.** General, administrative and other indirect expense increased \$1.1 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018, primarily due to the

increased external costs associated with fundraising activities of approximately \$1.5 million recorded in the three months ended June 30, 2019.

#### **Fee-earning AUM as of and for the Three and Six Months Ended June 30, 2019 and 2018**

Fee-earning AUM is presented below for each period together with the components of change during each respective period.

The table below breaks out Fee-earning AUM by its respective components at each period.

	<b>As of June 30,</b>	
	<b>2019</b>	<b>2018</b>
	<b>(Dollars in millions)</b>	
<b>Real Assets</b>		
<b>Components of Fee-earning AUM (1)</b>		
Fee-earning AUM based on capital commitments	\$ 15,338	\$ 12,780
Fee-earning AUM based on invested capital (2)	15,663	17,276
Fee-earning AUM based on net asset value	1,832	1,109
Fee-earning AUM based on lower of cost or fair value and other (3)	364	376
<b>Total Fee-earning AUM (4)</b>	<b>\$ 33,197</b>	<b>\$ 31,541</b>
<b>Weighted Average Management Fee Rates (5)</b>		
All Funds	1.22%	1.23%
Funds in Investment Period	1.28%	1.32%

(1) For additional information concerning the components of Fee-earning AUM, See “—Fee-earning Assets under Management.”

(2) Includes amounts committed to or reserved for investments for certain real estate funds.

(3) Includes certain funds that are calculated on gross asset value.

(4) Energy III, Energy IV, and Renew II (collectively, the “Legacy Energy Funds”), are managed with Riverstone Holdings LLC and its affiliates. Affiliates of both Carlyle and Riverstone act as investment advisors to each of the Legacy Energy Funds. Carlyle has a minority representation on the management committees of Energy IV and Renew II. Carlyle and Riverstone each hold half of the seats on the management committee of Energy III, but the investment period for this fund has expired and the remaining investments in such fund are being disposed of in the ordinary course of business. As of June 30, 2019, the Legacy Energy Funds had, in the aggregate, approximately \$3.4 billion in AUM and \$3.1 billion in Fee-earning AUM. NGP IX, or in the case of NGP M&R and NGP ETP II, certain affiliated entities (collectively, the “NGP Predecessor Funds”) and NGP X, NGP GAP, NGP XI, and NGP XII (referred to herein as the “NGP Carry Funds”, collectively with the NGP Predecessor Funds, the “NGP Energy Funds”), are managed by NGP Energy Capital Management (“NGP”). As of June 30, 2019, the NGP Energy Funds had, in the aggregate, approximately \$13.6 billion in AUM and \$11.7 billion in Fee-earning AUM.

(5) Represents the aggregate effective management fee rate of each fund in the segment, weighted by each fund’s Fee-earning AUM, as of the end of each period presented. Calculation reflects Carlyle’s 10% and 55% interest in management fees earned by the Legacy Energy funds and the NGP Energy Funds, respectively. Accounts based on gross asset base generally have an effective management fee rate of 0.5% or less.

The table below provides the period to period rollforward of Fee-earning AUM.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018		2019	2018	
<b>Real Assets</b>						<b>(Dollars in millions)</b>
<b>Fee-earning AUM Rollforward</b>						
Balance, Beginning of Period	\$ 32,908	\$ 32,134		\$ 32,977	\$ 31,599	
Inflows, including Fee-paying Commitments (1)	2,756	637		3,146	1,645	
Outflows, including Distributions (2)	(2,314)	(1,171)		(2,867)	(1,605)	
Market Appreciation/(Depreciation) (3)	31	19		59	47	
Foreign Exchange and other (4)	(184)	(78)		(118)	(145)	
<b>Balance, End of Period</b>	<b>\$ 33,197</b>	<b>\$ 31,541</b>		<b>\$ 33,197</b>	<b>\$ 31,541</b>	

- (1) Inflows represent limited partner capital raised and capital invested by funds outside the investment period.
- (2) Outflows represent distributions from funds outside the investment period, changes in fee basis for our carry funds where the investment period has expired, and redemptions in our open-ended products.
- (3) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on portfolio investments in our carry funds based on the lower of cost or fair value and net asset value.
- (4) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.

Fee-earning AUM was \$33.2 billion at June 30, 2019, an increase of \$0.3 billion compared to \$32.9 billion at March 31, 2019. The increase was driven by inflows of \$2.8 billion primarily related to new fee-paying commitments in CIEP II and CGI, and new limited partner capital invested in CPI. This was partially offset by outflows of \$2.3 billion primarily in our NGP Predecessor Funds and CIEP I. Changes in fair value have no material impact on Fee-earning AUM for Real Assets as substantially all of the funds generate management fees based on either commitments or invested capital at cost, neither of which is impacted by fair value movements. Investment and distribution activity by funds still in the original investment period do not impact Fee-earning AUM as these funds are based on commitments and not invested capital.

Fee-earning AUM was \$33.2 billion at June 30, 2019, an increase of \$0.2 billion compared to \$33.0 billion at December 31, 2018. The increase was driven by inflows of \$3.1 billion primarily related to new fee-paying commitments in CGI, the activation of management fees in CIEP II, and new limited partner capital invested in CPI. This was partially offset by outflows of \$2.9 billion primarily in our NGP Predecessor Funds and CIEP I.

Fee-earning AUM was \$33.2 billion at June 30, 2019, an increase of \$1.7 billion, or approximately 5%, compared to \$31.5 billion at June 30, 2018. This increase was driven by inflows of \$5.9 billion, primarily related to new fee-paying commitments in NGP XII, CIEP II, and CGI, as well as new limited partner invested capital in CPI. The increase was partially offset by outflows of \$4.1 billion primarily related to distribution activity in the NGP Predecessor Funds and U.S. real estate funds, as well as other funds outside the original investment period.

Fee-earning AUM was \$31.5 billion at June 30, 2018, a decrease of \$0.6 billion, or approximately 2%, compared to \$32.1 billion at March 31, 2018. The decrease was driven by outflows of \$1.2 billion, primarily related to distribution and step-down activity in our U.S. real estate and Legacy Energy Funds. Partially offsetting the decrease were inflows of \$0.6 billion primarily related to new fee-paying commitments in NGP XII and CGI, and new limited partner capital invested in CPI.

Fee-earning AUM was \$31.5 billion at June 30, 2018, a decrease of \$0.1 billion compared to \$31.6 billion at December 31, 2017. The slight decrease was driven by outflows of \$1.6 billion primarily related to distribution and step-down activity in the U.S. real estate funds, Europe real estate funds, and Legacy Energy Funds. This was largely offset by inflows of \$1.6 billion primarily due to new fee-paying commitments in CGI, NGP XII, and CRP VIII, and new limited partner capital invested in CPI.

**Total AUM as of and for the Three and Six Months Ended June 30, 2019**

The table below provides the period to period rollforward of Total AUM.

	<b>Three Months Ended June 30, 2019</b>	<b>Six Months Ended June 30, 2019</b>		
	(Dollars in millions)			
<b>Real Assets</b>				
<b>Total AUM Rollforward</b>				
Balance, Beginning of Period	\$ 46,175	\$ 45,640		
New Commitments (1)	1,562	2,114		
Outflows (2)	(868)	(1,408)		
Market Appreciation/(Depreciation) (3)	123	741		
Foreign Exchange Gain/(Loss) (4)	2	(13)		
Other (5)	(193)	(273)		
<b>Balance, End of Period</b>	<b>\$ 46,801</b>	<b>\$ 46,801</b>		

- (1) New Commitments reflects the impact of gross fundraising during the period. For funds or vehicles denominated in foreign currencies, this reflects translation at the average quarterly rate, while the separately reported Fundraising metric is translated at the spot rate for each individual closing.
- (2) Outflows includes distributions in our carry funds and related co-investment vehicles, NGP Predecessor Funds and separately managed accounts, and redemptions in our open-ended funds.
- (3) Market Appreciation/(Depreciation) generally represents realized and unrealized gains (losses) on portfolio investments in our carry funds and related co-investment vehicles, the NGP Predecessor Funds and separately managed accounts.
- (4) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.
- (5) Includes expiring available capital, the impact of capital calls for fees and expenses and other changes in AUM.

Total AUM was \$46.8 billion at June 30, 2019, an increase of \$0.6 billion, or approximately 1%, compared to \$46.2 billion at March 31, 2019. The increase was driven by new commitments of \$1.6 billion primarily from fundraising in CGI and NGP XII, as well as market appreciation of \$0.1 billion. Carry fund market appreciation of 0% was driven by \$0.2 billion attributable to CRP V, \$0.1 billion attributable to CRP VII, and \$0.1 billion attributable to CIEP . This was partially offset by outflows of \$0.9 billion primarily related to distributions in Energy IV and our US real estate funds.

Total AUM was \$46.8 billion at June 30, 2019, an increase of \$1.2 billion, or approximately 3%, compared to \$45.6 billion at December 31, 2018. The increase was driven by new commitments of \$2.1 billion primarily from fundraising in CGI, CIEP II, and NGP XII, as well as market appreciation of \$0.7 billion. Carry fund market appreciation of 3% was driven by \$0.4 billion attributable to CRP V, \$0.2 billion attributable to CRP VII, and \$0.2 billion attributable to CIEP I . This was partially offset by outflows of \$1.4 billion primarily related to distributions in Energy IV, the NGP Energy Funds, and our US real estate funds.

#### Fund Performance Metrics

Fund performance information for our carry funds that generally have at least \$1.0 billion in capital commitments, cumulative equity invested or total value as of June 30, 2019, which we refer to as our “significant funds,” is included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. The fund return information reflected in this discussion and analysis is not indicative of the performance of The Carlyle Group L.P. and is also not necessarily indicative of the future performance of any particular fund. An investment in The Carlyle Group L.P. is not an investment in any of our funds. There can be no assurance that any of our funds or our other existing and future funds will achieve similar returns. The following tables reflect the performance of our significant funds in our Real Assets business. Please see “— Our Family of Funds” for a legend of the fund acronyms listed below.

	TOTAL INVESTMENTS								REALIZED/PARTIALLY REALIZED INVESTMENTS(5)			
	As of June 30, 2019								As of June 30, 2019			
	Fund Vintage (1)	Committed Capital	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Gross IRR (7)(12)	Net IRR (8)(12)	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Gross IRR (7)(12)	
<b>Real Assets</b>												
<b>Fully Invested/Committed Funds(6)</b>												
CRP III	2000	\$ 564.1	\$ 522.5	\$ 1,873.0	3.6x	44%	30%	\$ 522.5	\$ 1,873.0	3.6x	44%	
CRP IV	2004	\$ 950.0	\$ 1,260.1	\$ 2,006.1	1.6x	7%	4%	\$ 1,203.0	\$ 1,976.1	1.6x	7%	
CRP V	2006	\$ 3,000.0	\$ 3,370.3	\$ 5,890.1	1.7x	13%	9%	\$ 3,143.0	\$ 5,244.4	1.7x	12%	
CRP VI	2010	\$ 2,340.0	\$ 2,164.6	\$ 3,962.5	1.8x	28%	19%	\$ 1,671.6	\$ 3,379.5	2.0x	33%	
CRP VII	2014	\$ 4,161.6	\$ 3,619.1	\$ 5,593.4	1.5x	21%	14%	\$ 1,197.9	\$ 2,221.6	1.9x	29%	
CEREP I	2002	€ 426.6	€ 517.0	€ 698.6	1.4x	0.14	7%	€ 517.0	€ 698.6	1.4x	0.14	
CEREP II	2005	€ 762.7	€ 833.8	€ 128.1	0.2x	Neg	Neg	€ 826.7	€ 132.3	0.2x	Neg	
CEREP III	2007	€ 2,229.5	€ 2,052.6	€ 2,477.6	1.2x	4%	1%	€ 1,911.5	€ 2,381.9	1.2x	5%	
CIP	2006	\$ 1,143.7	\$ 1,069.8	\$ 1,427.5	1.3x	6%	3%	\$ 1,069.8	\$ 1,427.5	1.3x	6%	
CIEP I	2013	\$ 2,500.0	\$ 1,854.8	\$ 3,037.9	1.6x	29%	16%	\$ 501.8	\$ 864.8	1.7x	25%	
NGP X	2012	\$ 3,586.0	\$ 3,294.6	\$ 3,861.2	1.2x	5%	2%	\$ 1,512.3	\$ 2,595.3	1.7x	23%	
NGP XI	2014	\$ 5,325.0	\$ 4,608.6	\$ 6,236.4	1.4x	15%	10%	\$ 385.3	\$ 575.6	1.5x	41%	
Energy II	2002	\$ 1,100.0	\$ 1,334.8	\$ 3,130.0	2.3x	81%	55%	\$ 1,334.8	\$ 3,130.0	2.3x	81%	
Energy III	2005	\$ 3,800.0	\$ 3,569.7	\$ 5,515.8	1.5x	10%	6%	\$ 3,152.1	\$ 5,044.8	1.6x	12%	
Energy IV	2007	\$ 5,979.1	\$ 6,367.8	\$ 8,014.8	1.3x	7%	4%	\$ 5,606.0	\$ 7,297.0	1.3x	9%	
Renew II	2008	\$ 3,417.5	\$ 2,833.5	\$ 4,218.1	1.5x	8%	5%	\$ 2,137.9	\$ 2,981.1	1.4x	8%	
All Other Funds (9)	Various		\$ 3,311.7	\$ 3,546.8	1.1x	3%	Neg	\$ 2,744.1	\$ 3,096.6	1.1x	5%	
Coinvestment and SMA's (10)	Various		\$ 5,908.4	\$ 10,387.6	1.8x	17%	13%	\$ 4,584.2	\$ 8,004.6	1.7x	20%	
<b>Total Fully Invested Funds</b>			<b>\$ 48,956.5</b>	<b>\$ 72,455.0</b>	<b>1.5x</b>	<b>12%</b>	<b>7%</b>	<b>\$ 34,464.3</b>	<b>\$ 53,361.7</b>	<b>1.5x</b>	<b>14%</b>	
<b>Funds in the Investment Period(6)</b>												
CRP VIII	2017	\$ 5,505.1	\$ 1,449.3	\$ 1,543.6	1.1x	NM	NM					
NGP XII	2017	\$ 4,277.6	\$ 1,222.3	\$ 1,309.9	1.1x	NM	NM					
CPP II	2014	\$ 1,526.7	\$ 1,096.4	\$ 1,336.5	1.2x	13%	5%					
CPI	2016	\$ 2,212.9	\$ 2,021.4	\$ 2,335.0	1.2x	12%	9%					
CGI	2018	\$ 2,201.4	\$ 90.9	\$ 90.9	1.0x	NM	NM					
All Other Funds (11)	Various		\$ 246.1	\$ 258.9	1.1x	NM	NM					
Coinvestment and SMA's (10)	Various		\$ 569.0	\$ 660.7	1.2x	NM	NM					
<b>Total Funds in the Investment Period</b>			<b>\$ 6,695.5</b>	<b>\$ 7,535.6</b>	<b>1.1x</b>	<b>11%</b>	<b>2%</b>	<b>\$ 19.3</b>	<b>\$ 43.6</b>	<b>2.3x</b>	<b>NM</b>	
<b>TOTAL Real Assets(13)</b>			<b>\$ 55,651.9</b>	<b>\$ 79,990.6</b>	<b>1.4x</b>	<b>12%</b>	<b>7%</b>	<b>\$ 34,483.5</b>	<b>\$ 53,405.3</b>	<b>1.5x</b>	<b>14%</b>	

- (1) The data presented herein that provides “inception to date” performance results of our segments relates to the period following the formation of the first fund within each segment. For our Real Assets segment our first fund was formed in 1997.
- (2) Represents the original cost of investments since inception of the fund.
- (3) Represents all realized proceeds combined with remaining fair value, before management fees, expenses and carried interest.
- (4) Multiple of invested capital (“MOIC”) represents total fair value, before management fees, expenses and carried interest, divided by cumulative invested capital.
- (5) An investment is considered realized when the investment fund has completely exited, and ceases to own an interest in, the investment. An investment is considered partially realized when the total amount of proceeds received in respect of such investment, including dividends, interest or other distributions and/or return of capital, represents at least 85% of invested capital and such investment is not yet fully realized. Because part of our value creation strategy involves pursuing best exit alternatives, we believe information regarding Realized/Partially Realized MOIC and Gross IRR, when considered together with the other investment performance metrics presented, provides investors with meaningful information regarding our investment performance by removing the impact of investments where significant realization activity has not yet occurred. Realized/Partially Realized MOIC and Gross IRR have limitations as measures of investment performance, and should not be considered in isolation. Such limitations include the fact that these measures do not include the performance of earlier stage and other investments that do not satisfy the criteria provided above. The exclusion of such investments will have a positive impact on Realized/Partially Realized MOIC and Gross IRR in instances when the MOIC and Gross IRR in respect of such investments are less than the aggregate MOIC and Gross IRR. Our measurements of Realized/Partially Realized MOIC and Gross IRR may not be comparable to those of other companies that use similarly titled measures. We do not present Realized/

Partially Realized performance information separately for funds that are still in the investment period because of the relatively insignificant level of realizations for funds of this type. However, to the extent such funds have had realizations, they are included in the Realized/Partially Realized performance information presented for Total Real Assets.

- (6) Fully Invested funds are past the expiration date of the investment period as defined in the respective limited partnership agreement. In instances where a successor fund has had its first capital call, the predecessor fund is categorized as fully invested.
- (7) Gross Internal Rate of Return ("Gross IRR") represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value before management fees, expenses and carried interest.
- (8) Net Internal Rate of Return ("Net IRR") represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value after management fees, expenses and carried interest. Fund level IRRs are based on aggregate Limited Partner cash flows, and this blended return may differ from that of individual Limited Partners. As a result, certain funds may generate accrued performance revenues with a blended Net IRR that is below the preferred return hurdle for that fund.
- (9) Aggregate includes the following funds: CRP I, CRP II, CAREP I, CAREP II, CRCP I, CPOCP, NGP GAP, Energy I, and Renew I.
- (10) Includes coinvestments, separately managed accounts (SMA's) and certain other stand-alone investments arranged by us.
- (11) Aggregate includes CCR and CER. Return is considered not meaningful, as the investment period commenced in October 2016 for CCR and December 2017 for CER.
- (12) For funds marked "NM," IRR may be positive or negative, but is considered not meaningful because of the limited time since initial investment and early stage of capital deployment. For funds marked "Neg," IRR is negative as of reporting period end.
- (13) For purposes of aggregation, funds that report in foreign currency have been converted to U.S. dollars at the reporting period spot rate.

	<b>Remaining Fair Value(1)</b>	<b>Unrealized MOIC(2)</b>	<b>Total MOIC(3)</b>	<b>% Invested(4)</b>	<b>In Accrued Carry/(Clawback) (5)</b>	<b>LTM Realized Carry (6)</b>	<b>Catch-up Rate</b>	<b>Fee Initiation Date(7)</b>	<b>Quarters Since Fee Initiation</b>	<b>Original Investment Period End Date</b>
<b>As of June 30, 2019</b>										
<b>Real Assets</b>										
NGP XI	\$ 5,160.3	1.3x	1.4x	87%	X		80%	Feb-15	18	Oct-19
CRP VII	\$ 3,279.0	1.4x	1.5x	87%	X	X	80%	Jun-14	21	Mar-19
CIEP I	\$ 2,358.5	1.6x	1.6x	74%	X		80%	Oct-13	23	Sep-19
CPI	\$ 2,096.2	1.0x	1.2x	n/a	X	X	50%	May-16	13	n/a
CRP VIII	\$ 1,542.3	1.1x	1.1x	26%			80%	Aug-17	8	May-22
Renew II	\$ 1,459.8	0.7x	1.5x	83%	(X)		80%	Mar-08	46	May-14
Energy IV	\$ 1,433.4	0.8x	1.3x	107%		(X)	80%	Feb-08	46	Dec-13
NGP XII	\$ 1,309.9	1.1x	1.1x	29%			80%	Nov-17	7	Oct-19
CRP V	\$ 1,296.0	3.4x	1.7x	112%	X		50%	Nov-06	51	Nov-11
NGP X	\$ 1,157.4	0.8x	1.2x	92%			80%	Jan-12	30	May-17
CPP II	\$ 1,053.7	1.2x	1.2x	72%			80%	Sep-14	20	Apr-21
CRP VI	\$ 462.8	1.2x	1.8x	93%	X	X	50%	Mar-11	34	Mar-16
CRP IV	\$ 342.1	3.5x	1.6x	133%			50%	Jan-05	58	Dec-09
CRP III	\$ 335.9	141.9x	3.6x	93%	X	X	50%	Mar-01	74	May-05
Energy III	\$ 267.4	0.6x	1.5x	94%			80%	Nov-05	55	Oct-11
CEREP III	€ 116.5	0.9x	1.2x	92%			67%	Jun-07	49	May-11
All Other Funds (8)	\$ 760.9	0.9x	1.2x		NM	NM				
Coinvestment and SMA's (9)	\$ 2,870.9	1.3x	1.7x		NM	NM				
<b>Total Real Assets (10)</b>	<b>\$ 27,318.8</b>	<b>1.2x</b>	<b>1.4x</b>							

- (1) Remaining Fair Value reflects the unrealized carrying value of investments in carry funds and related co-investment vehicles. Significant funds with remaining fair value of greater than \$100 million are listed individually.
- (2) Unrealized multiple of invested capital ("MOIC") represents remaining fair market value, before management fees, expenses and carried interest, divided by remaining investment cost.
- (3) Total MOIC represents total fair value (realized proceeds combined with remaining fair value), before management fees, expenses and carried interest, divided by cumulative invested capital. For certain funds, represents the original cost of investments net of investment-level recallable proceeds, which is adjusted to reflect recyclability of invested capital for the purpose of calculating the fund MOIC.

- (4) Represents cumulative invested capital as of the reporting period divided by total commitments. Amount can be greater than 100% due to the re-investment of recallable distributions to fund investors.
- (5) Fund has a net accrued performance revenue balance/(giveback obligation) as of the current quarter end, driven by a significant portion of the fund's asset base.
- (6) Fund has generated realized net performance revenues/(realized giveback) in the last twelve months.
- (7) Represents the date of the first capital contribution for management fees.
- (8) Aggregate includes the following funds: CRP I, CRP II, CRCP I, CEREP I, CEREP II, CER, CAREP I, CAREP II, CCR, CPOCP, CIP, CGI, NGP GAP, Energy I, Energy II and Renew I. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.
- (9) Includes co-investments, prefund investments, separately managed accounts (SMA's) and certain other stand-alone investments arranged by us. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.
- (10) For purposes of aggregation, funds that report in foreign currency have been converted to U.S. dollars at the reporting period spot rate.

#### **Global Credit**

We continue to invest in growing our Global Credit business, for example with the acquisition of Carlyle Aviation Partners in December 2018 (see Note 3 of our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018). In the near to mid term, this segment will incur additional expenses to build the credit business and raise additional capital. The following table presents our results of operations for our Global Credit segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
<b>Segment Revenues</b>				
Fund level fee revenues				
Fund management fees	\$ 79.2	\$ 59.8	\$ 154.0	\$ 118.5
Portfolio advisory fees, net and other	1.2	1.0	2.3	2.7
Transaction fees, net	2.2	0.1	4.0	0.1
Total fund level fee revenues	82.6	60.9	160.3	121.3
Realized performance revenues	0.1	4.7	0.1	5.8
Realized principal investment income	1.4	2.4	6.0	4.9
Interest income	3.4	3.9	7.2	7.2
Total revenues	87.5	71.9	173.6	139.2
<b>Segment Expenses</b>				
Compensation and benefits				
Cash-based compensation and benefits	49.5	30.5	96.1	64.5
Realized performance revenues related compensation	—	2.1	—	2.7
Total compensation and benefits	49.5	32.6	96.1	67.2
General, administrative, and other indirect expenses	20.5	17.3	37.0	33.1
Depreciation and amortization expense	2.0	1.6	4.1	3.0
Interest expense	6.7	5.8	13.4	11.1
Total expenses	78.7	57.3	150.6	114.4
<b>(=) Distributable Earnings</b>	<b>\$ 8.8</b>	<b>\$ 14.6</b>	<b>\$ 23.0</b>	<b>\$ 24.8</b>
(-) Realized Net Performance Revenues	0.1	2.6	0.1	3.1
(-) Realized Principal Investment Income	1.4	2.4	6.0	4.9
(+) Net Interest	3.3	1.9	6.2	3.9
<b>(=) Fee Related Earnings</b>	<b>\$ 10.6</b>	<b>\$ 11.5</b>	<b>\$ 23.1</b>	<b>\$ 20.7</b>

#### **Distributable Earnings**

Distributable earnings decreased \$5.8 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 and decreased \$1.8 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018. The following table provides the components of the changes in distributable earnings for the three and six months ended June 30, 2019:

	<b>Three Months Ended June 30,</b>	<b>Six Months Ended June 30,</b>
	(Dollars in millions)	
Distributable earnings, June 30, 2018	\$ 14.6	\$ 24.8
Increases (decreases):		
(Decrease) increase in fee related earnings	(0.9)	2.4
Decrease in realized net performance revenues	(2.5)	(3.0)
(Decrease) increase in realized principal investment income	(1.0)	1.1
Increase in net interest	(1.4)	(2.3)
Total decrease	(5.8)	(1.8)
Distributable earnings, June 30, 2019	\$ 8.8	\$ 23.0

**Realized Net Performance Revenues.** Realized net performance revenues decreased \$2.5 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 and decreased \$3.0 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018. The majority of realized net performance revenues was generated by our distressed debt carry funds during the three and six months ended June 30, 2018.

**Realized Principal Investment Income.** Realized principal investment income decreased \$1.0 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018, primarily due to lower realizations on investments in our carry funds.

Realized principal investment income increased \$1.1 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018, primarily due to higher realizations on investments in our carry and structured credit funds.

#### **Fee Related Earnings**

Fee related earnings decreased \$0.9 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 and increased \$2.4 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018. The following table provides the components of the changes in fee related earnings for the three and six months ended June 30, 2019:

	<b>Three Months Ended June 30,</b>	<b>Six Months Ended June 30,</b>
	(Dollars in millions)	
Fee related earnings, June 30, 2018	\$ 11.5	\$ 20.7
Increases (decreases):		
Increase in fee revenues	21.7	39.0
Increase in cash-based compensation and benefits	(19.0)	(31.6)
Increase in general, administrative and other indirect expenses	(3.2)	(3.9)
All other changes	(0.4)	(1.1)
Total (decrease) increase	(0.9)	2.4
Fee related earnings, June 30, 2019	\$ 10.6	\$ 23.1

**Fee Revenues.** Fee revenues increased \$21.7 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 and increased \$39.0 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018. The increases were primarily driven by management fees from Carlyle Aviation Partners, which was

acquired in December 2018, management fees from CLOs that originated in 2018, as well as increased management fees from our direct lending platform.

The weighted average management fee rate on our carry funds decreased from 1.35% at June 30, 2018 to 1.22% at June 30, 2019. The rate decrease was primarily due to the acquisition of new Aviation funds with lower fee rates.

*Cash-based compensation and benefits expense.* Cash-based compensation and benefits expense increased \$19.0 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 and increased \$31.6 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018. The increase of cash-based compensation and benefits expense for the three and six months ended June 30, 2019 as compared to the three and six months ended June 30, 2018 were primarily due to the Carlyle Aviation Partners acquisition, as well as increased headcount and higher projected year-end bonuses.

We expect that as we add new talent to our growing Global Credit business, our cash-based compensation and benefits expense will increase. However, as this strategy raises incremental capital, we expect the positive impact from additional fee revenue to more than offset our increased compensation levels.

*General, administrative and other indirect expenses.* General, administrative and other indirect expenses increased \$3.2 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018, primarily due to higher office expenses and higher negative foreign currency adjustments.

General, administrative and other indirect expenses increased \$3.9 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018, primarily due to higher professional fees and office expenses, partially offset by lower external costs associated with fundraising activities.

#### **Fee-earning AUM as of and for the Three and Six Months Ended June 30, 2019 and 2018**

Fee-earning AUM is presented below for each period together with the components of change during each respective period.

The table below breaks out Fee-earning AUM by its respective components at each period.

	<b>As of June 30,</b>			
	<b>2019</b>	<b>2018</b>		
	<b>(Dollars in millions)</b>			
<b>Global Credit</b>				
<b>Components of Fee-earning AUM (1)</b>				
Fee-earning AUM based on capital commitments	\$ 4,727	\$ 5,026		
Fee-earning AUM based on invested capital	3,867	1,522		
Fee-earning AUM based on collateral balances, at par	23,970	20,046		
Fee-earning AUM based on net asset value	1,185	126		
Fee-earning AUM based on other (2)	2,153	2,075		
<b>Total Fee-earning AUM</b>	<b>\$ 35,902</b>	<b>\$ 28,795</b>		
<b>Weighted Average Management Fee Rates (3)</b>				
All Funds, excluding CLOs	1.22%	1.35%		

(1) For additional information concerning the components of Fee-earning AUM, see “—Fee-earning Assets under Management.”

(2) Includes funds with fees based on gross asset value.

(3) Represents the aggregate effective management fee rate for carry funds, weighted by each fund’s Fee-earning AUM, as of the end of each period presented. Management fees for CLOs are based on the total par amount of the assets (collateral) and principal balance of the notes in the fund and are not calculated as a percentage of equity and are therefore not included.

The table below provides the period to period rollforward of Fee-earning AUM.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<b>Global Credit</b>				
<b>Fee-earning AUM Rollforward</b>				
Balance, Beginning of Period	\$ 36,544	\$ 27,830	\$ 35,152	\$ 27,262
Inflows, including Fee-paying Commitments (1)	372	1,705	1,696	2,557
Outflows, including Distributions (2)	(1,555)	(494)	(1,625)	(902)
Market Appreciation/(Depreciation) (3)	31	—	26	(1)
Foreign Exchange and other (4)	510	(246)	653	(121)
<b>Balance, End of Period</b>	<b>\$ 35,902</b>	<b>\$ 28,795</b>	<b>\$ 35,902</b>	<b>\$ 28,795</b>

- (1) Inflows represent limited partner capital raised and capital invested by our carry funds and CLO's, gross subscriptions in our open-ended funds, as well as capital invested by our carry funds outside the investment period.
- (2) Outflows represent limited partner distributions from our carry funds, changes in fee basis for our carry funds where the investment period has expired, reductions for funds that are no longer calling fees, gross redemptions in our open-ended funds, and runoff of CLO collateral balances.
- (3) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on portfolio investments in our carry funds based on the lower of cost or fair value and net asset value.
- (4) Includes activity of funds with fees based on gross asset value. Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.

Fee-earning AUM was \$35.9 billion at June 30, 2019, a decrease of \$0.6 billion, or approximately 2%, compared to \$36.5 billion at March 31, 2019. The decrease was driven by outflows of \$1.6 billion primarily due to a fee-basis stepdown in CEMOF II. This was partially offset by foreign exchange and other activity of \$0.5 billion primarily due to the onboarding of a new Aviation securitization vehicle and inflows of \$0.4 billion primarily related to purchases in various funds with fees based on invested capital. Distributions from carry funds still in the investment period do not impact Fee-earning AUM as these funds are based on commitments and not invested capital.

Fee-earning AUM was \$35.9 billion at June 30, 2019, an increase of \$0.7 billion, or approximately 2%, compared to \$35.2 billion at December 31, 2018. The increase was driven by inflows of \$1.7 billion primarily related to the closing of our latest U.S. and Europe CLOs, as well as purchases in CCOF. Also driving the increase was \$0.7 billion of foreign exchange and other activity primarily due to the onboarding of a new Aviation securitization vehicle. This was partially offset by \$1.6 billion of outflows primarily due to a fee-basis stepdown in CEMOF II.

Fee-earning AUM was \$35.9 billion at June 30, 2019, an increase of \$7.1 billion, or approximately 25%, compared to \$28.8 billion at June 30, 2018. The increase was driven by inflows of \$4.2 billion primarily related to the raising of additional U.S. and Europe CLOs, as well as purchases in CCOF and CSC. Also driving the increase was \$4.1 billion of acquisition activity related to our December 2018 acquisition of Carlyle Aviation Partners. This was partially offset by outflows of \$2.0 billion primarily due to a fee-basis stepdown in CEMOF II.

Fee-earning AUM was \$28.8 billion at June 30, 2018, an increase of \$1.0 billion, or approximately 4%, compared to \$27.8 billion at March 31, 2018. The difference was driven by inflows of \$1.7 billion primarily related to new CLO capital raised. This was partially offset by \$0.5 billion of outflows. Distributions from carry funds still in the investment period do not impact Fee-earning AUM as these funds are based on commitments and not invested capital.

Fee-earning AUM was \$28.8 billion at June 30, 2018, an increase of \$1.5 billion, or approximately 6%, compared to \$27.3 billion at December 31, 2017. The increase was driven by inflows of \$2.6 billion primarily from new CLO capital raised and purchases in CCOF and CSC. This was partially offset by outflows of \$0.9 billion primarily due to run-off of CLO collateral balances.

**Total AUM as of and for the Three and Six Months Ended June 30, 2019.**

The table below provides the period to period rollforward of Total AUM.

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019		
	(Dollars in millions)			
<b>Global Credit</b>				
<b>Total AUM Rollforward</b>				
Balance, Beginning of Period	\$ 45,644	\$ 44,417		
New Commitments (1)	989	2,539		
Outflows (2)	(176)	(712)		
Market Appreciation/(Depreciation) (3)	106	349		
Foreign Exchange Gain/(Loss) (4)	92	(55)		
Other (5)	(86)	31		
<b>Balance, End of Period</b>	<b>\$ 46,569</b>	<b>\$ 46,569</b>		

- (1) New Commitments reflects the impact of gross fundraising during the period. For funds or vehicles denominated in foreign currencies, this reflects translation at the average quarterly rate, while the separately reported Fundraising metric is translated at the spot rate for each individual closing.
- (2) Outflows includes distributions in our carry funds, related co-investment vehicles and separately managed accounts, gross redemptions in our open-ended funds, and runoff of CLO collateral balances.
- (3) Market Appreciation/(Depreciation) generally represents realized and unrealized gains (losses) on portfolio investments in our carry funds, related co-investment vehicles and separately managed accounts.
- (4) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.
- (5) Includes expiring available capital, the impact of capital calls for fees and expenses, change in gross asset value for our business development companies and other changes in AUM.

Total AUM was \$46.6 billion at June 30, 2019, an increase of \$1.0 billion, or approximately 2%, compared to \$45.6 billion at March 31, 2019. The increase was driven by new commitments of \$1.0 billion primarily in CCOF. This increase was partially offset by outflows of \$0.2 billion primarily to distributions in SASOF III and runoff of our CLO collateral balances.

Total AUM was \$46.6 billion at June 30, 2019, an increase of \$2.2 billion, or approximately 5%, compared to \$44.4 billion at December 31, 2018. The increase was driven by new commitments of \$2.5 billion primarily in CCOF and our CLO's. This increase was partially offset by outflows of \$0.7 billion primarily related to runoff of our CLO collateral balances and distributions in SASOF III.

#### **Fund Performance Metrics**

Fund performance information for certain of our Global Credit funds is included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. The fund return information reflected in this discussion and analysis is not indicative of the performance of The Carlyle Group L.P. and is also not necessarily indicative of the future performance of any particular fund. An investment in The Carlyle Group L.P. is not an investment in any of our funds. There can be no assurance that any of our funds or our other existing and future funds will achieve similar returns.

The following table reflects the performance of carry funds in our Global Credit business. These tables separately present carry funds that, as of June 30, 2019, had at least \$1.0 billion in capital commitments, cumulative equity invested or total equity value. Please see “— Our Family of Funds” for a legend of the fund acronyms listed below.

	Fund Vintage (1)	Committed Capital	TOTAL INVESTMENTS							
			As of June 30, 2019							
			Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Gross IRR (5)(10)	Net IRR (6)(10)			
<b>Global Credit (Carry Funds Only)</b>										
<b>Fully Invested/Committed Funds (7)</b>										
(Reported in Local Currency, in Millions)										
CSP II	2007	\$ 1,352.3	\$ 1,352.3	\$ 2,490.4	1.8x	17%	11%			
CSP III	2011	\$ 702.8	\$ 702.8	\$ 1,152.6	1.6x	27%	17%			
CEMOF I	2011	\$ 1,382.5	\$ 1,602.4	\$ 1,341.6	0.8x	Neg	Neg			
All Other Funds (8)	Various		\$ 2,321.3	\$ 3,462.8	1.5x	14%	9%			
Coinvestment and SMA's (9)	Various		\$ 493.2	\$ 373.3	0.8x	NM	NM			
<b>Total Fully Invested Funds</b>			<b>\$ 6,471.9</b>	<b>\$ 8,820.7</b>	<b>1.4x</b>	<b>12%</b>	<b>6%</b>			
<b>Funds in the Investment Period (7)</b>										
CSP IV	2016	\$ 2,500.0	\$ 1,084.1	\$ 1,334.3	1.2x	NM	NM			
CEMOF II	2015	\$ 2,819.2	\$ 1,556.8	\$ 1,718.3	1.1x	NM	NM			
CCOF	2017	\$ 2,370.4	\$ 714.1	\$ 771.3	1.1x	NM	NM			
All Other Funds	Various		\$ 1,081.4	\$ 1,213.4	1.1x	NM	NM			
Coinvestment and SMA's (9)	Various		\$ 576.0	\$ 693.3	1.2x	NM	NM			
<b>Total Funds in the Investment Period</b>			<b>\$ 5,012.4</b>	<b>\$ 5,730.5</b>	<b>1.1x</b>	<b>NM</b>	<b>NM</b>			
<b>TOTAL Global Credit</b>			<b>\$ 11,484.3</b>	<b>\$ 14,551.2</b>	<b>1.3x</b>	<b>12%</b>	<b>6%</b>			

- (1) The data presented herein that provides “inception to date” performance results of our segments relates to the period following the formation of the first fund within each segment. For our Global Credit segment our first carry fund was formed in 2004.
- (2) Represents the original cost of all capital called for investments since inception of the fund.
- (3) Represents all realized proceeds combined with remaining fair value, before management fees, expenses and carried interest.
- (4) Multiple of invested capital (“MOIC”) represents total fair value, before management fees, expenses and carried interest, divided by cumulative invested capital.
- (5) Gross Internal Rate of Return (“Gross IRR”) represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value before management fees, expenses and carried interest.
- (6) Net Internal Rate of Return (“Net IRR”) represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value after management fees, expenses and carried interest. Fund level IRRs are based on aggregate Limited Partner cash flows, and this blended return may differ from that of individual Limited Partners. As a result, certain funds may generate accrued performance revenues with a blended Net IRR that is below the preferred return hurdle for that fund.
- (7) Fully Invested funds are past the expiration date of the investment period as defined in the respective limited partnership agreement. In instances where a successor fund has had its first capital call, the predecessor fund is categorized as fully invested.
- (8) Aggregate includes the following funds: CMP I, CMP II, CSP I, CASCOF, SASOF II, and SASOF III.
- (9) Includes coinvestments, separately managed accounts (SMA's) and certain other stand-alone investments arranged by us.
- (10) For funds marked “NM,” IRR may be positive or negative, but is considered not meaningful because of the limited time since initial investment and early stage of capital deployment. For funds marked “Neg.” IRR is negative as of reporting period end.

	<b>Remaining Fair Value(1)</b>	<b>Unrealized MOIC(2)</b>	<b>Total MOIC(3)</b>	<b>% Invested(4)</b>	<b>In Accrued Carry/(Clawback) (5)</b>	<b>LTM Realized Carry (6)</b>	<b>Catch-up Rate</b>	<b>Fee Initiation Date(7)</b>	<b>Quarters Since Fee Initiation</b>	<b>Original Investment Period End Date</b>
<b>As of June 30, 2019</b>										
<b>Global Credit</b>										
CEMOF II	\$ 1,518.0	1.0x	1.1x	55%			100%	Dec-15	15	Feb-20
CSP IV	\$ 832.8	1.1x	1.2x	43%	X		100%	Feb-17	10	Dec-20
CCOF	\$ 682.9	1.0x	1.1x	30%	X		100%	Oct-17	7	Jun-22
CEMOF I	\$ 605.7	0.4x	0.8x	116%			100%	Dec-10	35	Dec-15
CSP III	\$ 303.9	1.1x	1.6x	100%	X	X	80%	Dec-11	31	Aug-15
All Other Funds (8)	\$ 1,117.3	1.4x	1.5x		NM	NM				
Coinvestment and SMA's (9)	\$ 829.1	0.7x	1.0x		NM	NM				
<b>Total Global Credit</b>	<b>\$ 5,889.8</b>	<b>0.9x</b>	<b>1.3x</b>							

- (1) Remaining Fair Value reflects the unrealized carrying value of investments in carry funds and related co-investment vehicles. Significant funds with remaining fair value of greater than \$100 million are listed individually.
- (2) Unrealized multiple of invested capital (“MOIC”) represents remaining fair market value, before management fees, expenses and carried interest, divided by remaining investment cost.
- (3) Total MOIC represents total fair value (realized proceeds combined with remaining fair value), before management fees, expenses and carried interest, divided by cumulative invested capital. For certain funds, represents the original cost of investments net of investment-level recallable proceeds, which is adjusted to reflect recyclability of invested capital for the purpose of calculating the fund MOIC.
- (4) Represents cumulative invested capital as of the reporting period divided by total commitments. Amount can be greater than 100% due to the re-investment of recallable distributions to fund investors.
- (5) Fund has a net accrued performance revenue balance/(giveback obligation) as of the current quarter end, driven by a significant portion of the fund’s asset base.
- (6) Fund has generated realized net performance revenues/(realized giveback) in the last twelve months.
- (7) Represents the date of the first capital contribution for management fees.
- (8) Aggregate includes the following funds: CSP I, CSP II, CMP I, CMP II, CSC, CASCOF, SASOF II, SASOF III, and SASOF IV. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.
- (9) Includes co-investments, prefund investments, separately managed accounts (SMA's) and certain other stand-alone investments arranged by us. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.

**Investment Solutions**

The following table presents our results of operations for our Investment Solutions segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
<b>Segment Revenues</b>				
Fund level fee revenues				
Fund management fees	\$ 39.2	\$ 41.6	\$ 78.6	\$ 81.9
Portfolio advisory fees, net and other	—	0.1	—	0.3
Total fund level fee revenues	39.2	41.7	78.6	82.2
Realized performance revenues	6.0	9.2	26.9	23.3
Realized principal investment income	1.4	(0.1)	1.6	—
Interest income	0.2	0.3	0.7	0.8
Total revenues	46.8	51.1	107.8	106.3
<b>Segment Expenses</b>				
Compensation and benefits				
Cash-based compensation and benefits	22.5	22.0	45.7	45.2
Realized performance revenues related compensation	4.5	8.8	24.3	21.4
Total compensation and benefits	27.0	30.8	70.0	66.6
General, administrative, and other indirect expenses	9.2	9.2	17.5	17.2
Depreciation and amortization expense	1.3	1.1	2.7	2.2
Interest expense	1.8	1.5	3.7	3.1
Total expenses	39.3	42.6	93.9	89.1
<b>(=) Distributable Earnings</b>	<b>\$ 7.5</b>	<b>\$ 8.5</b>	<b>\$ 13.9</b>	<b>\$ 17.2</b>
(-) Realized Net Performance Revenues	1.5	0.4	2.6	1.9
(-) Realized Principal Investment Income	1.4	(0.1)	1.6	—
(+) Net Interest	1.6	1.2	3.0	2.3
<b>(=) Fee Related Earnings</b>	<b>\$ 6.2</b>	<b>\$ 9.4</b>	<b>\$ 12.7</b>	<b>\$ 17.6</b>

**Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018 and Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018**

**Distributable Earnings**

Distributable earnings decreased \$1.0 million for three months ended June 30, 2019 as compared to the three months ended June 30, 2018 and decreased \$3.3 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018. The following table provides the components of the changes in distributable earnings for the three and six months ended June 30, 2019:

	Three Months Ended June 30,	Six Months Ended June 30,
	(Dollars in millions)	
Distributable earnings, June 30, 2018	\$ 8.5	\$ 17.2
Increases (decreases):		
Decrease in fee related earnings	(3.2)	(4.9)
Increase in realized net performance revenues	1.1	0.7
Increase in realized principal investment income	1.5	1.6
Increase in net interest	(0.4)	(0.7)
Total decrease	(1.0)	(3.3)
Distributable earnings, June 30, 2019	\$ 7.5	\$ 13.9

Realized net performance revenues were \$1.5 million and \$2.6 million for the three and six months ended June 30, 2019, respectively. Performance allocations from our Investment Solutions segment pay a higher ratio of performance allocations and incentive fees as compensation, primarily as a result of the terms of our acquisition of AlpInvest.

**Fee Related Earnings**

Fee related earnings decreased \$3.2 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 and decreased \$4.9 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018. The following table provides the components of the changes in fee related earnings for the three and six months ended June 30, 2019:

	Three Months Ended June 30,	Six Months Ended June 30,
	(Dollars in millions)	
Fee related earnings, June 30, 2018	\$ 9.4	\$ 17.6
Increases (decreases):		
Decrease in fee revenues	(2.5)	(3.6)
Increase in cash-based compensation and benefits	(0.5)	(0.5)
Increase in general, administrative and other indirect expenses	—	(0.3)
All other changes	(0.2)	(0.5)
Total decrease	(3.2)	(4.9)
Fee related earnings, June 30, 2019	\$ 6.2	\$ 12.7

**Fee Revenues.** Total fee revenues decreased \$2.5 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 and decreased \$3.6 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018, primarily due to decreased management fees from our private equity fund vehicles and lower catch-up management fees on our real estate fund-of-fund vehicles.

**Cash-based compensation and benefits expense.** Cash-based compensation and benefits expense increased \$0.5 million for both the three and six months ended June 30, 2019 as compared to the three and six months ended June 30, 2018 primarily due to an increase in projected year-end bonuses.

**General, administrative and other indirect expenses.** General, administrative and other indirect expenses increased \$0.3 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018, primarily due to increased professional fees, partially offset by lower external costs associated with fundraising activities.

**Fee-earning AUM as of and for the Three and Six Months Ended June 30, 2019 and 2018**

Fee-earning AUM is presented below for each period together with the components of change during each respective period.

	<b>As of June 30,</b>	
	<b>2019</b>	<b>2018</b>
	<b>(Dollars in millions)</b>	
<b>Investment Solutions</b>		
<b>Components of Fee-earning AUM (1)</b>		
Fee-earning AUM based on capital commitments	\$ 12,030	\$ 10,869
Fee-earning AUM based on invested capital (2)	1,805	1,661
Fee-earning AUM based on net asset value	782	993
Fee-earning AUM based on lower of cost or fair market value	14,208	16,308
<b>Total Fee-earning AUM</b>	<b>\$ 28,825</b>	<b>\$ 29,831</b>

(1) For additional information concerning the components of Fee-earning AUM, see “—Fee-earning Assets under Management.”

(2) Includes amounts committed to or reserved for certain AlpInvest and Metropolitan carry funds.

The table below provides the period to period rollforward of Fee-earning AUM.

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>					
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>				
	<b>(Dollars in millions)</b>							
<b>Investment Solutions</b>								
<b>Fee-earning AUM Rollforward</b>								
Balance, Beginning of Period	\$ 28,670	\$ 30,514	\$ 29,065	\$ 30,150				
Inflows, including Fee-paying Commitments (1)	961	1,604	2,150	2,730				
Outflows, including Distributions (2)	(1,086)	(1,096)	(2,206)	(2,326)				
Market Appreciation/(Depreciation) (3)	73	2	3	(90)				
Foreign Exchange and other (4)	207	(1,193)	(187)	(633)				
<b>Balance, End of Period</b>	<b>\$ 28,825</b>	<b>\$ 29,831</b>	<b>\$ 28,825</b>	<b>\$ 29,831</b>				

(1) Inflows represent mandates where commitment fee period was activated and capital invested by carry fund vehicles outside the commitment fee period or weighted-average investment period.

(2) Outflows represent distributions from carry fund vehicles outside the commitment fee period or weighted-average investment period and changes in fee basis for carry fund vehicles where the commitment fee period or weighted-average investment period has expired.

(3) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on our carry fund vehicles based on the lower of cost or fair value.

(4) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.

Fee-earning AUM was \$28.8 billion at June 30, 2019, an increase of \$0.1 billion compared to \$28.7 billion at March 31, 2019. This was driven by inflows, including fee-paying commitments, of \$1.0 billion primarily due to activation of previously raised mandates and purchases in our AlpInvest vehicles, as well as \$0.2 billion of foreign exchange gains from the translation of our AlpInvest Fee-earning AUM from EUR to USD. This was offset by outflows, including distributions, of \$1.1 billion which were primarily attributable to our AlpInvest carry funds. Distributions from funds still in the commitment or weighted-average investment period do not impact Fee-earning AUM as these funds are based on commitments and not invested capital. Increases in fair value have an impact on Fee-earning AUM for Investment Solutions as fully committed funds are based on the lower of cost or fair value of the underlying investments.

Fee-earning AUM was \$28.8 billion at June 30, 2019, a decrease of \$0.3 billion, or approximately 1%, compared to \$29.1 billion at December 31, 2018. The decrease was driven by outflows, including distributions, of \$2.2 billion primarily in our

AlpInvest carry funds and \$0.2 billion of foreign exchange losses due to the translation of our AlpInvest Fee-earning AUM from EUR to USD. This was offset by inflows, including fee-paying commitments, of \$2.2 billion due to activation of previously raised mandates and purchases in our AlpInvest and MRE carry funds.

Fee-earning AUM was \$28.8 billion at June 30, 2019, a decrease of \$1.0 billion, or approximately 3%, compared to \$29.8 billion at June 30, 2018. The decrease was driven by outflows, including distributions, of \$4.9 billion primarily in our AlpInvest carry funds and \$0.6 billion of foreign exchange losses due to the translation of our AlpInvest Fee-earning AUM from EUR to USD. This was offset by inflows, including fee-paying commitments, of \$4.5 billion due to activation of previously raised mandates and purchases in our AlpInvest and MRE carry funds.

Fee-earning AUM was \$29.8 billion at June 30, 2018, a decrease of \$0.7 billion, or approximately 2%, compared to \$30.5 billion at March 31, 2018. This was driven by foreign exchange losses of \$1.2 billion from translating our euro-denominated AlpInvest Fee-earning AUM to USD and outflows, including distributions, of \$1.1 billion which were primarily attributable to our AlpInvest carry funds. This was partially offset by inflows, including fee-paying commitments, of \$1.6 billion due to activation of previously raised mandates and purchases in our AlpInvest vehicles.

Fee-earning AUM was \$29.8 billion at June 30, 2018, a decrease of \$0.4 billion, or approximately 1%, compared to \$30.2 billion at December 31, 2017. The decrease was driven by outflows, including distributions, of \$2.3 billion which were primarily attributable to our AlpInvest carry funds and foreign exchange losses of \$0.6 billion from translating our euro-denominated AlpInvest Fee-earning AUM to USD. This was largely offset by inflows, including fee-paying commitments, of \$2.7 billion due to activation of previously raised mandates and purchases in our AlpInvest vehicles.

#### **Total AUM as of and for the Three and Six Months Ended June 30, 2019**

The table below provides the period to period rollforward of Total AUM.

	<b>Three Months Ended June 30, 2019</b>	<b>Six Months Ended June 30, 2019</b>
(Dollars in millions)		
<b>Investment Solutions</b>		
<b>Total AUM Rollforward</b>		
Balance, Beginning of Period	\$ 45,421	\$ 45,654
New Commitments (1)	415	1,608
Outflows (2)	(1,917)	(3,904)
Market Appreciation/(Depreciation) (3)	1,253	2,554
Foreign Exchange Gain/(Loss) (4)	385	(265)
Other (5)	(131)	(221)
<b>Balance, End of Period</b>	<b>\$ 45,426</b>	<b>\$ 45,426</b>

- (1) New Commitments reflects the impact of gross fundraising during the period. For funds or vehicles denominated in foreign currencies, this reflects translation at the average quarterly rate, while the separately reported Fundraising metric is translated at the spot rate for each individual closing.
- (2) Outflows includes distributions in our carry funds, related co-investment vehicles and separately managed accounts.
- (3) Market Appreciation/(Depreciation) generally represents realized and unrealized gains (losses) on portfolio investments in our carry funds and related co-investment vehicles and separately managed accounts. The fair market values for our Investment Solutions carry funds are based on the latest available valuations of the underlying limited partnership interests (in most cases as of March 31, 2019) as provided by their general partners, plus the net cash flows since the latest valuation, up to June 30, 2019.
- (4) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.
- (5) Includes expiring available capital, the impact of capital calls for fees and expenses other changes in AUM.

Total AUM was \$45.4 billion at June 30, 2019, which was flat compared to March 31, 2019. This slight increase was driven by \$1.3 billion of market appreciation primarily in our AlpInvest carry funds, \$0.4 billion of new commitments raised in

our AlpInvest and MRE carry funds, and \$0.4 billion of foreign exchange gains from the translation of our AlpInvest AUM from EUR to USD. This was largely offset by \$1.9 billion of outflows primarily related to distributions in our AlpInvest carry funds.

Total AUM was \$45.4 billion at June 30, 2019, a decrease of \$0.3 billion, or approximately 1%, compared to \$45.7 billion at December 31, 2018. This decrease was driven by \$3.9 billion of outflows primarily related to distributions in our AlpInvest carry funds, as well as \$0.3 billion of foreign exchange losses related to the translation of our AlpInvest AUM from EUR to USD. This was largely offset by \$2.6 billion of market appreciation primarily in our AlpInvest carry funds and \$1.6 billion of new commitments raised in our AlpInvest and MRE carry funds.

#### **Fund Performance Metrics**

Fund performance information for our AlpInvest and Metropolitan funds that have at least \$1.0 billion in capital commitments, cumulative equity invested or total value as of June 30, 2019, which we refer to as our “significant funds” is included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. The fund return information reflected in this discussion and analysis is not indicative of the performance of The Carlyle Group L.P. and is also not necessarily indicative of the future performance of any particular fund. An investment in The Carlyle Group L.P. is not an investment in any of our funds. There can be no assurance that any of our funds or our other existing and future funds will achieve similar returns.

The following tables reflect the performance of our significant funds in our Investment Solutions business.

Investment Solutions (1)	Vintage Year	Fund Size	TOTAL INVESTMENTS						
			As of June 30, 2019						
			Cumulative Invested Capital (2)(8)	Total Fair Value (3)(8)	MOIC (4)	Gross IRR (6) (10)	Net IRR (7) (10)		
(Reported in Local Currency, in Millions)									
<b>AlpInvest</b>									
<b>Fully Committed Funds (5)</b>									
Main Fund I - Fund Investments	2000	€ 5,174.6	€ 4,313.9	€ 7,093.1	1.6x	12%	11%		
Main Fund II - Fund Investments	2003	€ 4,545.0	€ 4,887.8	€ 7,864.7	1.6x	10%	9%		
Main Fund III - Fund Investments	2005	€ 11,500.0	€ 13,054.7	€ 21,580.7	1.7x	10%	10%		
Main Fund IV - Fund Investments	2009	€ 4,877.3	€ 5,370.8	€ 9,506.8	1.8x	17%	16%		
Main Fund V - Fund Investments	2012	€ 5,080.0	€ 4,931.6	€ 7,291.2	1.5x	16%	15%		
Main Fund VI - Fund Investments	2015	€ 1,106.4	€ 772.5	€ 986.7	1.3x	18%	16%		
Main Fund I - Secondary Investments	2002	€ 519.4	€ 480.3	€ 908.8	1.9x	58%	54%		
Main Fund II - Secondary Investments	2003	€ 998.4	€ 1,021.4	€ 1,867.0	1.8x	27%	26%		
Main Fund III - Secondary Investments	2006	€ 2,250.0	€ 2,384.3	€ 3,658.9	1.5x	11%	10%		
Main Fund IV - Secondary Investments	2010	€ 1,859.1	€ 1,962.6	€ 3,359.5	1.7x	19%	18%		
Main Fund V - Secondary Investments	2011	€ 4,272.8	€ 4,096.9	€ 6,719.3	1.6x	21%	19%		
Main Fund II - Co-Investments	2003	€ 1,090.0	€ 911.3	€ 2,531.2	2.8x	44%	42%		
Main Fund III - Co-Investments	2006	€ 2,760.0	€ 2,819.1	€ 3,958.5	1.4x	5%	5%		
Main Fund IV - Co-Investments	2010	€ 1,475.0	€ 1,364.8	€ 3,606.4	2.6x	24%	22%		
Main Fund V - Co-Investments	2012	€ 1,122.2	€ 1,038.7	€ 2,468.5	2.4x	28%	26%		
Main Fund VI - Co-Investments	2014	€ 1,114.6	€ 945.8	€ 2,036.9	2.2x	29%	27%		
Main Fund II - Mezzanine Investments	2004	€ 700.0	€ 765.9	€ 1,060.0	1.4x	8%	7%		
Main Fund III - Mezzanine Investments	2006	€ 2,000.0	€ 1,999.5	€ 2,712.2	1.4x	10%	9%		
All Other Funds (9)	Various	€	2,931.1	€ 4,032.7	1.4x	14%	11%		
<b>Total Fully Committed Funds</b>		€	<b>56,053.0</b>	<b>€ 93,243.1</b>	<b>1.7x</b>	<b>13%</b>	<b>12%</b>		
<b>Funds in the Commitment Period (5)</b>									
Main Fund VI - Secondary Investments	2017	€ 5,200.0	€ 2,562.7	€ 3,033.3	1.2x	NM	NM		
Main Fund VII - Co-Investments	2017	€ 2,500.2	€ 1,186.6	€ 1,371.2	1.2x	NM	NM		
All Other Funds (9)	Various	€	1,145.1	€ 1,278.3	1.1x	13%	11%		
<b>Total Funds in the Commitment Period</b>		€	<b>4,894.5</b>	<b>€ 5,682.8</b>	<b>1.2x</b>	<b>17%</b>	<b>13%</b>		
<b>TOTAL ALPINVEST</b>		€	<b>60,947.5</b>	<b>€ 98,925.8</b>	<b>1.6x</b>	<b>13%</b>	<b>12%</b>		
<b>TOTAL ALPINVEST (USD) (11)</b>		\$	<b>\$ 69,234.9</b>	<b>\$ 112,377.4</b>	<b>1.6x</b>				

#### Metropolitan Real Estate

Fully Committed Funds (5)	Various	\$ 3,060.4	\$ 4,000.8	1.3x	7%	4%
MRE Secondaries Fund II	2017	\$ 1,163.0	\$ 177.7	\$ 204.6	1.2x	NM
All Other Funds in the Commitment Period	Various	\$ 122.0	\$ 132.1	1.1x	NM	NM
<b>Funds in the Commitment Period (5)</b>		<b>\$ 299.6</b>	<b>\$ 336.7</b>	<b>1.1x</b>	<b>12%</b>	<b>2%</b>
<b>TOTAL METROPOLITAN REAL ESTATE</b>		<b>\$ 3,360.1</b>	<b>\$ 4,337.6</b>	<b>1.3x</b>	<b>7%</b>	<b>4%</b>

- (1) Includes private equity and mezzanine primary fund investments, secondary fund investments and co-investments originated by the AlpInvest team, as well as real estate primary fund investments, secondary fund investments and co-investments originated by the Metropolitan Real Estate team. Main Fund line items for each strategy reflect aggregated amounts and performance for commingled funds and associated managed accounts or mandates. Excluded from the performance information shown are a) investments that were not originated by AlpInvest, and b) Direct Investments, which was spun off from AlpInvest in 2005. As of June 30, 2019, these excluded investments represent \$0.2 billion of AUM at AlpInvest.
- (2) Represents the original cost of investments since inception of the fund.
- (3) Represents all realized proceeds combined with remaining fair value, before management fees, expenses and carried interest.
- (4) Multiple of invested capital (“MOIC”) represents total fair value, before management fees, expenses and carried interest, divided by cumulative invested capital.

- (5) Fully Committed funds are past the expiration date of the commitment period as defined in the respective limited partnership agreement.
- (6) Gross Internal Rate of Return ("Gross IRR") represents the annualized IRR for the period indicated on Limited Partner invested capital based on investment contributions, distributions and unrealized value of the underlying investments, before management fees, expenses and carried interest at the AlpInvest/Metropolitan Real Estate level.
- (7) Net Internal Rate of Return ("Net IRR") represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value after management fees, expenses and carried interest. Fund level IRRs are based on aggregate Limited Partner cash flows, and this blended return may differ from that of individual Limited Partners. As a result, certain funds may generate accrued performance revenues with a blended Net IRR that is below the preferred return hurdle for that fund.
- (8) To exclude the impact of FX, all AlpInvest foreign currency cash flows have been converted to Euro at the reporting period spot rate.
- (9) Aggregate includes Main Fund VII - Fund Investments, Main Fund VIII - Fund Investments, Main Fund IX - Fund Investments, Main Fund I - Co-Investments, Main Fund I - Mezzanine Investments, Main Fund IV - Mezzanine Investments, Main Fund V - Mezzanine Investments, AlpInvest CleanTech Funds and funds which are not included as part of a main fund.
- (10) For funds marked "NM," IRR may be positive or negative, but is considered not meaningful because of the limited time since initial investment and early stage of capital deployment. For funds marked "Neg," IRR is negative as of reporting period end.
- (11) Represents the U.S. dollar equivalent balance translated at the spot rate as of period end.

## **Liquidity and Capital Resources**

### ***Historical Liquidity and Capital Resources***

We have historically required limited capital resources to support the working capital and operating needs of our business. Our management fees have largely covered our operating costs and all realized performance allocations, after covering the related compensation, are available for distribution to equityholders. Historically, approximately 95% of all capital commitments to our funds have been provided by our fund investors, with the remaining amount typically funded by our senior Carlyle professionals, advisors and other professionals.

### ***Our Sources of Liquidity***

We have multiple sources of liquidity to meet our capital needs, including cash on hand, annual cash flows, accumulated earnings and funds from our senior credit facility, which has \$775.0 million of available capacity as of June 30, 2019. We believe these sources will be sufficient to fund our capital needs for at least the next twelve months. If we determine that market conditions are favorable after taking into account our liquidity requirements, including the amounts available under our senior credit facility, we may seek to issue and sell common units in a registered public offering or a privately negotiated transaction, or we may issue additional senior notes, other debt or preferred equity. In September 2018, we issued \$350.0 million of 5.650% senior notes due September 15, 2048 and used the net proceeds from that issuance to repurchase \$250.0 million of the \$500.0 million outstanding 3.875% senior notes due February 1, 2023 and prepay the \$108.8 million promissory note to BNRI due January 1, 2022.

**Cash and cash equivalents.** Cash and cash equivalents were approximately \$669.2 million at June 30, 2019. However, a portion of this cash is allocated for specific business purposes, including, but not limited to, (i) performance allocations and incentive fee-related cash that has been received but not yet distributed as performance allocations and incentive fee-related compensation and amounts owed to non-controlling interests; (ii) proceeds received from realized investments that are allocable to non-controlling interests; and (iii) regulatory capital.

**Corporate Treasury Investments.** These investments represent investments in U.S. Treasury and government agency obligations, commercial paper, certificates of deposit, other investment grade securities and other investments with original maturities of greater than three months when purchased. There were no corporate treasury investments at June 30, 2019.

After deducting cash amounts allocated to the specific requirements mentioned above, the remaining cash and cash equivalents, is approximately \$601.0 million as of June 30, 2019. This remaining amount will be used towards our primary liquidity needs, as outlined in the next section. This amount does not take into consideration ordinary course of business payables and reserves for specific business purposes.

**Senior Credit Facility.** On February 11, 2019, the Partnership entered into an amendment and restatement of its senior credit facility. In connection with this amendment and restatement, the capacity under the revolving credit facility was increased to \$775.0 million from \$750.0 million, the term was extended to February 11, 2024, and the \$25.0 million term loan was repaid. Principal amounts outstanding under the amended and restated revolving credit facility accrue interest, at the option of the

borrowers, either (a) at an alternate base rate plus an applicable margin not to exceed 0.50% per annum, or (b) at LIBOR plus an applicable margin not to exceed 1.50% per annum (3.65% at June 30, 2019).

The senior credit facility is unsecured. We are required to maintain management fee earning assets (as defined in the amended and restated senior credit facility) of at least \$75.0 billion and a total leverage ratio of less than 3.0 to 1.0, in each case, tested on a quarterly basis. Non-compliance with any of the financial or non-financial covenants without cure or waiver would constitute an event of default under the senior credit facility. An event of default resulting from a breach of certain financial or non-financial covenants may result, at the option of the lenders, in an acceleration of the principal and interest outstanding, and a termination of the revolving credit facility. The senior credit facility also contains other customary events of default, including defaults based on events of bankruptcy and insolvency, nonpayment of principal, interest or fees when due, breach of specified covenants, change in control and material inaccuracy of representations and warranties.

*Global Credit Revolving Credit Facility.* In December 2018, certain subsidiaries of the Partnership established a \$250.0 million revolving line of credit, primarily intended to support certain lending activities within the Global Credit segment. The credit facility includes a \$125.0 million line of credit with a one-year term, and a \$125.0 million line of credit with a three-year term. Principal amounts outstanding under the facility accrue interest, at the option of the borrowers, either (a) at an alternate base rate plus applicable margin not to exceed 1.00%, or (b) at the Eurocurrency rate plus an applicable margin not to exceed 2.00%.

*CLO Borrowings.* For certain of our CLOs, the Partnership finances a portion of its investment in the CLOs through the proceeds received from term loans and other financing arrangements with financial institutions or other financing arrangements. The Partnership's outstanding CLO borrowings were \$329.9 million and \$309.9 million at June 30, 2019 and December 31, 2018, respectively. The CLO borrowings are secured by the Partnership's investments in the respective CLO, have a general unsecured interest in the Carlyle entity that manages the CLO, and generally do not have recourse to any other Carlyle entity. As of June 30, 2019, \$311.7 million of these borrowings are secured by investments attributable to Carlyle Holdings. See Note 5 of the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for more information on our CLO borrowings.

*Senior Notes.* Certain indirect finance subsidiaries of the Partnership have issued senior notes, on which interest is payable semi-annually, as discussed below. The senior notes are unsecured and unsubordinated obligations of the respective subsidiary and are fully and unconditionally guaranteed, jointly and severally, by the Partnership and each of the Carlyle Holdings partnerships. The indentures governing each of the senior notes contain customary covenants that, among other things, limit the issuers' and the guarantors' ability, subject to certain exceptions, to incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The notes also contain customary events of default. All or a portion of the notes may be redeemed at our option, in whole or in part, at any time and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the notes. If a change of control repurchase event occurs, the notes are subject to repurchase at the repurchase price as set forth in the notes.

**5.650% Senior Notes.** In September 2018, Carlyle Finance L.L.C. issued \$350.0 million of 5.650% senior notes due September 15, 2048 at 99.914% of par.

**3.875% Senior Notes.** In January 2013, Carlyle Holdings Finance L.L.C. issued \$500.0 million of 3.875% senior notes due February 1, 2023 at 99.966% of par. In September 2018, we completed a tender offer to purchase \$250.0 million in aggregate principal amount of these notes. As of June 30, 2019, \$250.0 million of these notes remain outstanding.

**5.625% Senior Notes.** In March 2013, Carlyle Holdings II Finance L.L.C. issued \$400.0 million of 5.625% senior notes due March 30, 2043 at 99.583% of par. In March 2014, an additional \$200.0 million of these notes were issued at 104.315% of par and are treated as a single class with the already outstanding \$400.0 million aggregate principal amount of these notes.

*Promissory Notes.* On January 1, 2016, the Partnership issued a \$120.0 million promissory note to BNRI as part of the Partnership's strategic investment in NGP. Interest on the promissory note accrues at the three month LIBOR plus 2.50%. The Partnership may prepay the promissory note in whole or in part at any time without penalty. The promissory note was scheduled to mature on January 1, 2022. In September 2018, the Partnership prepaid the \$108.8 million remaining balance outstanding under the promissory note, along with \$1.2 million of accrued but unpaid interest.

Additionally, in June 2017, as part of the settlement with investors in two commodities investment vehicles managed by an affiliate of the Partnership (discussed in Note 7 to the unaudited condensed consolidated financial statements), the Partnership issued a series of promissory notes, aggregating to \$53.9 million, to the investors of these commodities investment vehicles. Interest on these promissory notes accrues at the three month LIBOR plus 2% (4.60% at June 30, 2019). The Partnership may prepay these promissory notes in whole or in part at any time without penalty. Accordingly, as a result of repayments, \$6.7 million of these promissory notes were outstanding at June 30, 2019. These promissory notes matured on July 15, 2019 and were fully repaid as of that date.

**Obligations of CLOs.** Loans payable of the Consolidated Funds represent amounts due to holders of debt securities issued by the CLOs. We are not liable for any loans payable of the CLOs. Several of the CLOs issued preferred shares representing the most subordinated interest, however these tranches are mandatorily redeemable upon the maturity dates of the senior secured loans payable, and as a result have been classified as liabilities under U.S. GAAP, and are included in loans payable of Consolidated Funds in our unaudited condensed consolidated balance sheets. Loans payable of the CLOs are collateralized by the assets held by the CLOs and the assets of one CLO may not be used to satisfy the liabilities of another. This collateral consists of cash and cash equivalents, corporate loans, corporate bonds and other securities.

**Preferred Units.** In September 2017, we issued 16 million of our Preferred Units for net proceeds of approximately \$387.5 million. Distributions on the Preferred Units are discretionary and non-cumulative. The Preferred Units may be redeemed at our option, in whole or in part, at any time on or after September 15, 2022 at a price of \$25 per Preferred Unit, plus declared and unpaid distributions. In addition, the Preferred Units may be redeemed at our option prior to September 15, 2022, upon the occurrence of change of control, tax redemption or rating agency events. Holders of the Preferred Units will generally have no voting rights and have none of the voting rights given to holders of our common units, except as otherwise provided in Carlyle's limited partnership agreement. Holders of the Preferred Units have no right to require the redemption of the Preferred Units and the Preferred Units do not have a maturity date.

**Realized Performance Allocation Revenues.** Another source of liquidity we may use to meet our capital needs is the realized performance allocation revenues generated by our investment funds. Performance allocations are generally realized when an underlying investment is profitably disposed of and the fund's cumulative returns are in excess of the preferred return. For certain funds, performance allocations are realized once all invested capital and expenses have been returned to the fund's investors and the fund's cumulative returns are in excess of the preferred return. Incentive fees earned on our CLO vehicles generally are paid upon the dissolution of such vehicles.

Our accrued performance allocations by segment as of June 30, 2019, gross and net of accrued giveback obligations, are set forth below:

<u>Asset Class</u>	<u>Accrued Performance Allocations</u>	<u>Accrued Giveback Obligation</u>	<u>Net Accrued Performance Revenues</u>
	(Dollars in millions)		
Corporate Private Equity	\$ 2,149.3	\$ (5.0)	\$ 2,144.3
Real Assets	861.7	(58.2)	803.5
Global Credit	123.3	—	123.3
Investment Solutions	772.8	—	772.8
Total	<u>\$ 3,907.1</u>	<u>\$ (63.2)</u>	<u>\$ 3,843.9</u>
Plus: Accrued performance allocations from NGP Carry Funds			121.2
Less: Accrued performance allocation-related compensation			(2,033.8)
Plus: Receivable for giveback obligations from current and former employees			1.5
Less: Deferred taxes on accrued performance allocations			(59.3)
Less: Net accrued performance allocations attributable to non-controlling interests in consolidated entities			12.0
Net accrued performance revenues before timing differences			1,885.5
Less/Plus: Timing differences between the period when accrued performance allocations are realized and the period they are collected/distributed			29.2
Net accrued performance revenues attributable to Carlyle Holdings			<u>\$ 1,914.7</u>

The net accrued performance revenues attributable to Carlyle Holdings, excluding realized amounts, related to our carry funds and our other vehicles as of June 30, 2019, as well as the carry fund appreciation (depreciation), is set forth below by segment (Dollars in millions):

	Carry Fund Appreciation/(Depreciation) <sup>(1)</sup>					Net Accrued Performance Revenues
	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	
Overall Carry Fund Appreciation/(Depreciation)	5%	3%	(2)%	3%	2 %	
Corporate Private Equity	3%	1%	(2)%	3%	1 %	\$ 1,167.6
Real Assets <sup>(2)</sup> :	7%	3%	(7)%	3%	— %	581.6
Real Estate	5%	3%	(1)%	5%	6 %	368.4
Natural Resources	9%	3%	(7)%	3%	(4)%	212.0
Global Credit Carry Funds	3%	1%	(2)%	5%	1 %	68.9
Investment Solutions Carry Funds	8%	5%	2 %	3%	4 %	96.6
Net Accrued Performance Revenues					\$	1,914.7

(1) Appreciation/(Depreciation) represents unrealized gain/(loss) for the period on a total return basis before fees and expenses. The percentage of return is calculated as: ending remaining investment fair market value plus net investment outflow (sales proceeds minus net purchases) minus beginning remaining investment fair market value divided by beginning remaining investment fair market value. Amounts are fund only, and do not include coinvestments.

(2) Includes \$1.2 million of net accrued performance revenues from our Legacy Energy funds.

**Realized Principal Investment Income.** Another source of liquidity we may use to meet our capital needs is the realized principal investment income generated by our equity method investments and other principal investments. Principal investment income is realized when we redeem all or a portion of our investment or when we receive or are due cash income, such as dividends or distributions. Certain of the investments attributable to Carlyle Holdings (excluding certain general partner interests, strategic investments, and investments in certain CLOs) may be sold at our discretion as a source of liquidity.

Investments as of June 30, 2019 consist of the following:

	Investments in Carlyle Funds	Investments in NGP <sup>(1)</sup>	Investment in Fortitude Re <sup>(1)</sup>	Total
	(Dollars in millions)			
Investments, excluding performance allocations	\$ 1,289.9	\$ 510.5	\$ 999.5	\$ 2,799.9
Less: Amounts attributable to non-controlling interests in consolidated entities	(304.6)	—	—	(304.6)
Plus: Investments in Consolidated Funds, eliminated in consolidation	184.0	—	—	184.0
Less: Strategic equity method investments in NGP Management	—	(389.3)	—	(389.3)
Less: Investment in NGP general partners - accrued performance allocations	—	(121.2)	—	(121.2)
Less: Mark-to-market gains associated with strategic equity method investment in Fortitude Re	—	—	(506.4)	(506.4)
Total investments attributable to Carlyle Holdings, exclusive of NGP Management	\$ 1,169.3	\$ —	\$ 493.1	\$ 1,662.4

(1) See Note 4 to our unaudited condensed consolidated financial statements.

Our investments as of June 30, 2019, can be further attributed as follows (Dollars in millions):

Adjusted investment in Fortitude Re	\$ 493.1
Investments in Carlyle Funds, excluding CLOs:	
Corporate Private Equity funds	372.7
Real Assets funds <sup>(1)</sup>	189.2
Global Credit funds	92.0
Investment Solutions funds	31.3
Total investments in Carlyle Funds, excluding CLOs	685.2
Investments in CLOs	468.4
Other investments	15.7
Total investments attributable to Carlyle Holdings	1,662.4
CLO loans attributable to Carlyle Holdings <sup>(2)</sup>	(311.7)
Total investments attributable to Carlyle Holdings, net of CLO loans	\$ 1,350.7

(1) Excludes our strategic equity method investment in NGP Management and investments in NGP general partners - accrued performance allocations.

(2) Of the \$329.4 million in total CLO borrowings as of June 30, 2019 and as disclosed in Note 5 to the consolidated financial statements, \$311.7 million are collateralized by investments attributable to Carlyle Holdings.

Our adjusted strategic equity method investment in Fortitude Re of \$493.1 million includes \$78.8 million of adjusted net income for the period from closing through June 30, 2019, and excludes \$506.4 million of unrealized mark-to-market gains associated with our pro rata share of the changes in the fair value of embedded derivatives related to certain reinsurance contracts included in Fortitude Re's U.S. GAAP financial statements. Modified coinsurance is subject to the general accounting principles for derivatives and hedging, specifically the guidance originally issued as Derivatives Implementation Group Issue No. B36: *Embedded Derivatives: Modified Coinsurance Agreements and Debt Instruments That Incorporate Credit Risk Exposures That Are Unrelated or Only Partially Related to the Creditworthiness of the Obligor under Those Instruments* ("DIG B36"). This guidance can cause significant volatility in earnings that is not necessarily consistent with the underlying performance of Fortitude Re. We believe it is meaningful to reflect our investment in Fortitude Re excluding the effects of these fair value changes as these fluctuations are not considered by Fortitude Re in assessing its performance, which is consistent with industry practice when evaluating performance. In the six months ended June 30, 2019, our investment in Fortitude Re has generated \$67.1 million of principal investment income, excluding the unrealized mark-to-market gains on embedded derivatives.

## **Our Liquidity Needs**

We generally use our working capital and cash flows to invest in growth initiatives, service our debt, fund the working capital needs of our business and investment funds and pay distributions to our unitholders.

In the future, we expect that our primary liquidity needs will be to:

- provide capital to facilitate the growth of our existing business lines;
- provide capital to facilitate our expansion into new, complementary business lines, including acquisitions;
- pay operating expenses, including compensation and compliance costs and other obligations as they arise;
- fund costs of litigation and contingencies, including related legal costs;
- fund the capital investments of Carlyle in our funds;
- fund capital expenditures;
- repay borrowings and related interest costs and expenses;
- pay earnouts and contingent cash consideration associated with our acquisitions and strategic investments;
- pay income taxes;
- make distributions to our common and preferred unitholders and the holders of the Carlyle Holdings partnership units in accordance with our distribution policy, and;
- repurchase our units.

On July 31, 2019, we announced our Conversion from a Delaware limited partnership to the Corporation. Following the Conversion, all of the net income attributable to the Corporation will be subject to U.S. federal (and state and local) corporate income taxes. See “Part II. Item 1A. Risk Factors—Following the Conversion, we expect to pay more corporate income taxes than we would have as a limited partnership.” and “—Conversion to a Corporation.” In addition, we anticipate that our dividend policy as a corporation beginning in the first quarter of 2020 will be to pay dividends to holders of our Common Stock in an initial amount of \$0.25 per share each quarter (\$1.00 per share annually), subject to the discretion of our board of directors and compliance with applicable law. We believe that the fixed dividend will enable improved capital allocation and offers an attractive yield. See “—Dividend Policy Following Conversion.” In connection with the termination of future obligations under the tax receivable agreement, we will be obligated to pay cash payments aggregating to \$1.50 per Carlyle Holdings partnership unit exchanged in the Transactions, payable in five annual installments of \$0.30 per unit. Based on the Carlyle Holdings partnership units outstanding as of June 30, 2019, the total cash payments in connection with this termination would be approximately \$346 million. However, this amount will be reduced if any Carlyle Holdings partnership units are exchanged prior to the Conversion. See “—Conversion to a Corporation—Termination of Tax Receivable Agreement.”

*Preferred Unit Distributions.* With respect to distribution year 2019, the Board of Directors of our general partner has declared a quarterly distribution to preferred unitholders totaling approximately \$17.7 million, or \$1.101564 per preferred unit, consisting of the following:

Preferred Unit Distributions					
Distribution per Preferred Unit	Distribution to Preferred Unitholders	Distribution Year	Record Date	Payment Date	
(Dollars in millions, except per unit data)					
\$ 0.367188	\$ 5.9	2019	March 1, 2019	March 15, 2019	
0.367188	5.9	2019	June 1, 2019	June 17, 2019	
0.367188	5.9	2019	September 1, 2019	September 16, 2019	
<b>\$ 1.101564</b>	<b>\$ 17.7</b>				

With respect to distribution year 2018, the Board of Directors of our general partner declared a distribution to preferred unitholders totaling approximately \$23.6 million, consisting of the following:

Preferred Unit Distributions					
Distribution per Preferred Unit	Distribution to Preferred Unitholders	Distribution Year	Record Date	Payment Date	
(Dollars in millions, except per unit data)					
\$ 0.367188	\$ 5.9	2018	March 1, 2018	March 15, 2018	
0.367188	5.9	2018	June 1, 2018	June 15, 2018	
0.367188	5.9	2018	September 1, 2018	September 17, 2018	
0.367188	5.9	2018	December 1, 2018	December 17, 2018	
<b>\$ 1.468752</b>	<b>\$ 23.6</b>				

Distributions on the preferred units are discretionary and non-cumulative.

*Common Unit Distributions.* With respect to distribution year 2019, the Board of Directors of our general partner has declared a distribution to common unitholders totaling approximately \$70.9 million, or \$0.62 per common unit, consisting of the following:

Common Unit Distributions - Distribution Year 2019					
Quarter	Distribution per Common Unit	Distribution to Common Unitholders	Record Date	Payment Date	
(Dollars in millions, except per unit data)					
Q1 2019	\$ 0.19	\$ 21.0	May 13, 2019	May 20, 2019	
Q2 2019	0.43	49.9	August 12, 2019	August 19, 2019	
Total	<b>\$ 0.62</b>	<b>\$ 70.9</b>			

With respect to distribution year 2018, the Board of Directors of our general partner declared distributions totaling approximately \$144.1 million to common unitholders, consisting of the following:

Common Unit Distributions - Distribution Year 2018					
Quarter	Distribution per Common Unit	Distribution to Common Unitholders	Record Date	Payment Date	
(Dollars in millions, except per unit data)					
Q1 2018	\$ 0.27	\$ 27.8	May 11, 2018	May 17, 2018	
Q2 2018	0.22	23.3	August 13, 2018	August 17, 2018	
Q3 2018	0.42	45.5	November 13, 2018	November 20, 2018	
Q4 2018	0.43	47.5	February 19, 2019	February 26, 2019	
Total	<b>\$ 1.34</b>	<b>\$ 144.1</b>			

Distributions to common unitholders paid during the six months ended June 30, 2019 totaled \$68.5 million, including the amount paid in February 2019 of \$0.43 per common unit in respect of the fourth quarter of 2018. Distributions to common unitholders paid during the six months ended June 30, 2018 totaled \$61.0 million, including the amount paid in February 2018 of \$0.33 per common unit in respect of the fourth quarter of 2017.

*Carlyle Holdings Units Distributions.* It is Carlyle's intention to cause Carlyle Holdings to make quarterly distributions to its partners, including The Carlyle Group L.P.'s wholly owned subsidiaries, that will enable The Carlyle Group L.P. to pay a quarterly distribution of approximately 75% of Distributable Earnings Attributable to Common Unitholders for the quarter. "Distributable Earnings Attributable to Common Unitholders" refers to The Carlyle Group L.P.'s share of Distributable Earnings, after an implied provision for current corporate income taxes (other than corporate income taxes attributable to The Carlyle Group L.P.) and preferred unit distributions, net of corporate income taxes attributable to The Carlyle Group L.P. and amounts payable under the tax receivable agreement. Carlyle's general partner may adjust the distribution for amounts determined to be necessary or appropriate to provide for the conduct of its business, to make appropriate investments in its

business and its funds or to comply with applicable law or any of its financing agreements, or to provide for future cash requirements such as tax-related payments, giveback obligations and distributions to unitholders for any ensuing quarter. The amount to be distributed could also be adjusted upward in any one quarter.

Because The Carlyle Group L.P. is a holding partnership and has no material assets other than its ownership of partnership units in Carlyle Holdings held through wholly owned subsidiaries, we will fund distributions by The Carlyle Group L.P. to common unitholders, if any, in three steps:

- first, we will cause Carlyle Holdings to make distributions to its partners, including The Carlyle Group L.P.'s wholly owned subsidiaries. If Carlyle Holdings makes such distributions, the limited partners of Carlyle Holdings will be entitled to receive equivalent distributions pro rata based on their partnership interests in Carlyle Holdings;
- second, we will cause The Carlyle Group L.P.'s wholly owned subsidiaries to distribute to The Carlyle Group L.P. their share of such distributions, net of taxes and amounts payable under the tax receivable agreement by such wholly owned subsidiaries; and
- third, The Carlyle Group L.P. will distribute its net share of such distributions to our common unitholders on a pro rata basis.

Certain wholly-owned subsidiaries of The Carlyle Group L.P. through which it holds Carlyle Holdings Units are corporate taxpayers for U.S. Federal income tax purposes and also must make payments under the tax receivable agreement. These corporate subsidiaries of The Carlyle Group L.P. fund these obligations with a portion of the distributions they receive in respect of the Carlyle Holdings Units that they hold. As a result, the amounts ultimately distributed by The Carlyle Group L.P. in respect of the common units are expected to be less, on a per unit basis, than the amounts distributed by the Carlyle Holdings partnerships in respect of the Carlyle Holdings Partnership units. Accordingly, limited partners of the Carlyle Holdings partnerships who hold Carlyle Holdings partnership units are expected to receive distributions that are higher, on a per unit basis, than common unitholders of The Carlyle Group L.P. in respect of their common units.

In addition, the partnership agreements of the Carlyle Holdings partnerships will provide for cash distributions, which we refer to as "tax distributions," to the partners of such partnerships if the wholly owned subsidiaries of The Carlyle Group L.P. which are the general partners of the Carlyle Holdings partnerships determine that the taxable income of the relevant partnership will give rise to taxable income for its partners. Generally, these tax distributions will be computed based on our estimate of the net taxable income of the relevant partnership allocable to a partner 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 our income). The Carlyle Holdings partnerships will make tax distributions only to the extent distributions from such partnerships for the relevant year were otherwise insufficient to cover such tax liabilities. The Carlyle Group L.P. is not required to distribute to its common unitholders any of the cash that its wholly owned subsidiaries may receive as a result of tax distributions by the Carlyle Holdings partnerships.

Notwithstanding the foregoing, the declaration and payment of any distributions will be at the sole discretion of our general partner, which may change our distribution policy at any time. Our general 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, legal, tax and regulatory restrictions, other constraints on the payment of distributions by us to our common unitholders or by our subsidiaries to us, and such other factors as our general partner may deem relevant.

Because our wholly owned subsidiaries must pay taxes and make payments under the tax receivable agreement, the amounts ultimately distributed by us to our common unitholders are expected to be less, on a per unit basis, than the amounts distributed by the Carlyle Holdings partnerships to the other limited partners of the Carlyle Holdings partnerships in respect of their Carlyle Holdings partnership units.

*Dividend Policy Following Conversion.* We anticipate that our dividend policy as a corporation beginning in the first quarter of 2020 will be to pay dividends to holders of our Common Stock in an initial amount of \$0.25 per share each quarter (\$1.00 per share annually), subject to the discretion of our board of directors and compliance with applicable law. For U.S. federal income tax purposes, any dividends we pay following the Conversion (including dividends on our preferred shares) generally will be treated as qualified dividend income (generally taxable to U.S. individual stockholders at capital gain rates) paid by a domestic corporation to the extent paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes, with any excess dividends treated as return of capital to the extent of the stockholder's basis. The declaration and payment of dividends to our Common Stockholders will be at the sole discretion of our board of directors, and our dividend policy may be changed at any time.

**Fund Commitments.** Generally, we intend to have Carlyle commit to fund approximately 0.75% to 1% of the capital commitments to our future carry funds, although we may elect to invest additional amounts in funds focused on new investment areas. We may, from time to time, exercise our right to purchase additional interests in our investment funds that become available in the ordinary course of their operations. We expect our senior Carlyle professionals and employees to continue to make significant capital contributions to our funds based on their existing commitments, and to make capital commitments to future funds consistent with the level of their historical commitments. We also intend to make investments in our open-end funds and our CLO vehicles. Our investments in our U.S. and European CLO vehicles will comply with the risk retention rules as discussed in “Risk Retention Rules” later in this section.

Since our inception through June 30, 2019, we and our senior Carlyle professionals, operating executives and other professionals have invested or committed to invest in or alongside our funds. Approximately 3% to 5% of all capital commitments to our funds are funded collectively by us and our senior Carlyle professionals, operating executives and other professionals. The current unfunded commitment of Carlyle and our senior Carlyle professionals, operating executives and other professionals to our investment funds as of June 30, 2019, consisted of the following (Dollars in millions):

<b>Asset Class</b>	<b>Unfunded Commitment</b>
Corporate Private Equity	\$ 2,473.8
Real Assets	969.2
Global Credit	444.6
Investment Solutions	125.0
Total	\$ 4,012.6

A substantial majority of the remaining commitments are expected to be funded by senior Carlyle professionals, operating executives and other professionals through our internal co-investment program. Of the \$4.0 billion of unfunded commitments, approximately \$3.4 billion is subscribed individually by senior Carlyle professionals, operating executives and other professionals, with the balance funded directly by the Partnership.

**Repurchase Program.** In December 2018, the Board of Directors of the general partner of the Partnership authorized the repurchase of up to \$200 million of common units and/or Carlyle Holdings units. Under this new unit repurchase program, which became effective January 1, 2019, units may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. We expect that the majority of repurchases under this program will be done via open market and brokered transactions. The timing and actual number of common units and/or Carlyle Holdings units repurchased will depend on a variety of factors, including legal requirements, price, and economic and market conditions. This unit repurchase program may be suspended or discontinued at any time and does not have a specified expiration date. For the six months ended June 30, 2019, we have paid an aggregate of \$12.0 million to repurchase and retire approximately 0.7 million units with all of the repurchases done via open market and brokered transactions.

In February 2016, the Board of Directors of the general partner of the Partnership authorized the repurchase of up to \$200 million of common units and/or Carlyle Holdings units. Under this unit repurchase program, units could be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. Under this program, which was superseded by the repurchase program effective January 1, 2019, we paid an aggregate of \$166.6 million to repurchase and retire approximately 8.6 million units.

#### Cash Flows

The significant captions and amounts from our consolidated statements of cash flows which include the effects of our Consolidated Funds and CLOs in accordance with U.S. GAAP are summarized below.

	Six Months Ended June 30,	
	2019	2018
	(Dollars in millions)	
<b>Statements of Cash Flows Data</b>		
Net cash provided by (used in) operating activities, including investments in Carlyle funds	\$ 269.0	\$ (538.2)
Net cash used in investing activities	(23.7)	(12.5)
Net cash provided by (used in) financing activities	(202.3)	412.1
Effect of foreign exchange rate changes	2.3	(11.7)
Net change in cash, cash equivalents and restricted cash	\$ 45.3	\$ (150.3)

**Net Cash Provided by (Used in) Operating Activities.** Net cash (used in) provided by operating activities was primarily driven by our earnings in the respective periods after adjusting for significant non-cash activity, including non-cash performance allocations and incentive fees, the related non-cash performance allocations and incentive fee related compensation, non-cash equity-based compensation, and depreciation, amortization and impairments, all of which are included in earnings.

Operating cash inflows primarily include the receipt of management fees, realized performance allocations and incentive fees, while operating cash outflows primarily include payments for operating expenses, including compensation and general, administrative, and other expenses. During the six months ended June 30, 2019 and 2018, net cash provided by (used in) operating activities primarily included the receipt of management fees and realized performance allocations and incentive fees, totaling approximately \$0.8 billion and \$0.9 billion, respectively. These inflows were offset by payments for compensation and general, administrative and other expenses of approximately \$0.8 billion and \$0.9 billion for the six months ended June 30, 2019 and 2018, respectively.

Cash used to purchase investments as well as the proceeds from the sale of such investments are also reflected in our operating activities as investments are a normal part of our operating activities. During the six months ended June 30, 2019, investment proceeds were \$214.6 million while investment purchases were \$107.0 million. During the six months ended June 30, 2018, investment proceeds were \$379.8 million as compared to purchases of \$228.9 million.

The net cash provided by operating activities for the six months ended June 30, 2019 and 2018 also reflects the investment activity of our Consolidated Funds. For the six months ended June 30, 2019, purchases of investments by the Consolidated Funds were \$827.2 million, while proceeds from the sales and settlements of investments by the Consolidated Funds were \$1,032.8 million. For the six months ended June 30, 2018, purchases of investments by the Consolidated Funds were \$2,137.0 million, while proceeds from the sales and settlements of investments by the Consolidated Funds were \$1,261.2 million.

**Net Cash Used In Investing Activities.** Our investing activities generally reflect cash used for acquisitions, fixed assets and software for internal use. For the six months ended June 30, 2019, cash used in investing activities principally reflects purchases of fixed assets. Purchases of fixed assets were \$23.7 million and \$12.5 million for the six months ended June 30, 2019 and 2018, respectively.

**Net Cash Provided by (Used in) Financing Activities.** Financing activities are a net source of cash in both the six months ended June 30, 2019 and 2018. For the six months ended June 30, 2019, the Partnership received net proceeds of \$20.4 million from the issuance of various CLO borrowings, while \$34.5 million was received for the six months ended June 30, 2018. For the six months ended June 30, 2019, the Partnership repaid a \$25.0 million CLO term loan. See Note 5 to the unaudited condensed consolidated financial statements for more information on these borrowings.

Distributions to our common unitholders were \$68.5 million and \$61.0 million for the six months ended June 30, 2019 and 2018, respectively. Distributions to the non-controlling interest holders in Carlyle Holdings were \$143.2 million and \$140.4 million for the six months ended June 30, 2019 and 2018, respectively. Distributions to our preferred unitholders were \$11.8 million for the both six months ended June 30, 2019 and 2018.

The net borrowings (payments) on loans payable by our Consolidated Funds during the six months ended June 30, 2019 and 2018 were \$(40.3) million and \$694.5 million, respectively. Contributions from non-controlling interest holders were \$9.1 million and \$8.9 million for the six months ended June 30, 2019 and 2018, respectively, which relate primarily to contributions from the non-controlling interest holders in Consolidated Funds. For the six months ended June 30, 2019 and 2018, distributions to non-controlling interest holders were \$31.9 million and \$51.8 million, respectively, which relate primarily to distributions to the non-Carlyle interests in majority-owned subsidiaries.

#### **Our Balance Sheet**

Total assets were \$13.4 billion at June 30, 2019, an increase of \$486.6 million from December 31, 2018. The increase in total assets was primarily attributable to an increase in investments, including accrued performance allocations, of \$1.0 billion and the recognition of lease right-of-use assets, net of \$231.3 million. Investments of Consolidated Funds decreased \$0.5 billion due to the deconsolidation of two CLOs during the six months ended June 30, 2019, partially offset by the consolidation of one CLO during the six months ended June 30, 2019. Cash and cash equivalents, including corporate treasury investments, were approximately \$669.2 million and \$681.3 million at June 30, 2019 and December 31, 2018, respectively.

Total liabilities were \$9.8 billion at June 30, 2019, a decrease of \$295.4 million from December 31, 2018. The decrease in liabilities was primarily attributable to decreases in loans payable of Consolidated Funds of \$333.8 million from December 31, 2018 to June 30, 2019, primarily due to the deconsolidation of two CLOs during the six months ended June 30, 2019, partially offset by an increase in lease liabilities of \$307.9 million.

The assets and liabilities of the Consolidated Funds are generally held within separate legal entities and, as a result, the assets of the Consolidated Funds are not available to meet our liquidity requirements and similarly the liabilities of the Consolidated Funds are non-recourse to us. For example, as previously discussed, the CLO term loans generally are secured by the Partnership's investment in the CLO, have a general unsecured interest in the Carlyle entity that manages the CLO, and do not have recourse to any other Carlyle entity.

Our balance sheet without the effect of the Consolidated Funds can be seen in Note 16 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q. At June 30, 2019, our total assets were \$8.6 billion, including cash and cash equivalents, of \$669.2 million and net accrued performance revenues of \$1.9 billion.

#### ***Unconsolidated Entities***

Certain of our funds have entered into lines of credit secured by their investors' unpaid capital commitments or by a pledge of the equity of the underlying investment. These lines of credit are used primarily to reduce the overall number of capital calls to investors or for working capital needs. In certain instances, however, they may be used for other investment related activities, including serving as bridge financing for investments. The degree of leverage employed varies among our funds.

#### ***Off-balance Sheet Arrangements***

In the normal course of business, we enter into various off-balance sheet arrangements including sponsoring and owning limited or general partner interests in consolidated and non-consolidated funds, entering into derivative transactions, entering into operating leases and entering into guarantee arrangements. We also have ongoing capital commitment arrangements with certain of our consolidated and non-consolidated funds. We do not have any other off-balance sheet arrangements that would require us to fund losses or guarantee target returns to investors in any of our other investment funds.

For further information regarding our off-balance sheet arrangements, see Note 2 and Note 7 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

## Contractual Obligations

The following table sets forth information relating to our contractual obligations as of June 30, 2019 on a consolidated basis and on a basis excluding the obligations of the Consolidated Funds:

	Jul. 1, 2019 to Dec. 31, 2019		2020-2021		2022-2023		Thereafter		Total
	(Dollars in millions)								
Debt obligations (including senior notes) <sup>(1)</sup>	\$ 6.7	\$ 24.4	\$ 367.0	\$ 1,138.5	\$ 1,536.6				
Interest payable <sup>(2)</sup>	44.8	147.8	132.7	1,136.9	1,462.2				
Other consideration <sup>(3)</sup>	10.3	2.9	75.0	170.0	258.2				
Operating lease obligations <sup>(4)</sup>	32.8	96.8	101.3	452.1	683.0				
Capital commitments to Carlyle funds <sup>(5)</sup>	4,012.6	—	—	—	4,012.6				
Tax receivable agreement payments <sup>(6)</sup>	—	—	24.7	78.3	103.0				
Loans payable of Consolidated Funds <sup>(7)</sup>	42.2	167.6	167.4	5,142.1	5,519.3				
Unfunded commitments of the CLOs <sup>(8)</sup>	0.8	—	—	—	0.8				
Consolidated contractual obligations	4,150.2	439.5	868.1	8,117.9	13,575.7				
Loans payable of Consolidated Funds <sup>(7)</sup>	(42.2)	(167.6)	(167.4)	(5,142.1)	(5,519.3)				
Capital commitments to Carlyle funds <sup>(5)</sup>	(3,435.3)	—	—	—	(3,435.3)				
Unfunded commitments of the CLOs <sup>(8)</sup>	(0.8)	—	—	—	(0.8)				
Carlyle Operating Entities contractual obligations	\$ 671.9	\$ 271.9	\$ 700.7	\$ 2,975.8	\$ 4,620.3				

- (1) The table above assumes that no prepayments are made on the promissory notes or senior notes and that any outstanding balance on the senior credit facility is repaid on the maturity date of the senior credit facility, which is February 11, 2024. The CLO term loans are included in the table above based on the earlier of the stated maturity date or the date the CLO is expected to be dissolved. See Note 5 to the unaudited condensed consolidated financial statements for the various maturity dates of the CLO term loans, promissory notes and senior notes.
- (2) The interest rates on the debt obligations as of June 30, 2019 consist of: 5.650% on \$350.0 million of senior notes, 3.875% on \$250.0 million of senior notes, 5.625% on \$600.0 million of senior notes, a range of approximately 1.75% to 4.52% for our CLO term loans, and approximately 4.60% on \$6.7 million of our outstanding settlement promissory notes. Interest payments assume that no prepayments are made and loans are held until maturity with the exception of the CLO term loans, which are based on the earlier of the stated maturity date or the date the CLO is expected to be dissolved.
- (3) These obligations represent our estimate of amounts to be paid associated with our business acquisitions and other obligations, including \$150.0 million related to our acquisition of Carlyle Aviation Partners and up to \$95.0 million related to our investment in Fortitude Re (see Note 4) and other obligations.
- (4) We lease office space in various countries around the world and maintain our headquarters in Washington, D.C., where in June 2018, we entered into an amended non-cancelable lease agreement expiring on March 31, 2030. In July 2018, we entered into a new non-cancelable lease agreement expiring in 2036 for new office space in New York City. Our office leases in other locations expire in various years from 2019 through 2032. The amounts in this table represent the minimum lease payments required over the term of the lease.
- (5) These obligations generally represent commitments by us to fund a portion of the purchase price paid for each investment made by our funds. These amounts are generally due on demand and are therefore presented in the less than one year category. A substantial majority of these investments is expected to be funded by senior Carlyle professionals and other professionals through our internal co-investment program. Of the \$4.0 billion of unfunded commitments, approximately \$3.4 billion is subscribed individually by senior Carlyle professionals, advisors and other professionals, with the balance funded directly by the Partnership.
- (6) Represents obligations by the Partnership's corporate taxpayers to make payments under the tax receivable agreement. These obligations are more than offset by the future cash savings that the corporate taxpayers are expected to realize. Holders of partnership units in Carlyle Holdings may exchange their Carlyle Holdings partnership units for common units in The Carlyle Group L.P. on a one-for-one basis. These exchanges may reduce the amount of tax that the corporate taxpayers would be required to pay in the future. The corporate taxpayers will pay to the limited partner of Carlyle Holdings making the exchange 85% of the amount of cash savings that the corporate taxpayers realize upon an exchange. See "Tax Receivable Agreement" below. Further, the amount and timing of payments are subject to change based on any future authoritative guidance under the 2017 Tax Cuts and Jobs Act.
- (7) These obligations represent amounts due to holders of debt securities issued by the consolidated CLO vehicles. These obligations include interest to be paid on debt securities issued by the consolidated CLO vehicles. Interest payments assume that no prepayments are made and loans are held until maturity. For debt securities with rights only to the residual value of the CLO and no stated interest, no interest payments were included in this calculation. Interest payments on variable-rate debt securities are based on interest rates in effect as of June 30, 2019, at spreads to market rates pursuant to the debt agreements, and range from 0.40% to 9.88%.
- (8) These obligations represent commitments of the CLOs to fund certain investments. These amounts are generally due on demand and are therefore presented in the less than one year category.

Excluded from the table above are liabilities for uncertain tax positions of \$15.2 million at June 30, 2019 as we are unable to estimate when such amounts may be paid.

## **Contingent Cash Payments For Business Acquisitions and Strategic Investments**

We have certain contingent cash obligations associated with our acquisition of Carlyle Aviation Partners and our strategic investment in Fortitude Re. For our acquisition of Carlyle Aviation Partners, the contingent cash payments relate to an earn-out of up to \$150.0 million that is payable upon the achievement of certain revenue and earnings performance targets during 2020 through 2025, which will be accounted for as compensation expense. We accrue the compensation liability over the service period.

For our strategic investment in Fortitude Re, the contingent cash payment relates to performance-based contingent cash consideration payable to AIG following December 31, 2023.

Based on the terms of the underlying contracts, the maximum amount that could be paid from contingent cash obligations associated with the acquisition of Carlyle Aviation Partners and the strategic investment in Fortitude Re as of June 30, 2019 is \$245.0 million versus the liabilities recognized on the balance sheet of \$17.6 million.

### **Risk Retention Rules**

The Dodd-Frank Act requires sponsors of asset-backed securities, including CLOs, to retain at least 5% of the credit risk related to the assets that underlie asset-backed securities (referred to herein as the U.S. Risk Retention Rules). The U.S. Risk Retention Rules became effective in December 2016, at which time we began to comply by holding 5% of the credit risk for our U.S. CLOs. On February 9, 2018, the U.S. Court of Appeals for the District of Columbia ruled that the U.S. Risk Retention Rules do not apply to managers of open-market CLOs - CLOs for which the underlying assets are not transferred by the manager to the CLO issuer via a sale. This ruling went into effect on April 5, 2018, ending the need for managers of open-market CLOs to comply with the U.S. Risk Retention Rules. As a result, going forward, the manager of our U.S. open-market CLOs will not obtain or hold 5% of the credit risk that previously would have been necessary to satisfy the U.S. Risk Retention Rules, though we will continue to hold 5% of the credit risk of our U.S., non-open-market CLOs. In addition, other Carlyle entities may continue to hold positions in our U.S. open-market CLOs independent of the U.S. Risk Retention Rules.

Further, we will continue to comply with the risk retention rules governing CLOs issued in Europe for which we are a sponsor, which require a combination of capital from our balance sheet, commitments from senior Carlyle professionals, and/or third party financing.

### **Guarantees**

See Note 7 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for information related to our material guarantees.

### **Indemnifications**

In many of our service contracts, we agree to indemnify the third-party service provider under certain circumstances. The terms of the indemnities vary from contract to contract, and the amount of indemnification liability, if any, cannot be determined and has not been included in the table above or recorded in our unaudited condensed consolidated financial statements as of June 30, 2019.

### **Tax Receivable Agreement**

Holders of partnership units in Carlyle Holdings (other than The Carlyle Group L.P.'s wholly-owned subsidiaries), subject to the vesting and minimum retained ownership requirements and transfer restrictions applicable to such holders as set forth in the partnership agreements of the Carlyle Holdings partnerships, may (subject to the terms of the exchange agreement) exchange their Carlyle Holdings partnership units for The Carlyle Group L.P. common units on a one-for-one basis. A Carlyle Holdings limited partner must exchange one partnership unit in each of the three Carlyle Holdings partnerships to effect an exchange for a common unit. The exchanges are expected to result in increases in the tax basis of the tangible and intangible assets of Carlyle Holdings. These increases in tax basis may increase (for tax purposes) depreciation and amortization deductions and therefore reduce the amount of tax that Carlyle Holdings I GP Inc. and any other corporate taxpayers would otherwise be required to pay in the future, although the IRS may challenge all or part of that tax basis increase, and a court could sustain such a challenge.

We have entered into a tax receivable agreement with the limited partners of the Carlyle Holdings partnerships that will provide for the payment by the corporate taxpayers to such parties of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that the corporate taxpayers realize as a result of these increases in tax basis and of certain other tax benefits related to entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. This payment obligation is an obligation of the corporate taxpayers and not of Carlyle Holdings. 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 income, we expect that as a result of the size of the transfers and increases in the tax basis of the tangible and intangible assets of Carlyle Holdings, the payments that we may make under the tax receivable agreement will be substantial.

See Note 2 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information related to our tax receivable agreement.

Following the Transactions, holders of the Carlyle Holdings partnership units will cease to have any rights to payments under, or in connection with the termination of, the tax receivable agreement except for (i) payment obligations pre-existing at the time of the Transactions with respect to exchanges that have occurred prior to the Transactions and (ii) cash payments aggregating \$1.50 per Carlyle Holdings partnership unit exchanged in the Transactions. See “—Conversion to a Corporation—Termination of Tax Receivable Agreement.”

#### **Contingent Obligations (Giveback)**

Carried interest is ultimately realized when: (1) an underlying investment is profitably disposed of, (2) certain costs borne by the limited partner investors have been reimbursed, (3) the fund's cumulative returns are in excess of the preferred return, and (4) we have decided to collect carry rather than return additional capital to limited partner investors. Realized carried interest may be required to be returned by us in future periods if the funds' investment values decline below certain levels. When the fair value of a fund's investments remains constant or falls below certain return hurdles, previously recognized performance allocations are reversed.

See Note 7 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information related to our contingent obligations (giveback).

#### **Other Contingencies**

In the ordinary course of business, we are a party to litigation, investigations, inquiries, employment-related matters, disputes and other potential claims. We discuss certain of these matters in Note 7 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

#### **Carlyle Common Units and Carlyle Holdings Partnership Units**

A rollforward of the outstanding Carlyle Group L.P. common units and Carlyle Holdings partnership units from December 31, 2018 through June 30, 2019 is as follows:

	<b>Units as of December 31, 2018</b>	<b>Units Issued - DRUs</b>	<b>Units Forfeited</b>	<b>Units Exchanged</b>	<b>Units Repurchased / Retired</b>	<b>Units as of June 30, 2019</b>
The Carlyle Group L.P. common units	107,746,443	3,163,665	—	413,753	(643,859)	110,680,002
Carlyle Holdings partnership units	230,977,836	—	—	(413,753)	—	230,564,083
<b>Total</b>	<b>338,724,279</b>	<b>3,163,665</b>	<b>—</b>	<b>—</b>	<b>(643,859)</b>	<b>341,244,085</b>

The Carlyle Group L.P. common units issued during the period from December 31, 2018 through June 30, 2019 relate to the vesting of the Partnership's deferred restricted common units during the six months ended June 30, 2019.

The Carlyle Holdings partnership units exchanged relate to the exchange of Carlyle Holdings partnership units held by NGP and certain limited partners for common units on a one-for-one basis. Senior Carlyle professionals can exchange their Carlyle Holdings partnership units for common units on a quarterly basis, subject to the terms of the Exchange Agreement and the Carlyle Holdings partnership agreements. We intend to facilitate an orderly exchange process to seek to minimize the impact on the trading price of our common units. During the three and six months ended June 30, 2019, senior Carlyle professionals exchanged approximately 0.2 million and 0.4 million, respectively, of their Carlyle Holdings partnership units for common units.

The total units as of June 30, 2019 as shown above exclude approximately 5.4 million common units in connection with the vesting of deferred restricted common units subsequent to June 30, 2019 that will participate in the common unitholder distribution that will be paid August 19, 2019.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Our primary exposure to market risk is related to our role as general partner or investment advisor to our investment funds and the sensitivities to movements in the fair value of their investments, including the effect on management fees, incentive fees and investment income, including performance allocations. Although our investment funds share many common themes, each of our asset management asset classes runs its own investment and risk management processes, subject to our overall risk tolerance and philosophy. The investment process of our investment funds involves a comprehensive due diligence approach, including review of reputation of shareholders and management, company size and sensitivity of cash flow generation, business sector and competitive risks, portfolio fit, exit risks and other key factors highlighted by the deal team. Key investment decisions are subject to approval by both the fund-level managing directors, as well as the investment committee, which is generally comprised of one or more of the three founding partners, one “sector” head, one or more operating executives and senior investment professionals associated with that particular fund. Once an investment in a portfolio company has been made, our fund teams closely monitor the performance of the portfolio company, generally through frequent contact with management and the receipt of financial and management reports.

There was no material change in our market risks during the three months ended June 30, 2019. For additional information, refer to our Annual Report on Form 10-K for the year ended December 31, 2018.

### **Item 4. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our co-principal executive officers and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures. In designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives.

Our management, with the participation of our co-principal executive officers and principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation and subject to the foregoing, our co-principal executive officers and principal financial officer concluded that, as of the end of the period covered by this report, the design and operation of our disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level.

#### **Changes in Internal Control over Financial Reporting**

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended June 30, 2019 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

**Item 1. Legal Proceedings**

The information required with respect to this item can be found under “Legal Matters” in Note 7, Commitments and Contingencies, of the notes to the Partnership’s unaudited condensed consolidated financial statements contained in this quarterly report, and such information is incorporated by reference into this Item 1.

**Item 1A. Risk Factors**

***Following the Conversion, we expect to pay more corporate income taxes than we would have as a limited partnership.***

On July 31, 2019, we announced our decision to convert The Carlyle Group L.P. from a limited partnership to a corporation. We anticipate that the Conversion will be effective on January 1, 2020. Following the Conversion, all of the net income attributable to the Corporation will be subject to U.S. federal (and state and local) corporate income taxes, which we anticipate will have a dilutive impact to Distributable Earnings per share of Common Stock and net income and reduce the amount of cash available for dividends to our common stockholders, although this dilution should initially be mitigated by a tax basis increase related to the Conversion. We anticipate that our Distributable Earnings will be subject to an effective corporate tax rate in the mid-to-high teens for several years following the Conversion and in the low-twenties over the long-term. These estimates are presented for illustrative purposes only and are subject to various risks and uncertainties. Actual results could differ materially from these estimates. Among other things, these estimates are based on assumptions concerning the size and recovery period of the tax basis increase related to the Conversion, as well as the currently enacted maximum U.S. federal corporate income tax rate of 21%. To the extent the tax basis increase generated in the Conversion is smaller or takes longer to realize than anticipated, we would expect the effective tax rate on Distributable Earnings to more quickly reach its long-term level. In addition, any future increase in currently enacted corporate tax rates would cause us to pay more corporate income taxes than currently anticipated. The impact of changes to tax legislation may also cause us to pay more corporate income taxes than currently anticipated.

***We may fail to realize the anticipated benefits of the Conversion or those benefits may take longer to realize than expected or not offset the costs of the Conversion, which could have a material and adverse impact on the trading price of our securities.***

We believe that the Conversion will, among other things, improve trading liquidity, expand our global investor base and drive greater value for all of our stockholders over time. However, the level of investor interest in our Common Stock may not meet our expectations. For example, benchmark stock indices may change their eligibility requirements in a manner that is adverse to us or otherwise determine not to include our Common Stock. Moreover, even if we succeed in having our shares included in key stock indices and simplify our tax structure and reporting, this may not result in the increased demand for our stock that we anticipate. Consequently, we may fail to realize the anticipated benefits of the Conversion or those benefits may take longer to realize than we expect. Moreover, there can be no assurance that the anticipated benefits of the Conversion will offset its costs, which could be greater than we expect, particularly if there were to be an increase in the U.S. federal corporate income tax rate. Our failure to achieve the anticipated benefits of the Conversion at all or in a timely manner, or a failure of any benefits realized to offset its costs, could have a material and adverse impact on the trading price of our securities.

For a discussion of our other potential risks and uncertainties, see the information under Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2018, which is accessible on the SEC’s website at sec.gov.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds****Issuer Purchases of Equity Securities**

The following table sets forth repurchases of our common units during the three months ended June 30, 2019 for the periods indicated:

Period	(a) Total number of units purchased	(b) Average price paid per unit	(c) Total number of units purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of units that may yet be purchased under the plans or programs
(Dollars in millions, except unit and per unit data)				
April 1, 2019 to April 30, 2019 (1)	— \$	—	— \$	189.6
May 1, 2019 to May 31, 2019 (1)(2)	75,811 \$	20.37	75,811 \$	188.0
June 1, 2019 to June 30, 2019 (1)	— \$	—	— \$	188.0
Total	<u>75,811</u>		<u>75,811</u>	

- (1) In December 2018, the Board of Directors of the general partner of the Partnership authorized the repurchase of up to \$200 million of common units and/or Carlyle Holdings units. Under this unit repurchase program, units may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. We expect that the majority of repurchases under this program will be done via open market transactions. No units will be repurchased from our executive officers under this program. The timing and actual number of common units and/or Carlyle Holdings units repurchased will depend on a variety of factors, including legal requirements, price, and economic and market conditions. This unit repurchase program may be suspended or discontinued at any time and does not have a specified expiration date.
- (2) All of the units purchased during this period were common units purchased in open market and brokered transactions. All units purchased during this period were subsequently retired.

**Item 3. Defaults Upon Senior Securities**

Not applicable.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

## Item 6. Exhibits

The following is a list of all exhibits filed or furnished as part of this report:

<u>Exhibit No.</u>	<u>Description</u>
3.1	<a href="#"><u>Certificate of Limited Partnership of The Carlyle Group L.P. (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-176685) filed with the SEC on September 6, 2011).</u></a>
3.2	<a href="#"><u>Second Amended and Restated Limited Partnership Agreement of The Carlyle Group L.P. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-35538) filed with the SEC on September 13, 2017).</u></a>
3.3*	<a href="#"><u>Form of Post-Conversion Certificate of Incorporation of The Carlyle Group Inc.</u></a>
3.4*	<a href="#"><u>Form of Post-Conversion Bylaws of The Carlyle Group Inc.</u></a>
10.1*	<a href="#"><u>Form of Post-Conversion Stockholder Agreement</u></a>
31.1 *	<a href="#"><u>Certification of the co-principal executive officer pursuant to Rule 13a – 14(a).</u></a>
31.2 *	<a href="#"><u>Certification of the co-principal executive officer pursuant to Rule 13a – 14(a).</u></a>
31.3 *	<a href="#"><u>Certification of the principal financial officer pursuant to Rule 13a – 14(a).</u></a>
32.1 *	<a href="#"><u>Certification of the co-principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
32.2 *	<a href="#"><u>Certification of the co-principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
32.3 *	<a href="#"><u>Certification of the principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
101.INS	XBRL Instance Document - the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

\* Filed herewith.

+ Management contract or compensatory plan or arrangement in which directors and/or executive officers are eligible to participate.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**The Carlyle Group L.P.**

By: Carlyle Group Management L.L.C.,  
its general partner

Date: July 31, 2019

By: /s/ Curtis L. Buser  
Name: Curtis L. Buser  
Title: Chief Financial Officer  
*(Principal Financial Officer and Authorized Officer)*

**FORM OF CERTIFICATE OF INCORPORATION  
OF  
THE CARLYLE GROUP INC.  
ARTICLE I**

**NAME**

The name of the Corporation is The Carlyle Group Inc. (the “Corporation”).

**ARTICLE II**

**REGISTERED OFFICE AND AGENT**

The address of the Corporation’s registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle, Delaware 19801. The name of the registered agent at such address is The Corporation Trust Company.

**ARTICLE III**

**PURPOSE**

The purpose and nature of the business to be conducted by the Corporation shall be to (a) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that is approved by the Board of Directors in its sole discretion and that lawfully may be conducted by a corporation organized pursuant to the DGCL and, in connection therewith, to exercise all of the rights and powers conferred upon the Corporation pursuant to the agreements relating to such business activity; and (b) do anything necessary or appropriate to the foregoing, including the making of capital contributions or loans to a member of the Corporate Group. The Corporation is being incorporated in connection with the conversion of The Carlyle Group L.P., a Delaware limited partnership (the “Partnership”), to the Corporation (the “Conversion”), and this Certificate of Incorporation is being filed simultaneously with the Certificate of Conversion of the Partnership to the Corporation.

**ARTICLE IV**

**AUTHORIZED STOCK**

Section 4.01 Capitalization. (a) The total number of shares of all classes of stock that the Corporation shall have authority to issue is 101,000,000,000 which shall be divided into two classes as follows:

- (i) 100,000,000,000 shares of common stock, \$0.01 par value per share (“Common Stock”); and

(ii) 1,000,000,000 shares of preferred stock, \$0.01 par value per share (“Preferred Stock”), of which (x) 16,000,000 shares are designated as “Series A Preferred Stock” (“Series A Preferred Stock”) and (y) the remaining 984,000,000 shares may be designated from time to time in accordance with this Article IV.

(b) At the Effective Time, each (i) Common Unit outstanding immediately prior to the Effective Time will be converted into one issued and outstanding, fully paid and nonassessable share of Common Stock, (ii) Special Voting Unit outstanding immediately prior to the Effective Time will be cancelled for no consideration, (iii) General Partner Unit outstanding immediately prior to the Effective Time will be cancelled for no consideration, and (iv) Series A Preferred Unit outstanding immediately prior to the Effective Time will be converted into one issued and outstanding, fully paid and nonassessable share of Series A Preferred Stock, in each case without any action required on the part of the Corporation or the former holder of such Limited Partner Interest or General Partner Interest, as applicable.

(c) The number of authorized shares of Common Stock or Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the Outstanding stock of the Corporation entitled to vote thereon irrespective of the provisions of Section 242(b)(2) of the DGCL (or any successor provision thereto), and no other vote of the holders of the Common Stock or any series of Preferred Stock, voting together or separately as a class, shall be required therefor, unless a vote of the holders of any such class, classes or series is expressly required pursuant to this Certificate of Incorporation, including any certificate of designation relating to any series of Preferred Stock (as amended and/or restated from time to time, this “Certificate of Incorporation”).

**Section 4.02 Preferred Stock.** The Board of Directors of the Corporation (the “Board of Directors”) is hereby expressly authorized, by resolution or resolutions, to provide, out of the unissued shares of Preferred Stock, for one or more series of Preferred Stock and, with respect to each such series, to fix, without further stockholder approval (except as may be required by Article XX or any certificate of designation relating to any series of Preferred Stock), the designation of such series, the powers (including voting powers), preferences and relative, participating, optional and other special rights, and the qualifications, limitations or restrictions thereof, of such series of Preferred Stock and the number of shares of such series, which number the Board of Directors may, except where otherwise provided in the designation of such series, increase (but not above the total number of shares of Preferred Stock then authorized and available for issuance and not committed for other issuance) or decrease (but not below the number of shares of such series then outstanding). The powers, preferences and relative, participating, optional and other special rights, and the qualifications, limitations or restrictions thereof, of each series of Preferred Stock, if any, may differ from those of any and all other series at any time Outstanding.

Section 4.03 Splits and Combinations of Stock.

(a) Subject to Section 4.03(c), Article XX and any certificate of designation relating to any series of Preferred Stock, the Corporation may make a pro rata distribution of shares of stock of the Corporation or options, rights, warrants or appreciation rights relating to stock of the Corporation to all Record Holders or may effect a subdivision or combination of stock of the Corporation so long as, after any such event, each stockholder shall have the same percentage of each class or series of shares of stock of the Corporation as before such event, and any amounts calculated on a per share basis or stated as a number of shares of stock are proportionately adjusted.

(b) Whenever such a distribution, subdivision or combination of shares of stock of the Corporation or options, rights, warrants or appreciation rights relating to stock of the Corporation is declared, the Board of Directors shall select a payment date as of which the distribution, subdivision or combination shall be effective and shall provide notice thereof at least 20 days prior to such payment date to each Record Holder as of a Record Date not less than 10 days prior to the date of such notice.

(c) The Corporation shall not be required to issue fractional shares upon any distribution, subdivision or combination of shares of stock of the Corporation. If the Board of Directors determines that no fractional shares shall be issued in connection with any such distribution, subdivision or combination, the fractional shares resulting therefrom shall be treated in accordance with Section 155 of the DGCL.

**ARTICLE V**

**TERMS OF COMMON STOCK**

Section 5.01 General. Except as otherwise required by law or as expressly provided in this Certificate of Incorporation, each share of Common Stock shall have the same powers, privileges and rights and shall rank equally, share ratably and be identical in all respects as to all matters, with each other share of Common Stock.

Section 5.02 Voting. Except as otherwise required by law or as expressly provided in this Certificate of Incorporation, each Record Holder of Common Stock, as such, shall have one vote for each share of Common Stock that is Outstanding in his, her or its name on the books of the Corporation on all matters on which the stockholders of the Corporation are generally entitled to vote. Subject to Section 11.01, except as otherwise required by applicable law, holders of Common Stock, as such, shall not be entitled to vote on any amendment to this Certificate of Incorporation or any certificate of designation with respect to any series of Preferred Stock that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to this Certificate of Incorporation, the certificate of designation with respect to such series or applicable law.

Section 5.03 Dividends. Subject to applicable law and the rights, if any, of the holders of any outstanding series of Preferred Stock or any class or series of stock having a preference over or the right to participate with the Common Stock with respect to the payment of dividends, dividends may be declared and paid ratably on the Common Stock out of the assets of the Corporation that are legally available for this purpose at such times and in such amounts as the Board of Directors in its discretion shall determine.

Section 5.04 Liquidation. Upon a Dissolution Event, after payment or provision for payment of the debts and other liabilities of the Corporation and subject to the rights, if any, of the holders of any outstanding series of Preferred Stock or any class or series of stock having a preference over or the right to participate with the Common Stock with respect to the distribution of assets of the Corporation upon such Dissolution Event, the holders of Common Stock shall be entitled to receive the remaining assets of the Corporation available for distribution to its stockholders ratably in proportion to the number of shares held by them.

## ARTICLE VI

### **CERTIFICATES; RECORD HOLDERS; TRANSFER OF STOCK OF THE CORPORATION**

Section 6.01 Certificates. Notwithstanding anything otherwise to the contrary herein, unless the Board of Directors shall provide by resolution or resolutions otherwise in respect of some or all of any or all classes or series of stock of the Corporation, the stock of the Corporation shall not be evidenced by certificates. Certificates that may be issued shall be executed on behalf of the Corporation by any two duly authorized officers of the Corporation.

No Certificate evidencing shares of Common Stock or Preferred Stock shall be valid for any purpose until it has been countersigned by the Transfer Agent; provided, however, that if the Board of Directors resolves to issue Certificates evidencing shares of Common Stock or Preferred Stock in global form, the Certificates evidencing such shares of Common Stock or Preferred Stock shall be valid upon receipt of a certificate from the Transfer Agent certifying that the Certificates evidencing such shares of Common Stock or Preferred Stock have been duly registered in accordance with the directions of the Corporation. The use of facsimile signatures affixed in the name and on behalf of the Transfer Agent on Certificates, if any, representing shares of stock of the Corporation is expressly permitted by this Certificate of Incorporation.

Section 6.02 Mutilated, Destroyed, Lost or Stolen Certificates.

(a) If any mutilated Certificate evidencing shares of stock of the Corporation is surrendered to the Transfer Agent, two authorized officers of the Corporation shall execute, and, if applicable, the Transfer Agent shall countersign and deliver in exchange therefor, a new Certificate evidencing the same number and class or series of stock as the Certificate so surrendered.

(b) Any two authorized officers of the Corporation shall execute and deliver, and, if applicable, the Transfer Agent shall countersign a new Certificate in place of any Certificate previously issued if the Record Holder of the Certificate:

(i) makes proof by affidavit, in form and substance satisfactory to the Corporation, that a previously issued Certificate has been lost, destroyed or stolen;

(ii) requests the issuance of a new Certificate before the Corporation has notice that the Certificate has been acquired by a purchaser for value in good faith and without notice of an adverse claim;

(iii) if requested by the Corporation, delivers to the Corporation a bond, in form and substance satisfactory to the Corporation, with surety or sureties and with fixed or open penalty as the Corporation may direct to indemnify the Corporation, the stockholders and, if applicable, the Transfer Agent against any claim that may be made on account of the alleged loss, destruction or theft of the Certificate; and

(iv) satisfies any other requirements imposed by the Corporation.

(c) As a condition to the issuance of any new Certificate under this Section 6.02, the Corporation 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 Transfer Agent, if applicable) reasonably connected therewith.

**Section 6.03 Record Holders.** The Corporation shall be entitled to recognize the Record Holder as the owner with respect to any share of stock of the Corporation and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other Person, regardless of whether the Corporation shall have actual or other notice thereof, except as otherwise required by law or any applicable rule, regulation, guideline or requirement of any National Securities Exchange on which such shares are listed for trading. Without limiting the foregoing, when a Person (such as a broker, dealer, bank, trust company or clearing corporation or an agent of any of the foregoing) is acting as nominee, agent or in some other representative capacity for another Person in acquiring and/or holding shares of stock of the Corporation, as between the Corporation, on the one hand, and such other Persons, on the other, such representative Person shall be the Record Holder of such shares.

#### **Section 6.04 Transfer Generally.**

(a) The term "transfer," when used in this Certificate of Incorporation with respect to shares of stock of the Corporation, shall include a sale, assignment, gift, exchange or any other disposition by law or otherwise, including any transfer upon foreclosure of any pledge, encumbrance, hypothecation or mortgage.

(b) No shares of stock of the Corporation shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article VI. Any transfer or

purported transfer of any shares of stock of the Corporation not made in accordance with this Article VI shall be null and void.

**Section 6.05 Registration and Transfer of Stock.**

(a) The Corporation shall keep or cause to be kept on behalf of the Corporation a stock ledger in which, subject to such reasonable regulations as it may prescribe and subject to the provisions of Section 6.05(b), the Corporation will provide for the registration and transfer of stock of the Corporation. The Transfer Agent is hereby appointed registrar and transfer agent for the purpose of registering Common Stock and Preferred Stock and transfers of such stock as herein provided. The Corporation shall not recognize transfers of Certificates evidencing shares of stock of the Corporation unless such transfers are effected in the manner described in this Section 6.05. Upon surrender of a Certificate for registration of transfer of any shares of stock of the Corporation evidenced by a Certificate, and subject to the provisions of Section 6.05(b), any two authorized officers of the Corporation shall execute and deliver, and in the case of Common Stock and Preferred Stock, the Transfer Agent shall countersign and deliver, in the name of the holder or the designated transferee or transferees, as required pursuant to the holder's instructions, one or more new Certificates evidencing the same aggregate number and type of stock of the Corporation as was evidenced by the Certificate so surrendered.

(b) The Corporation shall not recognize any transfer of shares of stock of the Corporation evidenced by Certificates until the Certificates evidencing such shares of stock are surrendered for registration of transfer. No charge shall be imposed by the Corporation for such transfer; provided that as a condition to the issuance of any new Certificate under this Section 6.05, the Corporation may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed with respect thereto.

(c) Subject to (i) the foregoing provisions of this Section 6.05, (ii) Section 6.03, (iii) Section 6.04, (iv) Section 6.06, (v) with respect to any class or series of stock of the Corporation, the provisions of any certificate of designation or amendment to this Certificate of Incorporation establishing such class or series, and Article XX, (vi) any contractual provisions binding on any holder of shares of stock of the Corporation, and (vii) provisions of applicable law including the Securities Act, the stock of the Corporation shall be freely transferable. Stock of the Corporation issued pursuant to any employee-related policies or equity benefit plans, programs or practices adopted by the Corporation may be subject to any transfer restrictions contained therein.

**Section 6.06 Additional Restrictions on Transfers.**

(a) Except as provided in Section 6.06(b) below, but notwithstanding the other provisions of this Article VI, no transfer of any shares of stock of the Corporation shall be made if such transfer would (i) violate the then applicable U.S. federal or state securities laws or rules and regulations of the Commission, any state securities commission or any other governmental authority with jurisdiction over such transfer or (ii) terminate the existence or qualification of the Corporation under the laws of the jurisdiction of its incorporation.

(b) Nothing contained in this Article VI, or elsewhere in this Certificate of Incorporation, shall preclude the settlement of any transactions involving shares of stock of the Corporation entered into through the facilities of any National Securities Exchange on which such shares of stock are listed for trading.

## **ARTICLE VII**

### **SALE, EXCHANGE OR OTHER DISPOSITION OF THE CORPORATION'S ASSETS**

Except as provided in Section 5.04 and Article VIII, the Corporation may not sell or exchange all or substantially all of the assets of the Corporate Group, taken as a whole, in a single transaction or a series of related transactions without the approval of the holders of a majority of the voting power of the Outstanding stock entitled to vote thereon; provided, however, that this Article VII shall not preclude or limit the Corporation's ability, in the sole discretion of the Board of Directors, to mortgage, pledge, hypothecate or grant a security interest in any or all of the assets of the Corporate Group (including for the benefit of Persons other than the members of the Corporate Group), including, in each case, pursuant to any forced sale of any or all of the assets of the Corporate Group pursuant to the foreclosure of, or other realization upon, any such encumbrance.

## **ARTICLE VIII**

### **MERGER**

Section 8.01 Authority. The Corporation may merge or consolidate or otherwise combine with or into one or more corporations, limited liability companies, statutory trusts or associations, real estate investment trusts, common law trusts, unincorporated businesses or other Person permitted by the DGCL, including a partnership (whether general or limited (including a limited liability partnership or a limited liability limited partnership)), pursuant to a written agreement of merger, consolidation or other business combination (the "Merger Agreement") in accordance with this Article VIII and the DGCL.

Section 8.02 Stockholder Approval.

(a) Subject to Article XX and any certificate of designation relating to any series of Preferred Stock, the Merger Agreement and the merger, consolidation or other business combination contemplated thereby shall be adopted and approved upon receiving the affirmative vote or consent of the holders of a majority of the voting power of the Outstanding Common Stock.

(b) After such approval by vote or consent of the holders of Common Stock, and at any time prior to the filing of the certificate of merger or consolidation or similar certificate with the Secretary of State of the State of Delaware in conformity with the requirements of the DGCL, the merger, consolidation or other business combination may be abandoned pursuant to provisions therefor, if any, set forth in the Merger Agreement.

Section 8.03 Amendment of Certificate of Incorporation. Pursuant to the DGCL, an agreement of merger, consolidation or other business combination approved in accordance with this Article VIII may effect any amendment to this Certificate of Incorporation. Any such amendment made pursuant to this Section 8.03 shall be effective at the effective time or date of the merger, consolidation or other business combination.

Section 8.04 Mergers of Subsidiaries. This Article VIII does not apply to mergers of Subsidiaries of the Corporation.

Section 8.05 Preferred Stock. Notwithstanding anything to the contrary, the provisions of Section 8.02 are not applicable to Preferred Stock or the holders of Preferred Stock. Holders of Preferred Stock shall have no voting, approval or consent rights under this Article VIII. Voting, approval and consent rights of holders of Preferred Stock shall be solely as provided for and set forth in Article XX and any certificate of designation relating to any series of Preferred Stock.

## **ARTICLE IX**

### **SEPARATENESS OF THE CORPORATION**

Section 9.01 Separateness Generally. The Corporation shall conduct its business and operations separate and apart from those of any other Person in accordance with this Article IX.

Section 9.02 Separate Records. The Corporation shall maintain (i) its books and records, (ii) its accounts, and (iii) its financial statements separate from those of any other Person except for a Person whose financial results are required to be consolidated with the financial results of the Corporation.

Section 9.03 No Effect. Failure by the Board of Directors or the Corporation to comply with any of the obligations set forth above shall not affect the status of the Corporation as a separate legal entity, with its separate assets and separate liabilities.

## **ARTICLE X**

### **BOARD OF DIRECTORS**

Section 10.01 Election of Board of Directors.

(a) Subject to Section 20.07 and any certificate of designation with respect to any series of Preferred Stock relating to the rights of the holders of Preferred Stock to elect additional directors (such directors, including, for the avoidance of doubt, the Preferred Directors, the "Preferred Stock Directors"), beginning in 2021, an annual meeting of the stockholders of the Corporation for the election of Directors and such other matters that may be properly submitted to a vote of the stockholders of the Corporation shall be held in June of each year or at such other date and time as may be fixed by the Board of Directors at such place within or without the State of Delaware as may be fixed by the Board of Directors and all as stated in the notice of the meeting. Except as otherwise required by applicable law, notice of the annual meeting shall be

given in accordance with Section 18.01 not less than 10 days nor more than 60 days prior to the date of such meeting.

(b) Subject to Section 20.07 and any certificate of designation with respect to any series of Preferred Stock relating to any Preferred Stock Directors, the holders of Outstanding stock entitled to vote on the election of Directors to the Board of Directors generally shall vote together as a single class. The stockholders described in the immediately preceding sentence shall elect by a plurality of the votes cast at such meeting persons to serve as Directors who are nominated in accordance with the provisions of this Section 10.01.

(c) If the Corporation has provided at least thirty days advance notice of any meeting at which Directors (other than any Preferred Stock Directors) are to be elected, then the stockholders holding Outstanding stock entitled to vote on the election of Directors generally that attend such meeting, provided that such stockholders represent at least one-third of the Outstanding stock entitled to vote on the election of Directors generally at such meeting, represented either in person or by proxy, shall constitute a quorum. If the Corporation has provided less than thirty days advance notice of any such meeting, then stockholders holding a majority of the voting power of the Outstanding stock entitled to vote on the election of Directors generally at such meeting, represented either in person or by proxy, shall constitute a quorum.

(d) The Board of Directors shall initially consist of each of the directors named in the Plan of Conversion providing for the Conversion, each to serve in the class of directors set forth therein, and subject to Section 20.07 and any certificate of designation with respect to any series of Preferred Stock relating to any Preferred Stock Directors, each director so elected shall hold office for the applicable term provided by Section 10.01(e), or until such director's earlier death, resignation or removal. Subject to Section 20.07 and any certificate of designation with respect to any series of Preferred Stock relating to any Preferred Stock Directors, the Board of Directors shall have the exclusive authority to determine from time to time the number of directors to constitute the Board of Directors. Subject to the first sentence of this Section 10.01(d), directors shall be elected and removed in the manner provided in Section 10.01(b) and Section 10.01(f). Any vacancies and newly created directorships on the Board of Directors (other than any Preferred Stock Directors) shall be filled in the manner provided in Section 10.01(f).

(e) The Directors (other than any Preferred Stock Directors) shall be divided into three classes, Class I, Class II, and Class III. The Board of Directors may assign members of the Board of Directors already in office (other than any Preferred Stock Directors) to such classes at the time the classification becomes effective. The number of Directors in each class shall be the whole number contained in the quotient arrived at by dividing the authorized number of Directors (other than any Preferred Stock Directors) by three, and if a fraction is also contained in such quotient, then if such fraction is one-third, the extra director shall be a member of Class I and if the fraction is two-thirds, one of the extra directors shall be a member of Class I and the other shall be a member of Class II. Each Director (other than any Preferred Stock Directors) shall serve for a term ending as provided herein; provided, however, that the Directors designated to Class I by the Board of Directors shall serve for an initial term that expires at the Initial Annual Meeting, the Directors designated to Class II by the Board of Directors shall serve

for an initial term that expires at the first annual meeting of stockholders following the Initial Annual Meeting, and the Directors designated to Class III by the Board of Directors shall serve for an initial term that expires at the second annual meeting of stockholders following the Initial Annual Meeting. At each succeeding annual meeting of stockholders for the election of Directors following the Initial Annual Meeting, successors to the Directors whose term expires at that annual meeting shall be elected for a three-year term.

(f) Each Director (other than any Preferred Stock Director) shall hold office for the term for which such Director is elected and thereafter until such Director's successor shall have been duly elected and qualified, or until such Director's earlier death, resignation or removal. Subject to Section 20.07 and any certificate of designation with respect to any series of Preferred Stock relating to any Preferred Stock Directors, if the number of Directors is changed, any increase or decrease shall be apportioned among the classes of Directors so as to maintain the number of Directors in each class as nearly equal as possible, and any additional Director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of Directors shorten the term of any incumbent Director. Except as provided in this Section 10.01, Section 20.07 or any certificate of designation with respect to any series of Preferred Stock relating to any Preferred Stock Directors, any vacancy and any newly created directorship on the Board of Directors may only be filled by the vote of a majority of the remaining Directors, although less than a quorum, or by the sole remaining Director. Subject to Section 20.07 and any certificate of designation with respect to any series of Preferred Stock relating to any Preferred Stock Directors, any Director elected to fill a vacancy not resulting from an increase in the number of Directors shall have the same remaining term as that of his or her predecessor. Subject to Section 20.07 and any certificate of designation with respect to any series of Preferred Stock relating to any Preferred Stock Directors, a Director may be removed only at a meeting of the stockholders upon the affirmative vote of stockholders holding a majority in voting power of the Outstanding stock entitled to vote thereon; provided, a Director may only be removed for cause. If, at the same meeting at which a Director is so removed, the stockholders holding a majority in voting power of the Outstanding stock entitled to vote on the election of such Director nominate a replacement Director, such nomination shall not be subject to the nomination procedures otherwise set forth in this Section 10.01, and stockholders holding a majority in voting power of the Outstanding stock entitled to vote on the election of such Director may vote to elect a replacement Director.

(g) Subject to Section 20.07 and any certificate of designation with respect to any series of Preferred Stock relating to Preferred Stock Directors, (A) (1) nominations of persons for election of Directors to the Board of Directors and the proposal of other business to be considered by the stockholders may be made at an annual meeting of the stockholders only (a) pursuant to the notice of meeting (or any supplement thereto) (b) by or at the direction of a majority of the Directors or (c) by a stockholder who was a Record Holder at the time the notice provided for in this Section 10.01(g) is delivered to the Corporation and who complies with the notice procedures set forth in this Section 10.01(g).

(2) For any nominations or other business to brought before an annual meeting by a stockholder pursuant to clause (c) of paragraph (A)(1) of this Section 10.01(g), the stockholder must have given timely notice thereof in writing to the Corporation. To be timely, a stockholder's notice shall be delivered to the Corporation at its principal office not later than the close of business on the ninetieth (90th) day, nor earlier than the close of business on the one hundred twentieth (120th) day, prior to the first anniversary of the preceding year's annual meeting (provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than seventy (70) days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation). For purposes of the Initial Annual Meeting, the first anniversary of the preceding year's annual meeting shall be deemed to be June 30 of that year. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth: (a) as to each person whom the stockholder proposes to nominate for election as Director (i) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to and in accordance with Regulation 14A under the Exchange Act and the rules and regulations promulgated thereunder and (ii) such person's written consent to being named in the Corporation's proxy statement as a nominee and to serving as a Director if elected; (b) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as it appears on the Corporation's books and records, and of such beneficial owners, (ii) the type and number of shares of stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owners, (iii) a description of any agreement, arrangement or understanding with respect to the nomination or proposal between or among such stockholder and/or such beneficial owners, any of their respective Affiliates or associates, and any others acting in concert with any of the foregoing, including each nominee, (iv) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, equity appreciation or similar rights, hedging transactions, and borrowed or loaned shares of stock of the Corporation) that has been entered into as of the date of the stockholder's notice by, or on behalf of, such stockholder and such beneficial owners, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder and such beneficial owner, with respect to stock of the Corporation, (v) a representation that the stockholder is a Record Holder entitled to vote at such meeting and intends to appear in person or by proxy at the meeting

to propose such business or nomination, (vi) a representation whether such stockholder or the beneficial owners, if any, intend or are part of a group which intends (a) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's Outstanding stock required to approve or adopt the proposal or elect the nominee and/or (b) otherwise to solicit proxies from stockholders in support of such proposal or nomination, and (vii) any other information relating to such stockholder and beneficial owners, if any, required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the election of directors in an election contest pursuant to and in accordance with Section 14(a) of the Exchange Act and the rules and regulations promulgated thereunder; and (c) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws, the language of the proposed amendment), the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made. A stockholder providing notice of a proposed nomination for election to the Board of Directors or any proposed business to be brought before the meeting shall update and supplement such notice from time to time to the extent necessary so that the information provided or required to be provided in such notice shall be true and correct as of the Record Date for determining the stockholders entitled to vote at the meeting and as of the date that is fifteen (15) days prior to the meeting or any adjournment or postponement thereof; such update and supplement shall be delivered in writing to the Corporation at its principal executive offices not later than five (5) days after such Record Date for the meeting (in the case of any update and supplement required to be made as of such Record Date), and not later than ten (10) days prior to the date for the meeting or any adjournment or postponement thereof (in the case of any update and supplement required to be made as of fifteen (15) days prior to the meeting or any adjournment or postponement thereof). The Corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a Director.

(3) Notwithstanding anything in the second sentence of paragraph (A)(2) of this Section 10.01(g) to the contrary, in the event that the number of Directors to be elected to the Board of Directors is increased (except pursuant to Section 20.07 or any certificate of designation with respect to any series of Preferred Stock relating to any Preferred Stock Directors) effective after the time period for which nominations would otherwise be due under paragraph (A)(2) of this Section 10.01(g) and there is no public announcement by the Corporation naming the nominees for the additional directorships at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 10.01(g) shall also be considered timely, but only

with respect to nominees for the additional directorships, if it shall be delivered to the Corporation at its principal office not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Corporation.

(B) Subject to Section 20.07 and any certificate of designation with respect to any series of Preferred Stock relating to Preferred Stock Directors, nominations of persons for election as a Director to the Board of Directors may be made at a special meeting of stockholders at which Directors are to be elected pursuant to the notice of meeting (1) by or at the direction of a majority of the Directors or (2) provided that the Board of Directors has determined that Directors shall be elected at such meeting, by any stockholder pursuant to Section 16.01, if such stockholder is a Record Holder at the time the notice provided for in this Section 10.01(g) is delivered to the Corporation and if the stockholder complies with the notice procedures set forth in this Section 10.01(g). In the event a special meeting of stockholders is called for the purpose of electing one or more Directors to the Board of Directors, any such stockholder may nominate a person or persons (as the case may be) for election to such position(s) as specified in the notice of meeting, if the stockholder's notice required by paragraph (A)(2) of this Section 10.01(g) shall be delivered to the Corporation not earlier than the close of business on the one hundred twentieth (120th) day prior to such special meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such special meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(C) (1) Subject to Section 20.07 and any certificate of designation with respect to any series of Preferred Stock relating to any Preferred Stock Directors, only such persons who are nominated in accordance with the procedures set forth in this Section 10.01 shall be eligible to be elected at an annual or special meeting of stockholders to serve as Directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 10.01. Except as otherwise provided by law, the chairman designated by the Board of Directors pursuant to Section 16.04 shall have the power and duty (a) to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this Section 10.01(g) (including whether the stockholder or beneficial owner, if any, on whose behalf the nomination or proposal is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies in support of such stockholder's nominee or proposal in compliance with such stockholder's representation as required by clause (A)(2)(b)(vi) of this Section 10.01(g)) and (b) if any proposed nomination or business to be brought before the meeting was not made in compliance with this Section 10.01(g), to declare that such nomination or proposal shall be disregarded. Notwithstanding the foregoing provisions of this Section 10.01(g), unless otherwise required by law, if the

stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders to present a nomination or proposed business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Section 10.01(g), to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

(2) For purposes of this Section 10.01(g), "public announcement" shall include disclosure in a press release reported by the Dow Jones News Service, Associated Press or other national news service or in a document publicly filed by the Corporation with the Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act and the rules and regulations promulgated thereunder.

(3) Notwithstanding the foregoing provisions of this Section 10.01(g), a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 10.01(g); provided however, that any references in this Certificate of Incorporation to the Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit any requirements applicable to nominations or proposals pursuant to this Section 10.01(g) (including paragraphs A(1) and B hereof), and compliance with paragraphs A(1)(c) and B of this Section 10.01(g) shall be the exclusive means for a stockholder to make nominations or submit business. Nothing in this Section 10.01(g) shall be deemed to affect any rights of the holders of any series of Preferred Stock to elect any Preferred Stock Directors.

## ARTICLE XI

### AMENDMENT OF CERTIFICATE OF INCORPORATION

#### Section 11.01 Amendment Requirements.

(a) Except (x) as provided in Articles IV and XX, and subsections (b) through (e) of this Section 11.01 and (y) for such amendments as may be approved by the Board of Directors without a meeting or vote of stockholders under Section 242 of the DGCL, any proposed amendment to this Certificate of Incorporation pursuant to this Section 11.01(a) shall require the approval of the holders of a majority in voting power of the Outstanding Common Stock, unless a greater or lesser percentage is required under the DGCL or this Certificate of Incorporation. If such an amendment is proposed, the Board of Directors shall seek the approval of the holders of the requisite percentage of the voting power of the Outstanding Common Stock or call a meeting of the holders of Common Stock to consider and vote on such proposed amendment, in each

case, in accordance with the provisions of this Certificate of Incorporation and the DGCL. The Corporation shall notify all Record Holders upon final adoption of any such proposed amendments.

(b) Notwithstanding the provisions of Section 11.01(a) and Article XII, no amendment to this Certificate of Incorporation or the Bylaws may enlarge the obligations of any stockholder without its consent, unless such enlargement may be deemed to have occurred as a result of an amendment approved pursuant to Section 11.01(c).

(c) Except as provided in Section 8.02 and Article XX, any amendment that would have a material adverse effect on the rights or preferences of any class of stock of the Corporation in relation to other classes of stock of the Corporation must be approved by the holders of no less than a majority in voting power of the Outstanding shares of stock of the class affected.

(d) Notwithstanding any other provision of this Certificate of Incorporation, except as otherwise provided by Articles VIII and XX, and except for amendments approved pursuant to Section 11.01(a)(y), in addition to any other approval required by this Certificate of Incorporation, no amendment shall become effective without the affirmative vote or consent of stockholders holding at least 90% of the voting power of the Outstanding Common Stock unless the Corporation obtains an Opinion of Counsel to the effect that such amendment will not affect the limited liability of any stockholder under the DGCL.

(e) Notwithstanding the provisions of Section 11.01(a), no provision of this Certificate of Incorporation that requires the vote or consent of stockholders holding, or holders of, a percentage of the voting power of the Outstanding Common Stock to take any action shall be amended, altered, changed, repealed or rescinded in any respect that would have the effect of reducing such voting percentage unless such amendment is approved by the written consent or the affirmative vote of stockholders whose aggregate shares of Outstanding Common Stock constitutes not less than the voting or consent requirement sought to be reduced.

Section 11.02 Preferred Stock. Notwithstanding anything to the contrary, subsections Section 11.01(b) through (e) of Section 11.01 are not applicable to any series of Preferred Stock or the holders of Preferred Stock. Holders of Preferred Stock shall have no voting, approval or consent rights under this Article XI. Voting, approval and consent rights of holders of Preferred Stock shall be solely as provided for and set forth in Article XX and any certificate of designation relating to any series of Preferred Stock.

## **ARTICLE XII**

### **BYLAWS**

In furtherance and not in limitation of the powers conferred by the DGCL, except as expressly provided in this Certificate of Incorporation or the Bylaws, the Board of Directors is expressly authorized to adopt, amend and repeal, in whole or in part, the Bylaws without the assent or vote of the stockholders in any manner not inconsistent with the DGCL or this

Certificate of Incorporation. Notwithstanding any other provision of this Certificate of Incorporation or any provision of law that might otherwise permit a lesser vote, but in addition to any affirmative vote of the holders of any series of Preferred Stock required by law, this Certificate of Incorporation or any certificate of designation relating to any series of Preferred Stock, the Bylaws may also be amended, altered or repealed and new Bylaws may be adopted by the stockholders of the Corporation only by the affirmative vote of the holders of at least a majority of the voting power of the Outstanding stock of the Corporation entitled to vote thereon.

## **ARTICLE XIII**

### **OUTSIDE ACTIVITIES**

#### **Section 13.01 Outside Activities.**

(a) Except with respect to any corporate opportunity expressly offered to any Indemnitee solely through their service to the Corporate Group, to the fullest extent permitted by law, each Indemnitee shall have the right to engage in businesses of every type and description and other activities for profit and to engage in and possess an interest in other business ventures of any and every type or description, whether in businesses engaged in or anticipated to be engaged in by any Group Member, independently or with others, including business interests and activities in direct competition with the business and activities of any Group Member, and none of the same shall constitute a violation of this Certificate of Incorporation or any duty otherwise existing at law, in equity or otherwise to any Group Member or any stockholder of the Corporation or Person who acquires an interest in a share of stock of the Corporation. Subject to the immediately preceding sentence, no Group Member or any stockholder of the Corporation shall have any rights by virtue of this Certificate of Incorporation, the DGCL or otherwise in any business ventures of any Indemnitee, and the Corporation hereby waives and renounces any interest or expectancy therein.

(b) Any stockholder of the Corporation shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Corporation, including business interests and activities in direct competition with the Corporation or an Affiliate of a Group Member. Neither the Corporation nor any of the other stockholders shall have any rights by virtue of this Certificate of Incorporation in any business ventures of any stockholder of the Corporation.

Section 13.02 Approval and Waiver. Subject to the terms of Section 13.01, but otherwise notwithstanding anything to the contrary in this Certificate of Incorporation, (i) the engagement in competitive activities by any Indemnitee in accordance with the provisions of this Article XIII is hereby deemed approved by the Corporation, all stockholders and all Persons acquiring an interest in a share of stock of the Corporation, (ii) it shall not be a breach of any Indemnitee's duties or any other obligation of any type whatsoever of any Indemnitee if the Indemnitee engages in any such business interests or activities in preference to or to the exclusion of any Group Member, (iii) the Indemnitees shall have no obligation hereunder or as a result of any duty otherwise existing at law, in equity or otherwise to present business opportunities to any Group

Member, (iv) the Corporation hereby waives and renounces any interest or expectancy in such activities such that the doctrine of "corporate opportunity" or other analogous doctrine shall not apply to any such Indemnitee, and (v) the Indemnitees shall not be liable to the Corporation, any stockholder of the Corporation or any other Person who acquires an interest in a share of stock of the Corporation by reason that such Indemnitee or Indemnitees pursues or acquires a business opportunity for itself, directs such opportunity to another Person, does not communicate such opportunity or information to any Group Member or, to the fullest extent permitted by applicable law, uses information in the possession of a Group Member to acquire or operate a business opportunity.

## **ARTICLE XIV**

### **FISCAL YEAR**

The fiscal year of the Corporation (each, a "Fiscal Year") shall be a year ending December 31. The Board of Directors may change the Fiscal Year of the Corporation at any time and from time to time in each case as may be required or permitted under the Code or applicable United States Treasury Regulations and shall notify the stockholders of such change in the next regular communication to stockholders.

## **ARTICLE XV**

### **INDEMNIFICATION, LIABILITY OF INDEMNITEES**

#### Section 15.01 Indemnification.

(a) To the fullest extent permitted by law (including, if and to the extent applicable, Section 145 of the DGCL), but subject to the limitations expressly provided for in this Section 15.01, all Indemnitees shall be indemnified and held harmless by the Corporation on an after tax basis from and 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 arising from any and all threatened, pending or completed claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, and whether formal or informal and including appeals, in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as an Indemnitee whether arising from acts or omissions to act occurring on, before or after the date of this Certificate of Incorporation; provided that an Indemnitee shall not be indemnified and held harmless if there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that, in respect of the matter for which the Indemnitee is seeking indemnification pursuant to this Section 15.01, the Indemnitee acted in bad faith or engaged in fraud or willful misconduct. Notwithstanding the preceding sentence, except as otherwise provided in Section 15.01(j), the Corporation shall be required to indemnify a Person described in such sentence in connection with any claim, demand, action, suit or proceeding (or part thereof) commenced by such Person only if (x) the commencement of such claim, demand, action, suit or proceeding (or

part thereof) by such Person was authorized by the Board of Directors or (y) there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that such Person was entitled to indemnification by the Corporation pursuant to Section 15.01(j). The indemnification of an Indemnitee of the type identified in clause (c) of the definition of Indemnitee shall be secondary to any and all indemnification to which such Person is entitled from, firstly, the relevant other Person, and from, secondly, the relevant Fund (if applicable), and will only be paid to the extent the primary indemnification is not paid and the proviso set forth in the first sentence of this Section 15.01(a) does not apply; provided that such other Person and such Fund shall not be entitled to contribution or indemnification from or subrogation against the Corporation, unless otherwise mandated by applicable law. If, notwithstanding the foregoing sentence, the Corporation makes an indemnification payment or advances expenses to such an Indemnitee entitled to primary indemnification, the Corporation shall be subrogated to the rights of such Indemnitee against the Person or Persons responsible for the primary indemnification. “Fund” means any fund, investment vehicle or account whose investments are managed or advised by the Corporation (if any) or an Affiliate thereof.

(b) To the fullest extent permitted by law, expenses (including legal fees and expenses) incurred by an Indemnitee who is indemnified pursuant to Section 15.01(a) in appearing at, participating in or defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Corporation prior to a final and non-appealable determination that the Indemnitee is not entitled to be indemnified upon receipt by the Corporation of an undertaking by or on behalf of the Indemnitee to repay such amount if it ultimately shall be determined that the Indemnitee is not entitled to be indemnified as authorized in this Section 15.01. Notwithstanding the preceding sentence, except as otherwise provided in Section 15.01(j), the Corporation shall be required to advance the expenses of a Person described in such sentence in connection with any claim, demand, action, suit or proceeding (or part thereof) commenced by such Person only if (x) the commencement of such claim, demand, action, suit or proceeding (or part thereof) by such Person was authorized by the Board of Directors in its sole discretion or (y) there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that such Person was entitled to indemnification by the Corporation pursuant to Section 15.01(j).

(c) The indemnification provided by this Section 15.01 shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement, insurance, pursuant to any vote of the holders of Outstanding stock entitled to vote on such matter, as a matter of law, in equity or otherwise, both as to actions in the Indemnitee’s capacity as an Indemnitee and as to actions in any other capacity, and shall continue as to an Indemnitee who has ceased to serve in such capacity.

(d) The Corporation may purchase and maintain insurance on behalf of the Indemnitees and such other Persons as the Board of Directors shall determine in its sole discretion, against any liability that may be asserted against, or expense that may be incurred by, such Person in connection with the Corporate Group’s activities or such Person’s activities on behalf of the Corporate Group, regardless of whether the Corporation would have the power to

indemnify such Person against such liability under the provisions of this Certificate of Incorporation.

(e) For purposes of this Section 15.01, (i) the Corporation shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Corporation also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan; (ii) excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute “fines” within the meaning of Section 15.01(a); and (iii) any action taken or omitted by an Indemnitee with respect to any employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the best interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose that is in the best interests of the Corporation.

(f) Any indemnification pursuant to this Section 15.01 shall be made only out of the assets of the Corporation. In no event may an Indemnitee subject any other stockholders of the Corporation to personal liability by reason of the indemnification provisions set forth in this Certificate of Incorporation.

(g) To the fullest extent permitted by law, an Indemnitee shall not be denied indemnification in whole or in part under this Section 15.01 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Certificate of Incorporation.

(h) The provisions of this Section 15.01 are for the benefit of the Indemnitees and their heirs, successors, assigns, executors and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(i) No amendment, modification or repeal of this Section 15.01 or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Indemnitee to be indemnified by the Corporation, nor the obligations of the Corporation to indemnify any such Indemnitee under and in accordance with the provisions of this Section 15.01 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

(j) If a claim for indemnification (following the final disposition of the action, suit or proceeding for which indemnification is being sought) or advancement of expenses under this Section 15.01 is not paid in full within 30 days after a written claim therefor by any Indemnitee has been received by the Corporation, such Indemnitee may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expenses of prosecuting such claim, including reasonable attorneys' fees. In any such action the Corporation shall have the burden of proving that such Indemnitee is not entitled to the requested indemnification or advancement of expenses under applicable law.

(k) This Section 15.01 shall not limit the right of the Corporation, to the extent and in the manner permitted by law, to indemnify and to advance expenses to, and purchase and maintain insurance on behalf of, Persons other than Indemnitees.

#### Section 15.02 Liability of Indemnitees.

(a) Notwithstanding anything to the contrary set forth in this Certificate of Incorporation, to the extent and in the manner permitted by law, no Indemnitee shall be liable to the Corporation, the stockholders of the Corporation or any other Persons who have acquired interests in stock of the Corporation, 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 (including a violation of this Certificate of Incorporation) or any breach of duties (including breach of fiduciary duties) whether arising hereunder, 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. The Corporation, the stockholders of the Corporation and any other Person who acquires an interest in a share of stock of the Corporation, each on their own behalf and on behalf of the Corporation, waives, to the fullest extent permitted by law, any and all rights to seek punitive damages or damages based upon any federal, state or other income (or similar) taxes paid or payable by any such stockholder or other Person.

(b) To the extent that, at law or in equity, an Indemnitee has duties (including fiduciary duties) and liabilities relating thereto to the Corporation, the stockholders of the Corporation, the Record Holders or any Person who acquires an interest in a share of stock of the Corporation, any Indemnitee acting in connection with the Corporation's business or affairs shall not be liable, to the fullest extent permitted by law, to the Corporation, to any stockholder of the Corporation, to any Record Holder or to any other Person who acquires an interest in a share of stock of the Corporation for such Indemnitee's reliance on the provisions of this Certificate of Incorporation.

(c) Any amendment, modification or repeal of this Section 15.02 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the liability of the Indemnitees under this Section 15.02 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted, and provided such Person became an Indemnitee hereunder prior to such amendment, modification or repeal.

(d) A director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL. Any amendment, modification or repeal of the foregoing sentence shall not adversely affect any right or protection of a director of the Corporation hereunder in respect of any act or omission occurring prior to the time of such amendment, modification or repeal.

(e) To the fullest extent permitted by law, (i) any Indemnitee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties and (ii) any Indemnitee may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by it, and, to the fullest extent permitted by law, any act taken or omitted to be taken in reliance upon the advice or opinion (including an Opinion of Counsel) of such Persons as to matters that such Indemnitee believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such advice or opinion.

## ARTICLE XVI

### **MEETINGS OF STOCKHOLDERS, ACTION WITHOUT A MEETING**

Section 16.01 Meetings. Except as otherwise required by law and subject to the rights of the holders of any series of Preferred Stock, special meetings of the stockholders of the Corporation for any purpose or purposes may be called at any time only by or at the direction of (i) the Board of Directors or (ii) stockholders of the Corporation representing 50% or more of the voting power of the Outstanding stock of the Corporation of the class or classes for which a meeting is proposed. Such stockholders of the Corporation shall call a special meeting by delivering to the Board of Directors one or more requests in writing stating that the signing stockholders wish to call a special meeting and indicating the purposes for which the special meeting is to be called. Within 60 days after receipt of such a call from stockholders or within such greater time as may be reasonably necessary for the Corporation to comply with any statutes, rules, regulations, listing, agreements or similar requirements governing the holding of a meeting or the solicitation of proxies for use at such a meeting, notice of such meeting shall be given in accordance with the DGCL. Except as otherwise required by applicable law, a special meeting shall be held at a time and place determined by the Board of Directors in its sole discretion on a date not less than 10 days nor more than 60 days after the mailing of notice of the meeting.

Section 16.02 Adjournment. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting and a new Record Date need not be fixed, if the time and place thereof are announced at the meeting at which the adjournment is taken, unless such adjournment shall be for more than 30 days. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 30 days, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new Record Date for determination of stockholders entitled to vote is fixed for the adjourned meeting, the Board of Directors shall fix as the Record Date for determining stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote at the adjourned meeting, and shall give notice of the adjourned

meeting to each stockholder of record as of the Record Date so fixed for notice of such adjourned meeting.

**Section 16.03 Quorum.** Except as otherwise expressly provided in this Certificate of Incorporation, the stockholders of the Corporation holding a majority of the voting power of the Outstanding stock of the class, classes or series entitled to vote at a meeting represented in person or by proxy shall constitute a quorum at a meeting of stockholders of such class, classes or series unless any such action by the stockholders of the Corporation requires approval by stockholders holding a greater percentage of the voting power of such stock, in which case the quorum shall be such greater percentage. At any meeting of the stockholders of the Corporation duly called and held in accordance with this Certificate of Incorporation at which a quorum is present, the act of stockholders of the class, classes or series for which a meeting has been called holding a majority of the votes cast of such class, classes or series shall be deemed to constitute the act of all stockholders, unless a greater or different percentage is required with respect to such action under this Certificate of Incorporation or applicable law, in which case the act of the stockholders holding Outstanding stock of such class, classes or series that in the aggregate represents at least such greater or lesser percentage of the voting power shall be required. The stockholders of the class, classes or series for which a meeting has been called present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum, if any action taken (other than adjournment) is approved by the required percentage of the voting power of Outstanding stock of such class, classes or series of the Corporation specified in this Certificate of Incorporation or the DGCL. In the absence of a quorum any meeting of stockholders may be adjourned from time to time by the affirmative vote of stockholders of the class, classes or series for which a meeting has been called holding at least a majority of the voting power of the Outstanding stock of such class, classes or series of the Corporation present and entitled to vote at such meeting represented either in person or by proxy, but no other business may be transacted, except as provided in Section 16.02.

**Section 16.04 Conduct of a Meeting.** To the fullest extent permitted by law, the Board of Directors shall have full power and authority concerning the manner of conducting any meeting of the stockholders of the Corporation or solicitation of stockholder action by written consent in lieu of a meeting, including the determination of Persons entitled to vote, the existence of a quorum, the satisfaction of the requirements of Section 16.01, the conduct of voting, the validity and effect of any proxies and the determination of any controversies, votes or challenges arising in connection with or during the meeting or voting. The Board of Directors shall designate a Person to serve as chairman of any meeting, who, to the fullest extent permitted by law, shall, among other things, be entitled to exercise the powers of the Board of Directors set forth in this Section 16.04, and the Board of Directors shall further designate a Person to take the minutes of any meeting. All minutes shall be kept with the records of the Corporation. The Board of Directors may make such other regulations consistent with applicable law and this Certificate of Incorporation as it may deem necessary or advisable concerning the conduct of any meeting of the stockholders or solicitation of stockholder action by written consent in lieu of a meeting, including regulations in regard to the appointment of proxies, the appointment and duties of

inspectors of votes and approvals, the submission and examination of proxies and other evidence of the right to vote, and the revocation of ballots, proxies and written consents. Unless the Bylaws provide otherwise, elections of directors need not be by written ballot.

Section 16.05 Action Without a Meeting. Except as otherwise provided in this Certificate of Incorporation, including any certificate of designation relating to any series of Preferred Stock, any action required or permitted to be taken by the stockholders may only be taken at a meeting of stockholders and may not be taken by written consent. Notwithstanding the foregoing, if consented to by the Board of Directors in writing or by electronic transmission, any action that may be taken at a meeting of the stockholders may be taken without a meeting, without a vote and without prior notice, if a consent or consents in writing or by electronic transmission by stockholders owning not less than the minimum percentage of the voting power of the Outstanding stock of the Corporation that would be necessary to authorize or take such action at a meeting at which all the stockholders entitled to vote were present and voted and such consent or consents are delivered in the manner contemplated by Section 228 of the DGCL (unless such provision conflicts with any rule, regulation, guideline or requirement of any National Securities Exchange on which the stock of the Corporation or a class thereof are listed for trading, in which case the rule, regulation, guideline or requirement of such exchange shall govern). Prompt notice of the taking of action without a meeting shall be given to the stockholders of the Corporation entitled thereto pursuant to the DGCL.

Section 16.06 Record Date. For purposes of determining the stockholders of the Corporation entitled to notice of or to vote at a meeting of the stockholders of the Corporation, the Board of Directors may set a Record Date, which shall not be less than 10 nor more than 60 days before the date of the meeting (unless such requirement conflicts with any rule, regulation, guideline or requirement of any National Securities Exchange on which the shares of stock of the Corporation are listed for trading, in which case the rule, regulation, guideline or requirement of such exchange shall govern, subject to the requirements of the DGCL). For purposes of determining the stockholders of the Corporation entitled to consent to corporate action in writing without a meeting, the Board of Directors may set a Record Date, which date shall not be more than 10 days after the date upon which the resolutions of the Board of Directors fixing the Record Date is adopted. If no Record Date is fixed by the Board of Directors, then (i) the Record Date for determining stockholders of the Corporation entitled to notice of or to vote at a meeting of stockholders of the Corporation shall be the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held, and (ii) the Record Date for determining the stockholders of the Corporation entitled to consent to corporate action in writing without a meeting shall be (x) when no prior action by the Board of Directors is required by the DGCL, the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation in accordance with the DGCL, or (y) when prior action by the Board of Directors is required by the DGCL, the close of business on the day on which the Board of Directors adopts the resolution taking such prior action. A determination of stockholders of the Corporation of record entitled to notice of or to vote at a meeting of stockholders of the Corporation shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new Record Date for the adjourned meeting.

Section 16.07 Voting and Other Rights. Subject to Section 20.07 and any certificate of designation with respect to any series of Preferred Stock relating to Preferred Stock Directors, only those Record Holders of Outstanding stock entitled to vote at any meeting of stockholders on the Record Date set pursuant to Section 16.06 (and also subject to the limitations contained in the definition of “*Outstanding*” and the limitations set forth in Section 10.01(g)) shall be entitled to notice of, and to vote at, a meeting of stockholders or to act with respect to matters as to which the holders of the applicable class, classes or series of Outstanding stock have the right to vote or to act. All references in this Certificate of Incorporation to votes of, or other acts that may be taken by, the holders of Outstanding stock shall be deemed to be references to the votes or acts of the Record Holders of such Outstanding stock.

## **ARTICLE XVII**

### **BOOKS, RECORDS, ACCOUNTING**

Section 17.01 Records and Accounting. The Corporation shall keep or cause to be kept at the principal office of the Corporation or any other place designated by the Board of Directors appropriate books and records with respect to the Corporation’s business. Any books and records maintained by or on behalf of the Corporation in the regular course of its business, including the record of the Record Holders of stock of the Corporation and holders of options, rights, warrants or appreciation rights relating to stock of the Corporation, books of account and records of Corporation proceedings, may be kept on, or by means of, or be in the form of, any information storage device, method, or 1 or more electronic networks or databases (including 1 or more distributed electronic networks or databases); provided that the records so kept can be converted into clearly legible paper form within a reasonable time. The books of the Corporation shall be maintained, for financial reporting purposes, on an accrual basis in accordance with U.S. GAAP.

## **ARTICLE XVIII**

### **NOTICE AND WAIVER OF NOTICE**

Section 18.01 Notice.

- (a) Any notice, demand, request, report, document or proxy materials required or permitted to be given or made to a stockholder pursuant to this Certificate of Incorporation shall be in writing and shall be deemed given or made when delivered in person, when sent by first class United States mail or by other means of written communication to the stockholder at the address in Section 18.01(b), or when made in any other manner, including by press release, if permitted by applicable law.
- (b) Except as otherwise provided by law, any payment, distribution or other matter to be given or made to a stockholder hereunder shall be deemed conclusively to have been given or made, and the obligation to give such notice or report or to make such payment shall be deemed conclusively to have been fully satisfied, when delivered in person or upon sending of such payment, distribution or other matter to the Record Holder of such shares of stock of the Corporation at his or her address as shown on the records of the Transfer Agent or as otherwise

shown on the records of the Corporation, regardless of any claim of any Person who may have an interest in such shares by reason of any assignment or otherwise.

(c) Notwithstanding the foregoing, if (i) applicable law shall permit the Corporation to give notices, demands, requests, reports, documents or proxy materials via electronic mail or by the Internet or (ii) the rules of the Commission shall permit any report or proxy materials to be delivered electronically or made available via the Internet, any such notice, demand, request, report or proxy materials shall be deemed given or made in accordance with Section 232 of the DGCL, as applicable, or otherwise when delivered or made available via such mode of delivery.

(d) An affidavit or certificate of making of any notice, demand, request, report, document, proxy material, payment, distribution or other matter in accordance with the provisions of this Section 18.01 executed by the Corporation, the Transfer Agent, their agents or the mailing organization shall be prima facie evidence of the giving or making of such notice, demand, request, report, document, proxy material, payment, distribution or other matter. Any notice to the Corporation shall be deemed given if received in writing by the Corporation at its principal office. To the fullest extent permitted by law, the Corporation may rely and shall be protected in relying on any notice or other document from a stockholder if believed by it to be genuine.

**Section 18.02 Waiver of Notice.** A written waiver of any notice, signed by a stockholder or director, or waiver by electronic transmission by such Person, whether given before or after the time of the event for which notice is to be given, shall be deemed equivalent to the notice required to be given to such Person. Neither the business nor the purpose of any meeting need be specified in such a waiver. Attendance at any meeting shall constitute waiver of notice except attendance for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened.

## **ARTICLE XIX**

### **FORUM SELECTION**

The Corporation, each stockholder of the Corporation, each other Person who acquires an interest in any stock of the Corporation and each other Person who is bound by this Certificate of Incorporation (collectively, the “Consenting Parties” and each a “Consenting Party”), to the fullest extent permitted by applicable law (i) irrevocably agrees that, unless the Corporation shall otherwise agree in writing, (A) any derivative action or proceeding brought on behalf of the Corporation, (B) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, stockholder or employee of the Corporation to the Corporation or the Corporation’s stockholders, (C) any action asserting a claim arising pursuant to any provision of the DGCL, this Certificate of Incorporation or the Bylaws (as either may be amended or restated) or (D) any action asserting a claim governed by the internal affairs doctrine of the law of the State of Delaware (a “Dispute”), to the fullest extent permitted by law, shall be exclusively brought in the Court of Chancery of the State of Delaware or, if such court does not have subject matter jurisdiction thereof, any other court located in the State of Delaware with subject matter jurisdiction; (ii) irrevocably submits to the exclusive jurisdiction of such courts in connection

with any such claim, suit, action or proceeding; (iii) irrevocably agrees not to, and waives any right to, assert in any such claim, suit, action or proceeding that (A) it is not personally subject to the jurisdiction of such courts or any other court to which proceedings in such courts may be appealed, (B) such claim, suit, action or proceeding is brought in an inconvenient forum, or (C) the venue of such claim, suit, action or proceeding is improper; (iv) expressly waives any requirement for the posting of a bond by a party bringing such claim, suit, action or proceeding; (v) consents to process being served in any such claim, suit, action or proceeding by mailing, certified mail, return receipt requested, a copy thereof to such party at the address in effect for notices hereunder, and agrees that such service shall constitute good and sufficient service of process and notice thereof; provided that nothing in clause (v) hereof shall affect or limit any right to serve process in any other manner permitted by law; (vi) irrevocably waives any and all right to trial by jury in any such claim, suit, action or proceeding; (vii) agrees that proof shall not be required that monetary damages for breach of the provisions of this Certificate of Incorporation would be difficult to calculate and that remedies at law would be inadequate and (viii) agrees that if a Dispute that would be subject to this Article XIX if brought against a Consenting Party is brought against an employee, officer, director, agent or indemnitee of such Consenting Party or its affiliates (other than Disputes brought by the employer or principal of any such employee, officer, director, agent or indemnitee) for alleged actions or omissions of such employee, officer, director, agent or indemnitee undertaken as an employee, officer, director, agent or indemnitee of such Consenting Party or its affiliates, such employee, officer, director, agent or indemnitee shall be entitled to invoke this Article XIX.

## **ARTICLE XX**

### **TERMS OF PREFERRED STOCK**

Section 20.01 Designation. The Series A Preferred Stock is hereby designated and created as a series of Preferred Stock. Each share of Series A Preferred Stock shall be identical in all respects to every other share of Series A Preferred Stock.

Section 20.02 Definitions. The following terms apply only to this Article XX of this Certificate of Incorporation.

“Below Investment Grade Rating Event” means (x) the rating on any series of the Carlyle Senior Notes (or, if no Carlyle Senior Notes are outstanding or no Carlyle Senior Notes are then rated by the applicable Rating Agency, the Corporation’s long-term issuer rating by such Rating Agency) is lowered in respect of a Change of Control and (y) any series of the Carlyle Senior Notes (or, if no Carlyle Senior Notes are outstanding or no Carlyle Senior Notes are then rated by the applicable Rating Agency, the Corporation’s long-term issuer rating by such Rating Agency) is rated below Investment Grade by both Rating Agencies on any date from the date of the public notice of an arrangement that could result in a Change of Control until the end of the 60-day period following public notice of the occurrence of a Change of Control (which period shall be extended until the ratings are announced if during such 60-day period the rating of any series of the Carlyle Senior Notes (or, if no Carlyle Senior Notes are outstanding or no Carlyle Senior Notes are then rated by the applicable Rating Agency, the Corporation’s long-term issuer rating by such Rating Agency) is under publicly announced consideration for possible

downgrade by either of the Rating Agencies); provided, that a Below Investment Grade Rating Event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular Change of Control (and thus shall not be deemed a Below Investment Grade Rating Event for purposes of the definition of Change of Control Event hereunder) if a Rating Agency making the reduction in rating to which this definition would otherwise apply does not announce or publicly confirm or inform the Corporation in writing at the Corporation's request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the Below Investment Grade Rating Event).

**“Carlyle Holdings”** means collectively Carlyle Holdings I L.P., Carlyle Holdings II L.P. and Carlyle Holdings III L.P.

**“Carlyle Senior Notes”** means (i) 3.875% senior notes due 2023 issued by Carlyle Holdings Finance L.L.C., (ii) 5.625% senior notes due 2043 issued by Carlyle Holdings II Finance L.L.C., or (iii) any similar series of senior unsecured debt securities, in each case, guaranteed by the Carlyle Holdings partnerships.

**“Change of Control”** means the occurrence of the following:

- (i) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties and assets of the Credit Group to any “person” (as that term is used in Section 13(d)(3) of the Exchange Act or any successor provision), other than to a Continuing Carlyle Entity; or
- (ii) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any “person” (as that term is used in Section 13(d)(3) of the Exchange Act or any successor provision), other than a Continuing Carlyle Entity, becomes (A) the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act or any successor provision) of a controlling interest in (i) the Corporation or (ii) one or more entities that, as of the relevant time, are guarantors of any series of Carlyle Senior Notes and comprise all or substantially all of the assets of the Credit Group and (B) entitled to receive a Majority Economic Interest in connection with such transaction.

**“Change of Control Event”** means the occurrence of both a Change of Control and a Below Investment Grade Rating Event.

**“Continuing Carlyle Entity”** means any entity that, immediately prior to and immediately following any relevant date of determination, is directly or indirectly controlled by one or more Managing Directors or other personnel of the Corporation and/or its subsidiaries who, as of any date of determination (i) each have devoted substantially all of his or her business and professional time to the activities of the Credit Parties and/or their subsidiaries during the 12-

month period immediately preceding such date and (ii) directly or indirectly control the Former General Partner or any successor entity.

“Credit Group” means the Corporation, each of the Carlyle Holdings partnerships and any other entity that, as of the relevant time, is a guarantor to any series of the Carlyle Senior Notes, and their direct and indirect subsidiaries (to the extent of their economic ownership interest in such subsidiaries) taken as a whole.

“Credit Parties” means Carlyle Holdings Finance L.L.C., Carlyle Holdings II Finance L.L.C., the Corporation and each of the Carlyle Holdings partnerships and any other entity that, as of the relevant time, is a guarantor to any series of the Carlyle Senior Notes.

“Dividend Payment Date” means March 15, June 15, September 15 and December 15 of each year, commencing December 15, 2017.

“Dividend Period” means the period from and including a Dividend Payment Date to, but excluding, the next Dividend Payment Date, except that the initial Dividend Period commenced on and included September 13, 2017.

“Equity Incentive Plan” means the Corporation’s 2012 Equity Incentive Plan (or any successor or similar plan).

“Fitch” means Fitch Ratings Inc. or any successor thereto.

“Investment Grade” means a rating of BBB- or better by Fitch (or its equivalent under any successor rating categories of Fitch) and BBB- or better by S&P (or its equivalent under any successor rating categories of S&P) (or, in each case, if such Rating Agency ceases to rate a series of the Carlyle Senior Notes (or, if no Carlyle Senior Notes are outstanding, ceases to assign a long-term issuer rating to the Corporation) for reasons outside of the Corporation’s control, the equivalent investment grade credit rating from any Rating Agency selected by the Board of Directors as a replacement Rating Agency).

“Junior Stock” means Common Stock and any other equity securities that the Corporation may issue in the future ranking, as to the payment of dividends and distributions of assets upon a Dissolution Event, junior to the Series A Preferred Stock.

“Majority Economic Interest” means any right or entitlement to receive more than 50% of the equity distributions or partner allocations (whether such right or entitlement results from the ownership of partnership or other equity interests, securities, instruments or agreements of any kind) made to all holders of partnership or other equity interests in the Credit Group (other than entities within the Credit Group).

“Nonpayment Event” has the meaning set forth in Section 20.07(a).

“Parity Stock” means any stock of the Corporation, including Preferred Stock, that the Corporation may authorize or issue, the terms of which provide that such securities shall rank

equally with the Series A Preferred Stock with respect to payment of dividends and distribution of assets upon a Dissolution Event.

**“Rating Agency”** means:

- (i) each of Fitch and S&P; and
- (ii) if either of Fitch or S&P ceases to rate any series of Carlyle Senior Notes (or, if no Carlyle Senior Notes are outstanding, ceases to assign a long-term issuer rating to the Corporation) or fails to make a rating of any series of Carlyle Senior Notes (or, if no Carlyle Senior Notes are outstanding, the long-term issuer rating of the Corporation) publicly available for reasons outside of the Corporation’s control, a “nationally recognized statistical rating organization” within the meaning of Section 3(a)(62) of the Exchange Act selected by the Board of Directors as a replacement agency for Fitch or S&P, or both, as the case may be.

**“Rating Agency Event”** means a change to the methodology or criteria that were employed by an applicable nationally recognized statistical rating organization for purposes of assigning equity credit to securities with features similar to the Series A Preferred Stock on the date of original issuance (the “current methodology”), which change either (x) shortens the period of time during which equity credit pertaining to Series A Preferred Stock would have been in effect had the current methodology not been changed or (y) reduces the amount of equity credit assigned to the Series A Preferred Stock as compared with the amount of equity credit that such rating agency had assigned to the Series A Preferred Stock as of the date of original issuance.

**“S&P”** means Standard & Poor’s Ratings Services, a division of McGraw-Hill Financial, Inc., or any successor thereto.

**“Series A Dividend Rate”** means 5.875%.

**“Series A Holder”** means a holder of Series A Preferred Stock.

**“Series A Liquidation Preference”** means \$25.00 per share of Series A Preferred Stock.

**“Series A Liquidation Value”** means the sum of the Series A Liquidation Preference and declared and unpaid dividends, if any, to, but excluding, the date of the Dissolution Event on the Series A Preferred Stock.

**“Series A Preferred Stock”** means the 5.875% Series A Preferred Stock having the designations, voting powers, rights and preferences set forth in this Article XX.

**“Series A Record Date”** means, with respect to any Dividend Payment Date, the March 1, June 1, September 1 or December 1, as the case may be, immediately preceding the relevant March 15, June 15, September 15 or December 15 Dividend Payment Date, respectively. These Series A Record Dates shall apply regardless of whether a particular Series A Record Date is a

Business Day. The Series A Record Dates shall constitute Record Dates with respect to the Series A Preferred Stock for the purpose of dividends on the Series A Preferred Stock.

**"Tax Redemption Event"** means, after the date the Series A Preferred Stock are first issued, due to (a) an amendment to, or a change in official interpretation of, the Code, Treasury Regulations promulgated thereunder, or administrative guidance or (b) an administrative or judicial determination, (i) the Corporation is advised by nationally recognized counsel or a "Big Four" accounting firm that the Corporation will be treated as an association taxable as a corporation for U.S. Federal income tax purposes or otherwise subject to U.S. Federal income tax (other than any tax imposed pursuant to Section 6225 of the Code, as amended by the Bipartisan Budget Act of 2015), or (ii) the Corporation, in the sole discretion of the Board of Directors, files an IRS Form 8832 (or successor form) electing that the Corporation be treated as an association taxable as a corporation for U.S. Federal income tax purposes or the Corporation otherwise effects a transaction or series of related transactions as a result of which the issuer of publicly traded common equity representing a direct or indirect interest in Carlyle Holdings is or becomes taxable as a corporation for U.S. Federal income tax purposes.

**"Voting Preferred Stock"** has the meaning set forth in Section 20.07(a).

#### Section 20.03 Dividends.

(a) Each Series A Holder shall be entitled to receive with respect to each share of Series A Preferred Stock owned by such holder, when, as and if declared by the Board of Directors, or a duly authorized committee thereof, in its sole discretion out of funds legally available therefor, non-cumulative quarterly cash dividends, on the applicable Dividend Payment Date that corresponds to the Record Date for which the Board of Directors has declared a dividend, if any, at a rate per annum equal to the Series A Dividend Rate (subject to Section 20.06(c)) of the Series A Liquidation Preference. Such dividends shall be non-cumulative. If a Dividend Payment Date is not a Business Day, the related dividend (if declared) shall be paid on the next succeeding Business Day with the same force and effect as though paid on such Dividend Payment Date, without any increase to account for the period from such Dividend Payment Date through the date of actual payment. Dividends payable on the Series A Preferred Stock for any period less than a full Dividend Period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Declared dividends will be payable on the relevant Dividend Payment Date to Series A Holders as they appear on the Corporation's register at the close of business, New York City time, on a Series A Record Date, provided that if the Series A Record Date is not a Business Day, the declared dividends will be payable on the relevant Dividend Payment Date to Series A Holders as they appear on the Corporation's register at the close of business, New York City time on the Business Day immediately preceding such Series A Record Date.

(b) So long as any shares of Series A Preferred Stock are Outstanding, unless, in each case, dividends have been declared and paid or declared and set apart for payment on the Series A Preferred Stock for a quarterly Dividend Period, (i) no dividend may be declared or paid or set apart for payment on the Junior Stock for the remainder of that quarterly dividend period and (ii) the Corporation and its Subsidiaries shall not directly or indirectly repurchase, redeem or

otherwise acquire for consideration Junior Stock (other than in the case of clause (i) or (ii), (A) dividends of tax distribution amounts (determined in accordance with the terms of the organizational documents of the applicable Carlyle Holdings Partnership as in effect on the date shares of Series A Preferred Stock are first issued) received directly or indirectly from the Carlyle Holdings Partnership, (B) the net unit settlement of equity-based awards granted under the Equity Incentive Plan (or any successor or similar plan) in order to satisfy associated tax obligations and (C) dividends paid in Junior Stock or options, warrants or rights to subscribe for or purchase Junior Stock or with proceeds from the substantially concurrent sale of Junior Stock).

(c) The Board of Directors, or a duly authorized committee thereof, may, in its sole discretion, choose to pay dividends on the Series A Preferred Stock without the payment of any dividends on any Junior Stock.

(d) When dividends are not declared and paid (or duly provided for) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates pertaining to the Series A Preferred Stock, on a dividend payment date falling within the related Dividend Period) in full upon the Series A Preferred Stock or any Parity Stock, all dividends declared upon the Series A Preferred Stock and all such Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the related Dividend Period) shall be declared pro rata so that the respective amounts of such dividends shall bear the same ratio to each other as all declared and unpaid dividends per share on the Series A Preferred Stock and all unpaid dividends, including any accumulated, on all Parity Stock payable on such Dividend Payment Date (or in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates pertaining to the Series A Preferred Stock, on a dividend payment date falling within the related Dividend Period) bear to each other.

(e) No dividends may be declared or paid or set apart for payment on any Series A Preferred Stock if at the same time any arrears exist or default exists in the payment of dividends on any Outstanding stock of the Corporation ranking, as to the payment of dividends and distribution of assets upon a Dissolution Event, senior to the Series A Preferred Stock, subject to any applicable terms of such Outstanding stock of the Corporation.

(f) Series A Holders shall not be entitled to any dividends or distributions of assets upon a Dissolution Event, whether payable in cash or property, other than as provided in this Article XX and shall not be entitled to interest, or any sum in lieu of interest, in respect of any dividend payment or distribution payment of assets upon a Dissolution Event, including any such payment which is delayed or foregone.

Section 20.04 Rank. The Series A Preferred Stock shall rank, with respect to payment of dividends and distribution of assets upon a Dissolution Event:

(a) junior to all of the Corporation's existing and future indebtedness and other liabilities and any equity securities, including Preferred Stock, that the Corporation may authorize or issue, the terms of which provide that such securities shall rank senior to the Series

A Preferred Stock with respect to payment of dividends and distribution of assets upon a Dissolution Event;

- (b) equally to any Parity Stock; and
- (c) senior to any Junior Stock.

Section 20.05 Optional Redemption.

(a) Except as set forth in Section 20.06, the Series A Preferred Stock shall not be redeemable prior to September 15, 2022. At any time or from time to time on or after September 15, 2022, subject to any limitations that may be imposed by law, the Corporation may, in the sole discretion of the Board of Directors, redeem the Series A Preferred Stock, out of funds legally available therefor, in whole or in part, at a redemption price equal to the Series A Liquidation Preference per share of Series A Preferred Stock plus an amount equal to declared and unpaid dividends, if any, from the Dividend Payment Date immediately preceding the redemption date to, but excluding, the redemption date. If less than all of the Outstanding Series A Preferred Stock are to be redeemed, the Board of Directors shall select the Series A Preferred Stock to be redeemed from the Outstanding Series A Preferred Stock not previously called for redemption by lot or pro rata (as nearly as possible) or otherwise in accordance with applicable procedures of the Depositary and in compliance with the requirements of the National Securities Exchange on which shares of Series A Preferred Stock are listed for trading.

(b) In the event the Corporation shall redeem any or all of the Series A Preferred Stock as aforesaid in Section 20.05(a), the Corporation shall give notice of any such redemption to the Series A Holders (which such notice may be delivered prior to September 15, 2022) not more than 60 nor less than 30 days prior to the date fixed for such redemption. Failure to give notice to any Series A Holder shall not affect the validity of the proceedings for the redemption of any Series A Preferred Stock being redeemed.

(c) Notice having been given as herein provided and so long as funds legally available and sufficient to pay the redemption price for all of the Series A Preferred Stock called for redemption have been set aside for payment, from and after the redemption date, such Series A Preferred Stock called for redemption shall no longer be deemed Outstanding, and all rights of the Series A Holders thereof shall cease other than the right to receive the redemption price, without interest.

(d) The Series A Holders shall have no right to require redemption of any Series A Preferred Stock.

(e) Without limiting Section 20.05(c), if the Corporation shall deposit, on or prior to any date fixed for redemption of Series A Preferred Stock (pursuant to notice delivered in accordance with Section 20.05(b)), with any bank or trust company as a trust fund, funds sufficient to redeem the Series A Preferred Stock called for redemption, with irrevocable instructions and authority to such bank or trust company to pay on and after the date fixed for redemption or such earlier date as the Board of Directors may determine, to the respective Series

A Holders, the redemption price thereof, then from and after the date of such deposit (although prior to the date fixed for redemption) such Series A Preferred Stock so called shall be deemed to be redeemed and such deposit shall be deemed to constitute full payment of said Series A Preferred Stock to the holders thereof and from and after the date of such deposit said Series A Preferred Stock shall no longer be deemed to be Outstanding, and the holders thereof shall cease to be holders with respect to such Series A Preferred Stock, and shall have no rights with respect thereto except only the right to receive from said bank or trust company, on the redemption date or such earlier date as the Board of Directors may determine, payment of the redemption price of such Series A Preferred Stock without interest.

(f) Notwithstanding anything otherwise to the contrary, notice of any redemption, whether in connection with an optional redemption pursuant to this Section 20.05 or a Change of Control Event, Tax Redemption Event or Rating Agency Event, other transaction or otherwise, may be given prior to the completion thereof, and any such redemption or notice may, in the sole discretion of the Board of Directors, be subject to one or more conditions precedent, including, but not limited to, completion of the related Change of Control Event, Tax Redemption Event, Rating Agency Event or other transaction. If such redemption is subject to satisfaction of one or more conditions precedent, such notice shall state that, in the discretion of the Board of Directors, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed. In addition, the Corporation may provide in such notice that payment of the redemption price and performance of the Corporation's obligations with respect to such redemption may be performed by another Person.

(g) The Corporation and its affiliates may, in accordance with applicable law, acquire the Series A Preferred Stock by means other than a redemption pursuant to this Section 20.05, whether by tender offer, open market purchases, negotiated transactions or otherwise.

#### Section 20.06 Change of Control Redemption; Tax Redemption; Rating Agency Redemption.

(a) If a Change of Control Event occurs prior to September 15, 2022, within 60 days of the occurrence of such Change of Control Event, the Corporation may, in the sole discretion of the Board of Directors, redeem the Series A Preferred Stock, in whole but not in part, out of funds legally available therefor, at a redemption price equal to \$25.25 per share of Series A Preferred Stock plus an amount equal to any declared and unpaid dividends to, but excluding, the redemption date.

(b) In the event the Corporation elects to redeem all of the Series A Preferred Stock as aforesaid in Section 20.06(a), Section 20.06(e) or Section 20.06(f), the Corporation shall give notice of any such redemption to the Series A Holders at least 30 (and no more than 60) days prior to the date fixed for such redemption.

(c) If (i) a Change of Control Event occurs (whether before, on or after September 15, 2022) and (ii) the Corporation does not give notice to the Series A Holders prior to the 31st day

following the Change of Control Event to redeem all the Outstanding Series A Preferred Stock, the Series A Dividend Rate shall increase by 5.00%, beginning on the 31st day following the consummation of such Change of Control Event.

(d) In connection with any Change of Control and any particular reduction in the rating on a series of the Carlyle Senior Notes (or, if no Carlyle Senior Notes are outstanding, a reduction in the Corporation's long-term issuer rating), the Board of Directors shall request from the Rating Agencies each such Rating Agency's written confirmation whether such reduction in the rating on each such series of Carlyle Senior Notes (or, if no Carlyle Senior Notes are outstanding, the Corporation's long-term issuer rating) was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of any Below Investment Grade Rating Event).

(e) If a Tax Redemption Event occurs prior to September 15, 2022, within 60 days of the occurrence of such Tax Redemption Event, the Corporation may, in the sole discretion of the Board of Directors, redeem the Series A Preferred Stock, in whole but not in part, out of funds legally available therefor, at a redemption price equal to \$25.25 per Series A Preferred Stock, plus an amount equal to any declared and unpaid dividends to, but excluding, the redemption date.

(f) If a Rating Agency Event occurs prior to September 15, 2022, within 60 days of the occurrence of such Rating Agency Event, the Corporation may, in the sole discretion of the Board of Directors, redeem the Series A Preferred Stock, in whole but not in part, out of funds legally available therefor, at a redemption price equal to \$25.50 per Series A Preferred Stock, plus an amount equal to any declared and unpaid dividends to, but excluding, the redemption date.

(g) The Series A Holders shall have no right to require redemption of any Series A Preferred Stock pursuant to this Section 20.06.

#### Section 20.07 Voting.

(a) Notwithstanding any provision in this Certificate of Incorporation or the DGCL to the contrary, and except as set forth in this Section 20.07, the Series A Preferred Stock shall not have any relative, participating, optional or other voting, consent or approval rights or powers whatsoever, and the vote, consent or approval of the Series A Holders, in their capacity as such, shall not be required for the taking of any action or inaction by the Corporation. If and whenever six quarterly dividends (whether or not consecutive) payable on the Series A Preferred Stock or six quarterly dividends (whether or not consecutive) payable on any series or class of Parity Stock have not been declared and paid (a "Nonpayment Event"), the number of Directors then constituting the Board of Directors shall automatically be increased by two and the Series A Holders, voting together as a single class with the holders of any other class or series of Parity Stock then Outstanding upon which like voting rights have been conferred and are exercisable (any such other class or series, "Voting Preferred Stock"), shall have the right to elect these two additional Directors at a meeting of the Series A Holders and the holders of such Voting

Preferred Stock called as hereafter provided. When quarterly dividends have been declared and paid on the Series A Preferred Stock for four consecutive Dividend Periods following a Nonpayment Event, then the right of the Series A Holders and the holders of such Voting Preferred Stock to elect these two additional Directors shall cease, all directors elected by the Series A Holders and holders of the Voting Preferred Stock shall forthwith cease to be qualified, the terms of office of these two additional Directors shall forthwith terminate immediately, the number of Directors constituting the whole Board of Directors shall automatically be reduced by two and, for purposes of determining whether a subsequent Nonpayment Event has occurred, the number of quarterly dividends payable on the Series A Preferred Stock that have not been declared and paid shall reset to zero. However, the right of the Series A Holders and the holders of the Voting Preferred Stock to elect two additional Directors on the Board of Directors shall again vest if and whenever a Nonpayment Event has occurred, as described above.

(b) If a Nonpayment Event or a subsequent Nonpayment Event shall have occurred, the Secretary of the Corporation may, and upon the written request of any holder of Series A Preferred Stock (addressed to the Secretary at the principal office of the Corporation) shall, call a special meeting of the Series A Holders and holders of the Voting Preferred Stock for the election of the Directors to be elected by them (the “Preferred Directors”). The Preferred Directors elected at any such special meeting shall hold office until the next meeting of stockholders held for the election of the Preferred Directors if such office shall not have previously terminated as above provided. The Board of Directors shall, in its sole discretion, determine a date for a special meeting applying procedures consistent with Article XVI in connection with the expiration of the term of the Preferred Directors. The Series A Holders and holders of the Voting Preferred Stock, voting together as a class, may remove any Preferred Director without cause. If any vacancy shall occur among the Preferred Directors, a successor shall be elected by the Board of Directors, upon the nomination of the then-remaining Preferred Director or the successor of such remaining Preferred Director, to serve until the next meeting (convened as set forth in this Section 20.07(b) in connection with the expiration of the term of a Preferred Director) for the election of the Preferred Directors if such office shall not have previously terminated as above provided. Except to the extent expressly provided otherwise in this Section 20.07, any such annual or special meeting shall be called and held applying procedures consistent with Article XVI as if references to stockholders of the Corporation were references to Series A Holders and holders of Voting Preferred Stock.

(c) Notwithstanding anything to the contrary in Article VIII or XI but subject to Section 20.07(d), so long as any shares of Series A Preferred Stock are Outstanding, the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the Series A Holders and holders of the Voting Preferred Stock, at the time Outstanding, voting as a single class regardless of series, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary:

- (i) to amend, alter or repeal any of the provisions of this Article XX relating to the Series A Preferred Stock or any series of Voting Preferred Stock, whether by merger, consolidation or otherwise, to affect materially and

adversely the voting powers, rights or preferences of the Series A Holders or holders of the Voting Preferred Stock; and

- (ii) to authorize, create or increase the authorized amount of, any class or series of Preferred Stock having rights senior to the Series A Preferred Stock with respect to the payment of dividends or distribution of the Corporation's assets upon any Dissolution Event;

provided, however, that,

- (X) in the case of subparagraph (i) above, no such vote of the Series A Holders or the holders of the Voting Preferred Stock, as the case may be, shall be required if in connection with any such amendment, alteration or repeal, by merger, consolidation or otherwise, each Series A Preferred Stock and Voting Preferred Stock remains Outstanding without the terms thereof being materially and adversely changed in any respect to the holders thereof or is converted into or exchanged for preferred equity securities of the surviving entity having voting powers, rights and preferences substantially similar to those of such Series A Preferred Stock or the Voting Preferred Stock, as the case may be; and
- (Y) in the case of subparagraph (i) above, if such amendment affects materially and adversely the rights, preferences, privileges or voting powers of one or more but not all of the classes or series of Voting Preferred Stock and the Series A Preferred Stock at the time Outstanding, the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the holders of all such classes or series of Voting Preferred Stock and the Series A Preferred Stock so affected, voting as a single class regardless of class or series, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be required in lieu of (or, if such consent is required by law, in addition to) the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the holders of the Voting Preferred Stock and the Series A Holders otherwise entitled to vote as a single class in accordance herewith.

- (d) For the purposes of this Section 20.07, neither:

- (i) the amendment of provisions of this Certificate of Incorporation so as to authorize or create or issue, or to increase the authorized amount of, any Junior Stock or any Parity Stock; nor

(ii) any merger, consolidation or otherwise, in which (1) the Corporation is the surviving entity and the Series A Preferred Stock remains Outstanding with the terms thereof materially unchanged in any respect adverse to the holders thereof; or (2) the resulting, surviving or transferee entity is organized under the laws of any state and substitutes or exchanges the Series A Preferred Stock for other preferred equity securities having voting powers, rights and preferences (including with respect to redemption thereof) substantially similar to those of the Series A Preferred Stock under this Certificate of Incorporation (except for changes that do not materially and adversely affect the Series A Preferred Stock considered as a whole) shall be deemed to materially and adversely affect the voting powers, rights and preferences of the Series A Holders or the holders of the Voting Preferred Stock.

(e) For purposes of the foregoing provisions of this Section 20.07, each Series A Holder shall have one vote per share of Series A Preferred Stock, except that when any other series of Preferred Stock shall have the right to vote with the Series A Preferred Stock as a single class on any matter, then the Series A Holders and the holders of such other series of Preferred Stock shall have with respect to such matters one vote per \$25.00 of stated liquidation preference.

(f) The Corporation may, from time to time, without notice to or consent of the Series A Holders or holders of other Parity Stock, issue additional shares of Series A Preferred Stock. Notwithstanding the foregoing, if all of the authorized shares of Series A Preferred Stock have been issued and redeemed pursuant to this Section 20.06, such shares shall be retired and the Corporation shall be prohibited from reissuing such shares as Series A Preferred Stock. Upon the filing of a certificate of retirement with respect to such shares, such shares shall be authorized and unissued shares of Preferred Stock not designated as part of any series of Preferred Stock.

(g) The foregoing provisions of this Section 20.07 will not apply if, at or prior to the time when the act with respect to which a vote pursuant to this Section 20.07 would otherwise be required shall be effected, the Series A Preferred Stock shall have been redeemed or proper notice of redemption of the Series A Preferred Stock has been given and funds sufficient to pay the redemption price for all of the Series A Preferred Stock have been set aside for payment pursuant to the terms of this Certificate of Incorporation.

#### Section 20.08 Liquidation Rights.

(a) Upon any Dissolution Event, after payment or provision for the liabilities of the Corporation (including the expenses of such Dissolution Event) and the satisfaction of all claims ranking senior to the Series A Preferred Stock in accordance with Section 5.04, the Series A Holders shall be entitled to receive out of the assets of the Corporation or proceeds thereof available for distribution to stockholders of the Corporation, before any payment or distribution of assets is made in respect of Junior Stock, distributions equal to the Series A Liquidation Value.

(b) If the assets of the Corporation available for distribution upon a Dissolution Event are insufficient to pay in full the aggregate amount payable to the Series A Holders and holders of all other Outstanding Parity Stock, if any, such assets shall be distributed to the Series A Holders and holders of such Parity Stock pro rata, based on the full respective distributable amounts to which each such holder is entitled pursuant to this Section 20.08.

(c) Nothing in this Section 20.08 shall be understood to entitle the Series A Holders to be paid any amount upon the occurrence of a Dissolution Event until holders of any classes or series of stock ranking, as to the distribution of assets upon a Dissolution Event, senior to the Series A Preferred Stock have been paid all amounts to which such classes or series of stock are entitled.

(d) Neither the sale, conveyance, exchange or transfer, for cash, stock, securities or other consideration, of all or substantially all of the Corporation's property or assets nor the consolidation, merger or amalgamation of the Corporation with or into any other entity or the consolidation, merger or amalgamation of any other entity with or into the Corporation shall be deemed to be a Dissolution Event, notwithstanding that for other purposes, such as for tax purposes, such an event may constitute a liquidation, dissolution or winding up. In addition, notwithstanding anything to the contrary in this Section 20.08, no payment will be made to the Series A Holders pursuant to this Section 20.08 (i) upon the voluntary or involuntary liquidation, dissolution or winding up of any of the Corporation's Subsidiaries or upon any reorganization of the Corporation into another limited liability entity or (ii) if the Corporation engages in a reorganization or other transaction in which a successor to the Corporation issues equity securities to the Series A Holders that have voting powers, rights and preferences that are substantially similar to the voting powers, rights and preferences of the Series A Preferred Stock. Notwithstanding any provision to the contrary in this Article XX (including Section 20.07), to the fullest extent permitted by law, the Corporation may, in the sole discretion of the Board of Directors, and without the consent of any Series A Holder, amend this Article XX to allow for the transactions referred to in this Section 20.08(d).

Section 20.09 No Duties to Series A Holders. Notwithstanding anything to the contrary in this Certificate of Incorporation, to the fullest extent permitted by law, no Indemnitee shall have any duties (including fiduciary duties) or liabilities to the Series A Holders.

## **ARTICLE XXI**

### **DEFINITIONS**

Section 21.01 Definitions. The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Certificate of Incorporation:

“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, 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.

**“Associate”** means, when used to indicate a relationship with any Person, (a) any corporation or organization of which such Person is a director, officer or partner or is, directly or indirectly, the owner of 20% or more of any class of voting stock or other voting interest; (b) any trust or other estate in which such Person has at least a 20% beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity; and (c) any relative or spouse of such Person, or any relative of such spouse, who has the same principal residence as such Person.

“**beneficial owner**” has the meaning assigned to such term in Rules 13d-3 and 13d-5 under the Exchange Act (and “beneficially own” and “beneficial ownership” shall each have a correlative meaning).

“**Board of Directors**” has the meaning assigned to such term in Section 4.02.

“**Business Day**” means each day that is not a Saturday, Sunday or other day on which banking institutions in New York, New York are authorized or required by law to close.

“**Bylaws**” means the bylaws of the Corporation as in effect from time to time.

“**Carlyle Holdings I**” means Carlyle Holdings I L.P., a Delaware limited partnership, and any successors thereto.

“**Carlyle Holdings II**” means Carlyle Holdings II L.P., a Québec société en commandite, and any successors thereto.

“**Carlyle Holdings III**” means Carlyle Holdings III L.P., a Québec société en commandite, and any successors thereto.

“**Carlyle Holdings Group**” means, collectively, the Carlyle Holdings Partnerships and their respective Subsidiaries.

“**Carlyle Holdings Partnerships**” means, collectively, Carlyle Holdings I, Carlyle Holdings II and Carlyle Holdings III and any future partnership designated by the Board of Directors in its sole discretion as a Carlyle Holdings Partnership for purposes of this Certificate of Incorporation.

“**Certificate**” means a certificate issued in global form in accordance with the rules and regulations of the Depositary or in such other form as may be adopted by the Board of Directors, issued by the Corporation evidencing ownership of one or more shares of stock of the Corporation or a certificate, in such form as may be adopted by the Board of Directors, issued by the Corporation evidencing ownership of one or more other classes of stock of the Corporation.

“**Certificate of Incorporation**” has the meaning assigned to such term in Section 4.01(c).

“Code” means the U.S. Internal Revenue Code of 1986, as amended and in effect from time to time. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of any successor law.

“Commission” means the U.S. Securities and Exchange Commission.

“Common Stock” has the meaning assigned to such term in Section 4.01(a)(i).

“Common Unit” means a Limited Partner Interest representing a fractional part of the Limited Partner Interests of all limited partners of the Partnership and having the rights and obligations specified with respect to Common Units in the Partnership Agreement.

“Consenting Parties” has the meaning assigned to such term in Article XIX.

“Conversion” has the meaning assigned to such term in Article III.

“Corporate Group” means the Corporation and its Subsidiaries treated as a single consolidated entity.

“Corporation” has the meaning assigned to such term in Article I.

“Depository” means, with respect to any shares of stock issued in global form, The Depository Trust Company and its successors and permitted assigns.

“Directors” means the members of the Board of Directors.

“Dispute” has the meaning assigned to such term in Article XIX.

“DGCL” means the Delaware General Corporation Law, as the same exists or as may hereafter be amended from time to time.

“Dissolution Event” means an event resulting in the dissolution, liquidation or winding up of the Corporation.

“Effective Time” means 12:01 a.m. (Eastern Time) on \_\_\_\_\_, 201\_\_.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended, supplemented or restated from time to time and any successor to such statute.

“Fiscal Year” has the meaning assigned to such term in Article XIV.

“Former General Partner” means Carlyle Group Management L.L.C., a Delaware limited liability company, in its capacity as the former general partner of the Partnership.

“Fund”, for purposes of Section 15.01(a), has the meaning assigned to such term in Section 15.01(a).

**“General Partner Interest”** means the management and ownership interest of the Former General Partner in the Partnership (in its capacity as a general partner without reference to any Limited Partner Interest held by it), which takes the form of General Partner Units, and includes any and all benefits to which the Former General Partner is entitled as provided in the Partnership Agreement, together with all obligations of the Former General Partner to comply with the terms and provisions of the Partnership Agreement.

**“General Partner Unit”** means a fractional part of the General Partner Interest having the rights and obligations specified with respect to the General Partner Interest.

**“Group”** means a Person that with or through any of its Affiliates or Associates has any contract, arrangement, understanding or relationship for the purpose of acquiring, holding, voting, exercising investment power or disposing of any stock of the Corporation with any other Person that beneficially owns, or whose Affiliates or Associates beneficially own, directly or indirectly, stock of the Corporation.

**“Group Member”** means a member of the Corporate Group.

**“Indemnitee”** means, to the fullest extent permitted by law, (a) the Former General Partner, (b) any Person who is or was a “tax matters partner” (as defined in the Code as in effect prior to 2018) or “partnership representative” (as defined in the Code), as applicable, officer or director of the Corporation or the Former General Partner, (c) any officer or director of the Corporation or the Former General Partner who is or was serving at the request of the Corporation or the Former General Partner as an officer, director, employee, member, partner, “tax matters partner” (as defined in the Code as in effect prior to 2018) or “partnership representative” (as defined in the Code), as applicable, agent, fiduciary or trustee of another Person; provided that a Person shall not be an Indemnitee by reason of providing, on a fee for services basis, trustee, fiduciary or custodial services, (d) any Person who controls the Former General Partner, and (e) any Person the Corporation in its sole discretion designates as an “Indemnitee” as permitted by applicable law.

**“Initial Annual Meeting”** means the first annual meeting of stockholders held following the Effective Time.

**“Limited Partner Interest”** means the ownership interest of a limited partner of the Partnership in the Partnership, which may be evidenced by Common Units, Special Voting Units, Series A Preferred Units or other equity interest in the Partnership (but excluding any options, rights, warrants and appreciation rights relating to an equity interest in the Partnership), including without limitation, Common Units, Special Voting Units, Series A Preferred Units and General Partner Units, or a combination thereof or interest therein, and includes any and all benefits to which such limited partner of the Partnership is entitled as provided in the Partnership Agreement.

**“Merger Agreement”** has the meaning assigned to such term in **Section 8.01**.

**"National Securities Exchange"** means an exchange registered with the Commission under Section 6(a) of the Exchange Act or any successor thereto and any other securities exchange (whether or not registered with the Commission under Section 6(a) of the Exchange Act) that the Board of Directors shall designate as a National Securities Exchange for purposes of this Certificate of Incorporation and the Bylaws.

**"Opinion of Counsel"** means a written opinion of counsel or, in the case of tax matters, a qualified tax adviser (who may be regular counsel or tax adviser, as the case may be, to the Corporation) acceptable to the Board of Directors in its discretion.

**"Outstanding"** means, with respect to stock of the Corporation, all shares of stock that are issued by the Corporation and reflected as outstanding on the Corporation's books and records as of the date of determination; provided, however, that if at any time any Person or Group (other than the Former General Partner or its Affiliates) beneficially owns 20% or more of any class of Outstanding stock, all such shares of stock owned by such Person or Group shall not be entitled to be voted on any matter and shall not be considered to be Outstanding when sending notices of a meeting of stockholders of the Corporation to vote on any matter (unless otherwise required by law), calculating required votes, determining the presence of a quorum or for other similar purposes under this Certificate of Incorporation or the DGCL (such shares of stock shall not, however, be treated as a separate class of stock for purposes of this Certificate of Incorporation or the DGCL); provided further, that the foregoing limitation shall not apply (i) to any Person or Group who acquired 20% or more of any shares of stock of any class then Outstanding directly from the Former General Partner or its Affiliates, (ii) to any Person or Group who acquired 20% or more of any shares of stock of any class then Outstanding directly or indirectly from a Person or Group described in clause (i) provided that the Board of Directors shall have notified such Person or Group in writing that such limitation shall not apply or (iii) to any Person or Group who acquired 20% or more of any shares of any class of stock issued by the Corporation with the prior approval of the Board of Directors or the Former General Partner. The determinations of the matters described in clauses (i), (ii) and (iii) of the foregoing sentence shall be conclusively determined by the Board of Directors, which determination shall be final and binding on all stockholders of the Corporation.

**"Partnership"** has the meaning assigned to such term in Article III.

**"Partnership Agreement"** means that certain Second Amended and Restated Agreement of Limited Partnership of the Partnership, dated as of September 13, 2017, as amended, supplemented or restated from time to time.

**"Person"** means an individual or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association (including any group, organization, cotenancy, 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).

**"Preferred Stock"** has the meaning set forth in Section 4.01(a)(ii).

**“Record Date”** means the date and time established by the Board of Directors pursuant to this Certificate of Incorporation. The Record Date for distributions on any Preferred Stock is as set forth in this Certificate of Incorporation (including any certificate of designation relating to any series of Preferred Stock).

**“Record Holder”** means the Person in whose name a share of stock of the Corporation is registered on the books of the Corporation or, if such books are maintained by the Transfer Agent, on the books of the Transfer Agent, in each case, to the extent applicable, as of the Record Date.

**“Securities Act”** means the U.S. Securities Act of 1933, as amended, supplemented or restated from time to time and any successor to such statute.

**“Series A Preferred Stock”** has the meaning set forth in Section 4.01(a)(ii).

**“Series A Preferred Unit”** means a 5.875% Series A Preferred Unit having the designations, voting powers, rights and preferences set forth in the Partnership Agreement.

**“Special Voting Unit”** means a partnership interest in the Partnership having the rights and obligations specified with respect to Special Voting Units in the Partnership Agreement.

**“Subsidiary”** means, with respect to any Person, (a) a corporation of which more than 50% of the voting power of shares entitled (without regard to the occurrence of any contingency) to vote in the election of directors or other governing body of such corporation is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person or a combination thereof, (b) a partnership (whether general or limited) in which such Person or a Subsidiary of such Person is, at the date of determination, a general or limited partner of such partnership, but only if more than 50% of the partnership interests of such partnership (considering all of the partnership interests of the partnership as a single class) is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person, or a combination thereof, (c) any other Person (other than a corporation or a partnership) in which such Person, one or more Subsidiaries of such Person, or a combination thereof, directly or indirectly, at the date of determination, has (i) at least a majority ownership interest or (ii) the power to elect or direct the election of a majority of the directors or other governing body of such Person or (d) any other Person the financial information of which is consolidated by such Person for financial reporting purposes under U.S. GAAP. For the avoidance of doubt, the Carlyle Holdings Partnerships are Subsidiaries of the Corporation.

**“transfer”**, when used in this Certificate of Incorporation with respect to shares of stock of the Corporation, has the meaning assigned to such term in Section 6.04(a).

**“Transfer Agent”** means such bank, trust company or other Person as shall be appointed from time to time by the Board of Directors to act as registrar and transfer agent for the Common Stock and the Preferred Stock.

**“U.S. GAAP”** means U.S. generally accepted accounting principles consistently applied.

## **ARTICLE XXII**

### **INCORPORATOR**

The incorporator of the Corporation is Carlyle Group Management L.L.C., a Delaware limited liability company, whose mailing address is 1001 Pennsylvania Avenue, NW, Washington, DC 20004.

## **ARTICLE XXIII**

### **MISCELLANEOUS**

Section 23.01 Invalidity of Provisions. If any provision of this Certificate of Incorporation is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby. If a provision is held to be invalid as written, then it is the intent of the Persons bound by this Certificate of Incorporation that the court making such a determination interpret such provision as having been modified to the least extent possible to find it to be binding, it being the objective of the Persons bound by this Certificate of Incorporation to give the fullest effect possible to the intent of the words of this Certificate of Incorporation.

Section 23.02 Construction; Section Headings. For purposes of this Certificate of Incorporation, unless the context requires otherwise, (a) any pronoun used in this Certificate of Incorporation shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa; (b) references to Articles and Sections refer to Articles and Sections of this Certificate of Incorporation; and (c) the terms "include," "includes," "including" or words of like import shall be deemed to be followed by the words "without limitation;" and the terms "hereof," "herein" or "hereunder" refer to this Certificate of Incorporation as a whole and not to any particular provision of this Certificate of Incorporation. The headings contained in this Certificate of Incorporation are for reference purposes only, and shall not affect in any way the meaning or interpretation of this Certificate of Incorporation.

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This Certificate of Incorporation shall become effective at [12:01] [a.m.] (Eastern Time) on \_\_\_\_\_, 20\_\_\_.

*[Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF, the undersigned incorporator hereby acknowledges that the foregoing Certificate of Incorporation is its act and deed on this \_\_\_ day of \_\_\_, 201\_\_\_.

**CARLYLE GROUP MANAGEMENT L.L.C.**

By:\_\_\_

Name:

Title:

**FORM OF BYLAWS**  
**OF**  
**THE CARLYLE GROUP INC.**

(Effective \_\_\_\_\_, 20\_\_\_\_)

**Article I**

**OFFICES**

Section 1.01 Registered Office. The registered office and registered agent of The Carlyle Group Inc. (the "Corporation") shall be as set forth in the Certificate of Incorporation of the Corporation (as in effect from time to time, the "Certificate of Incorporation").

**ARTICLE II**

**MEETINGS OF STOCKHOLDERS**

Section 2.01 Annual Meetings. Annual meetings of stockholders may be held at such place, if any, either within or without the State of Delaware, on such date and at such time as the Board of Directors of the Corporation (the "Board of Directors") shall determine. The Board of Directors may, in its sole discretion, determine that annual meetings of stockholders shall not be held at any place, but may instead be held solely by means of remote communication in accordance with Section 211(a)(2) of the DGCL. The Board of Directors may postpone, reschedule or cancel any annual meeting of stockholders previously scheduled by the Board of Directors.

Section 2.02 Special Meetings. Special meetings of stockholders may only be called in the manner provided in the Certificate of Incorporation and may be held at such place, if any, either within or without the State of Delaware, on such date and at such time, and for such purpose or purposes, as the Board of Directors shall determine and state in the notice of meeting, if any. The Board of Directors may postpone, reschedule or cancel any special meeting of stockholders previously scheduled by the Board of Directors subject to the requirements of the Certificate of Incorporation.

Section 2.03 Notice of Meetings. If required by law, whenever stockholders are required to take any action at an annual or special meeting of stockholders, a timely notice of the meeting given in writing or by electronic transmission in a manner permitted by applicable law, which shall state the place, if any, date and time of the meeting, the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, the Record Date for determining the stockholders entitled to vote at the meeting, if such date is different from the Record Date for determining stockholders entitled to notice of the meeting, shall be delivered, sent, given, made or transmitted, as

applicable, to each stockholder of record entitled to vote thereat as of the Record Date for determining the stockholders entitled to notice of the meeting. Unless otherwise provided by law, the Certificate of Incorporation or these Bylaws, any such notice shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting as of the Record Date for determining the stockholders entitled to notice of the meeting.

**Section 2.04 Inspectors of Election.** The Corporation may, and shall if required by law, in advance of any meeting of stockholders, appoint one or more inspectors of election, who may be employees of the Corporation, to act at the meeting or any adjournment thereof and to make a written report thereof. The Corporation may designate one or more Persons as alternate inspectors to replace any inspector who fails to act. In the event that no inspector so appointed or designated is able to act at a meeting of stockholders, the Person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath to execute faithfully the duties of inspector with strict impartiality and according to the best of his or her ability. The inspector or inspectors so appointed or designated shall (i) ascertain the number of shares of stock of the Corporation Outstanding and the voting power of each such share, (ii) determine the shares of stock of the Corporation represented at the meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares of stock of the Corporation represented at the meeting and such inspectors' count of all votes and ballots. Such certification and report shall specify such other information as may be required by law. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders of the Corporation, the inspectors may consider such information as is permitted by applicable law. No person who is a candidate for an office at an election may serve as an inspector at such election.

## **ARTICLE III**

### **BOARD OF DIRECTORS**

**Section 3.01 Powers.** The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. The Board of Directors may exercise all such authority and powers of the Corporation and do all such lawful acts and things as are not directed or required by the DGCL or the Certificate of Incorporation to be exercised or done by the stockholders.

**Section 3.02 Number of Directors.** The number of Directors constituting the Board of Directors shall be as determined in accordance with the Certificate of Incorporation.

**Section 3.03 Resignations.** Any director may resign at any time by giving notice of such director's resignation in writing or by electronic transmission to the Chairman of the Board of Directors or the Secretary of the Corporation. Any such resignation shall take effect at the time specified therein, or if the time when it shall become effective shall not be specified therein, then it shall take effect immediately upon its receipt by the Corporation. Unless

otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

**Section 3.04 Compensation.** The Board of Directors shall have the authority to fix the compensation of directors or to establish policies for the compensation of directors and for the reimbursement of expenses of directors, in each case, in connection with services provided by directors to the Corporation. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings or for their service as committee members.

**Section 3.05 Meetings; Chairman, Vice Chairman and Secretary.** The Board of Directors may hold meetings, both regular and special, within or outside the State of Delaware. Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman of the Board of Directors on 10 days' notice to each other director, either in person or by telephone or by mail, telegram, telex, cable, electronic mail or other form of recorded or electronic communication, or upon a resolution adopted by the Board of Directors, or on such shorter notice as the Chairman of the Board of Directors may deem necessary or appropriate in the circumstances. The Board of Directors may appoint one or more of its members to serve as "Chairman" or "Vice Chairman." Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting. At each meeting of the Board of Directors, the Chairman of the Board of Directors or, in the Chairman the Board of Directors' absence, the Vice Chairman of the Board of Directors or, in the Vice Chairman of the Board of Directors' absence, a director chosen by a majority of the directors present, shall act as chairman of the meeting.

**Section 3.06 Quorum; Voting; Adjournment.** Subject to the requirements of the Certificate of Incorporation, at all meetings of the Board of Directors, a majority of the then total number of directors shall constitute a quorum for the transaction of business and, except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the directors present at such meeting may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

**Section 3.07 Committees; Committee Rules.** Except as expressly set forth in these Bylaws, the Board of Directors may, by resolution or resolutions passed by a majority of the then total number of members of the Board of Directors, designate one or more committees, each committee to consist of one or more of the directors of the Corporation, which, to the extent provided in such resolution or resolutions, shall have and may exercise, subject to applicable law, the Certificate of Incorporation and these Bylaws, the powers and authority of the Board of Directors. Unless the Board of Directors shall otherwise provide (in the charter of any such committee or otherwise), a majority of all the members of any such committee may determine its action and fix the time and place, if any, of its meetings and specify what notice thereof, if any,

shall be given. The Board of Directors shall have power to change the members of any such committee at any time, to fill vacancies and to discharge any such committee, either with or without cause, at any time. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Unless the Board of Directors shall otherwise provide (in the charter of any such committee or otherwise), in the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Unless the Board of Directors shall otherwise provide (in the charter of any such committee or otherwise), each committee shall keep regular minutes of its meetings and report the same to the Board when required.

Section 3.08 Remote Meeting. Unless otherwise restricted by the Certificate of Incorporation, members of the Board of Directors, or members of any committee designated by the Board of Directors, may participate in meetings of the Board of Directors, or any committee, by means of telephone conference or other communications equipment that allows all persons participating in the meeting to hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

Section 3.09 Action Without a Meeting. Unless otherwise restricted by the Certificate of Incorporation, any action required or permitted to be taken at any meeting by the Board of Directors or any committee thereof, as the case may be, may be taken without a meeting if a consent or consents thereto is signed or transmitted electronically, as the case may be, by all members of the Board of Directors or of such committee, as the case may be.

Section 3.10 Reliance on Books and Records. A member of the Board of Directors, or a member of any committee designated by the Board of Directors shall, in the performance of such person's duties, be fully protected in relying in good faith upon records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of the Corporation's officers or employees, or committees of the Board of Directors, or by any other Person as to matters the member reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

## **ARTICLE IV**

### **OFFICERS**

Section 4.01 Appointment, Selection; Designation and Removal of Officers. The Board of Directors may from time to time as it deems advisable select one or more natural persons and designate them as the "chairman" or "co-chairmen," or the "chief executive officer" or "co-chief executive officers" of the Corporation, and the Board of Directors and/or any such chairman, co-chairman, chief executive officer or co-chief executive officer may, from time to time as they deem advisable, select natural persons who are employees or agents of the Corporation and designate them as officers of the Corporation (together with any such chairman,

co-chairmen, chief executive officer or co-chief executive officers, the "Officers") and assign titles (including, without limitation, "chief operating officer," "chief financial officer," "chief risk officer," "general counsel," "chief administrative officer," "chief compliance officer," "principal accounting officer," "chairman," "senior chairman," "vice chairman," "president," "vice president," "treasurer," "assistant treasurer," "secretary," "assistant secretary," "general manager," "senior managing director," "managing director" and "director") to any such person. Any officer of the Corporation may be removed from office with or without cause at any time by the Board of Directors. Any vacancies occurring in any office other than the offices of chairman or co-chairmen, or the chief executive officer or co-chief executive officers may be filled by the Board of Directors and/or any such chairman, co-chairman, chief executive officer or co-chief executive officer in the same manner as such officers are appointed and selected pursuant to this Section 4.01.

Section 4.02 Delegation of Duties. Unless the Board of Directors determines otherwise, if a title is one commonly used for officers of a corporation incorporated under the DGCL, the assignment of such title shall constitute the delegation to such person of the authorities and duties that are normally associated with that office. The Board of Directors may delegate to any officer any of the Board of Director's powers to the extent permitted by applicable law, including the power to bind the Corporation. Any delegation pursuant to this Section 4.02 may be revoked at any time by the Board of Directors.

Section 4.03 Officers As Agents. The officers, to the extent of their powers set forth under applicable law, the Certificate of Incorporation or these Bylaws or otherwise vested in them by action of the Board of Directors not inconsistent with applicable law, the Certificate of Incorporation or these Bylaws, are agents of the Corporation for the purpose of the Corporation's business and the actions of the officers taken in accordance with such powers shall bind the Corporation.

## **ARTICLE V**

### **STOCK**

Section 5.01 List of Stockholders Entitled To Vote. The Corporation shall prepare, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting (provided, however, that if the Record Date for determining the stockholders entitled to vote at the meeting is less than 10 days before the date of the meeting, the list shall reflect the stockholders entitled to vote at the meeting as of the 10th day before the meeting date), arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting at least 10 days prior to the meeting (a) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of meeting, if any, or (b) during ordinary business hours at the principal place of business of the Corporation. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation. If the meeting is to be held at a place, then a list of stockholders entitled to vote at

the meeting shall be produced and kept at the time and place of the meeting during the whole time thereof and may be examined by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting, if any, if required by law. Except as otherwise provided by law, the stock ledger shall be the only evidence as to who are the stockholders entitled to examine the list of stockholders required by this Section 5.01 or to vote in person or by proxy at any meeting of stockholders.

## **ARTICLE VI**

### **DEFINITIONS**

Section 6.01 Definitions. Terms used in these Bylaws and not defined herein shall have the meanings assigned to such terms in the Certificate of Incorporation.

## **ARTICLE VII**

### **MISCELLANEOUS**

Section 7.01 Corporate Seal. The Board of Directors may provide a suitable seal, containing the name of the Corporation.

Section 7.02 Construction; Section Headings. For purposes of these Bylaws, unless the context otherwise requires, (i) references to "Articles", "Sections" and "clauses" refer to articles, sections and clauses of these Bylaws and (ii) the term "include" or "includes" means includes, without limitation, and "including" means including, without limitation. Section headings in these Bylaws are for convenience of reference only and shall not be given any substantive effect in limiting or otherwise construing any provision herein.

Section 7.03 Inconsistent Provisions. In the event that any provision of these Bylaws is or becomes inconsistent with any provision of the Certificate of Incorporation, the DGCL or any other applicable law, such provision of these Bylaws shall not be given any effect to the extent of such inconsistency but shall otherwise be given full force and effect.

## **ARTICLE VIII**

### **AMENDMENTS**

Section 8.01 Amendments. Except as provided in the Certificate of Incorporation, the Board of Directors is expressly authorized to adopt, amend and repeal, in whole or in part, these Bylaws without the assent or vote of the stockholders in any manner not inconsistent with the DGCL or the Certificate of Incorporation. Notwithstanding any other provision of the Certificate of Incorporation or any provision of law that might otherwise permit a lesser vote, but in addition to any affirmative vote of the holders of any series of Preferred Stock required by law, the Certificate of Incorporation or any certificate of designation relating

to any series of Preferred Stock, the Bylaws may also be amended, altered or repealed and new Bylaws may be adopted by the stockholders of the Corporation only by the affirmative vote of the holders of at least a majority of the voting power of the Outstanding stock of the Corporation entitled to vote thereon.

*[Remainder of Page Intentionally Left Blank]*

## FORM OF STOCKHOLDER AGREEMENT

This Stockholder Agreement is entered into as of \_\_\_\_\_, 20\_\_ by and between The Carlyle Group Inc., a Delaware corporation (the “Company”) and the undersigned stockholder (the “Stockholder Founder”).

### RECITALS:

WHEREAS, on our about the date hereof the Company has converted from a Delaware limited partnership to a Delaware corporation and, in connection therewith, the Company and the Stockholder Founder wish to set forth certain understandings between them as set forth herein.

NOW, THEREFORE, the parties agree as follows:

### ARTICLE I. INTRODUCTORY MATTERS

1.1 Defined Terms. In addition to the terms defined elsewhere herein, the following terms have the following meanings when used herein with initial capital letters:

“Agreement” means this Stockholder Agreement, as the same may be amended, supplemented, restated or otherwise modified from time to time in accordance with the terms hereof.

“Beneficially Own” has the meaning set forth in Rule 13d-3 promulgated under the Exchange Act.

“Board” means the board of directors of the Company.

“Common Stock” means shares of common stock, par value \$0.01 per share, of the Company, and any securities issued in respect thereof, or in substitution therefor, in connection with any stock split, dividend or combination, or any reclassification, recapitalization, merger, consolidation or similar transaction.

“Company” has the meaning set forth in the Preamble.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, as the same may be amended from time to time.

“Founders” means Messrs. William E. Conway, Jr., Daniel A. D’Aniello and David M. Rubenstein.

“Stockholder Founder” has the meaning assigned to it in the preamble.

**“Stockholder Designator”** means the Stockholder Founder or, in the event the Stockholder Founder is unable or unwilling (whether as a result of the Stockholder Founder’s death or incapacity or otherwise) to act as Stockholder Designator hereunder for any reason, one or more members of the Stockholder Group that Beneficially Own a majority of the shares of Common Stock Beneficially Owned by all members of the Stockholder Group.

**“Stockholder Designee”** means a director designated to the Board in accordance with this Agreement.

**“Stockholder Group”** means, collectively, the (i) Stockholder Founder; (ii) a member or members of the Stockholder Founder’s family (it being understood that “family” shall mean any relationship by blood, marriage or adoption including descendants of any degree of the Stockholder Founder or of the Stockholder Founder’s spouse or siblings); (iii) a trust, estate, partnership or similar entity the beneficiaries of which are primarily the Stockholder Founder or a member or members of the Stockholder Founder’s family; (iv) a charitable trust, partnership, foundation or similar entity controlled by any other member or members of the Stockholder Group; or (v) any other entity that is wholly owned by or established primarily for the benefit of such persons.

**1.2 Construction.** The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction will be applied against any party. Unless the context otherwise requires: (a) “or” is disjunctive but not exclusive, (b) words in the singular include the plural, and in the plural include the singular, and (c) the words “hereof,” “herein,” and “hereunder” and words of similar import when used in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section references are to this Agreement unless otherwise specified.

## ARTICLE II. CORPORATE GOVERNANCE MATTERS

### 2.1 Designation of Directors.

(a) (i) The Stockholder Designator shall be entitled to designate one Stockholder Designee for so long as the Stockholder Group Beneficially Owns at least 5% of the issued and outstanding Common Stock.

(i) In addition, the Stockholder Designator shall be entitled to designate a second Stockholder Designee until the earlier of (x) such time as the Stockholder Group shall cease to beneficially own at least 20 million shares of Common Stock (as adjusted for any stock split, stock dividend or other subdivision, reverse stock split or other combination, reclassification, reorganization or similar event) and (y) January 1, 2027.

Whenever the Stockholder Designator designates a Stockholder Designee hereunder that is not a Founder (any such person, an **“Additional Director”**), such Additional Director must be reasonably qualified as determined by the Nominating and Corporate Governance Committee

of the Board acting in good faith; provided, that (A) the Nominating and Corporate Governance Committee shall make a determination as to whether the Additional Director is reasonably qualified within 30 days of the Additional Director submitting to the Company a completed copy of the Company's standard Directors and Officers questionnaire (and if the Nominating and Corporate Governance Committee fails to make a determination and inform the Stockholder Designator in writing of such determination within such 30-day period, such individual shall be deemed to be reasonably qualified for purposes of this Agreement); (B) in no event shall the Nominating and Corporate Governance Committee be permitted to unreasonably withhold, condition or delay its determination that an individual is reasonably qualified; and (C) if the Company is no longer a "controlled company" under the applicable listing standards of the Nasdaq Stock Market or other national securities exchange upon which the Common Stock is listed, at least one of the Stockholder Designees shall be independent under the applicable listing standards of the Nasdaq Stock Market or other national securities exchange upon which the Common Stock is listed

(b) No Stockholder Designee that the Stockholder Designator would then be entitled to designate pursuant to Section 2.1(a) shall be removed without the consent of the Stockholder Designator delivered in accordance with Section 3.2 hereof.

(c) In the event that a vacancy is created at any time by death, disability, retirement, removal (with or without cause), disqualification, resignation or otherwise with respect to any Stockholder Designee, the Company shall cause such vacancy to be filled, as soon as possible, by a new designee of the Stockholder Designator who shall be entitled to serve the remaining term of the director whose vacancy such designee is filling (and such replacement shall be considered a "Stockholder Designee" for purposes of this Agreement).

(d) The Company shall, to the fullest extent permitted by law, include in the slate of nominees recommended by the Board at any meeting of stockholders called for the purpose of electing directors (or consent in lieu of meeting), each Stockholder Designee designated pursuant to this Section 2.1 and use its best efforts to cause the election of each such Stockholder Designee to the Board, including nominating each such individual to be elected as a director as provided herein, recommending each such individual's election and soliciting proxies or consents in favor thereof, in each case, using the same level of efforts as it recommends, supports and solicits proxies or consents for the election of the other members of the Board.

(e) In addition to any vote or consent of the Board or the stockholders of the Company required by applicable law or the certificate of incorporation or bylaws of the Company, and notwithstanding anything to the contrary in this Agreement, for so long as this Agreement is in effect, any action by the Board to increase the total number of directors comprising the Board to a number greater than twelve (other than any such increase in connection with the election of one or more directors elected exclusively by the holders of one or more classes or series of the Company's shares other than Common Stock) shall require the prior written consent of the Stockholder Designator, delivered in accordance with Section 3.2 hereof.

2.2 **Board Chair and Committees.** For so long as the Stockholder Designator has the right to designate two Stockholder Designees pursuant to Section 2.1(a) hereof, the Founders, if any, who then serve as directors on the Board shall be entitled (but not obligated) to designate (i) a Chair or Co-Chair(s) of the Board *provided*, that any such Chair or Co-Chair shall be a Founder; and (ii) except as otherwise required by applicable law or the listing standards of the Nasdaq Stock Market or other national securities exchange upon which the Common Stock is listed, a Founder to serve on each of the Compensation Committee, the Nominating and Corporate Governance Committee of the Board and any Executive Committee of the Board.

2.3 **Other Rights of Stockholder Designees.** Each Stockholder Designee shall be entitled to the same rights and privileges applicable to all other members of the Board generally or to which all such members of the Board are entitled. In furtherance of the foregoing, the Company shall indemnify, exculpate, and reimburse fees and expenses of each Stockholder Designee (including by entering into an indemnification agreement in a form substantially similar to the Company's form director indemnification agreement) and provide each Stockholder Designee with director and officer insurance to the same extent it indemnifies, exculpates, reimburses and provides insurance for the other members of the Board pursuant to the certificate of incorporation or bylaws of the Company, applicable law or otherwise.

2.4 **Resignations.** If at any time the number of Stockholder Designees on the Board exceeds the number that the Stockholder Designator is then entitled to designate pursuant to Section 2.1(a) above and the Nominating and Corporate Governance Committee of the Board so requests, the Stockholder Designator shall cause one or more of the Stockholder Designees, as the case may be, to promptly resign from the Board; *provided* that in no event shall the Stockholder Founder himself ever be required to resign from the Board pursuant to this Section 2.4.

### ARTICLE III. GENERAL PROVISIONS

3.1 **Termination.** Unless earlier terminated by the Stockholder Designator pursuant to a written notice delivered to the Company, this Agreement shall terminate automatically at the later of (i) such time as the Stockholder Designator shall have no right to designate any Stockholder Designee pursuant to Section 2.1(a) above and (ii) such time as there shall be no Stockholder Designee serving on the Board pursuant to Section 2.1 above.

3.2 **Notices.** Any notice, designation, request, request for consent or consent provided for in this Agreement shall be in writing and shall be either personally delivered, sent by facsimile or sent by reputable overnight courier service (charges prepaid) to the Company at the address set forth below and to the Stockholder Designator at the address(es) indicated on the Company's records, or at such address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party.

Notices and other such documents will be deemed to have been given or made hereunder when delivered personally or sent by facsimile (receipt confirmed) and one (1) business day after deposit with a reputable overnight courier service.

The Company's address is:

The Carlyle Group Inc.  
1001 Pennsylvania Avenue, NW  
Washington, DC 20004  
(T) (202) 729-5626  
(F) (202) 729-5325  
Attention: General Counsel  
Email: jeffrey.ferguson@carlyle.com

**3.3 Amendment; Waiver.** The terms and provisions of this Agreement may be modified or amended only with the written approval of the Company and the Stockholder Designator.

(a) Except as expressly set forth in this Agreement, neither the failure nor delay on the part of any party hereto to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy power or privilege preclude any other or further exercise of the same or of any other right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence.

(b) No party shall be deemed to have waived any claim arising out of this Agreement, or any right, remedy, power or privilege under this Agreement, unless the waiver of such claim, right, remedy, power or privilege is expressly set forth in a written instrument duly executed and delivered on behalf of such party; and any such waiver shall not be applicable or have any effect except in the specific instance in which it is given.

**3.4 Further Assurances.** The Company will sign such further documents, cause such meetings to be held, resolutions passed and do and perform and cause to be done such further acts and things necessary, proper or advisable in order to give full effect to this Agreement and every provision hereof. To the fullest extent permitted by law, the Company shall not directly or indirectly take any action that is intended to, or would reasonably be expected to result in, the Stockholder Founder being deprived of the rights contemplated by this Agreement.

**3.5 Assignment.** The rights of the Stockholder Founder under this Agreement may not be assigned without the express prior written consent of the Company, and any attempted assignment, without such consent, will be null and void; provided that, for the avoidance of doubt, in no event shall the exercise of any rights, claims or benefits inuring to members of the Stockholder Group under this Agreement constitute an assignment.

3.6 **Third Parties.** Except as provided herein with respect to any member of the Stockholder Group, this Agreement does not create any rights, claims or benefits inuring to any person that is not a party hereto nor create or establish any third party beneficiary hereto.

3.7 **Governing Law.** THIS AGREEMENT AND ITS ENFORCEMENT AND ANY CONTROVERSY ARISING OUT OF OR RELATING TO THE MAKING OR PERFORMANCE OF THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE.

3.8 **Jurisdiction; Waiver of Jury Trial.** Each party hereto hereby (i) agrees that any action, directly or indirectly, arising out of, under or relating to this Agreement shall exclusively be brought in and shall exclusively be heard and determined by either the Court of Chancery of the State of Delaware or, if such court does not have subject matter jurisdiction thereof, the federal district court of the State of Delaware, and (ii) solely in connection with the action(s) contemplated by subsection (i) hereof, (A) irrevocably and unconditionally consents and submits to the exclusive jurisdiction of the courts identified in subsection (i) hereof, (B) irrevocably and unconditionally waives any objection to the laying of venue in any of the courts identified in clause (i) of this Section 3.8, (C) irrevocably and unconditionally waives and agrees not to plead or claim that any of the courts identified in such clause (i) is an inconvenient forum or does not have personal jurisdiction over any party hereto, and (D) agrees that mailing of process or other papers in connection with any such action in the manner provided herein or in such other manner as may be permitted by applicable law shall be valid and sufficient service thereof. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM OR ACTION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE SERVICES CONTEMPLATED HEREBY.

3.9 **Specific Performance.** Each party hereto acknowledges and agrees that in the event of any breach of this Agreement by any of them, the other parties hereto would be irreparably harmed and could not be made whole by monetary damages. Each party accordingly agrees to waive the defense in any action for specific performance that a remedy at law would be adequate and agrees that the parties, in addition to any other remedy to which they may be entitled at law or in equity, shall be entitled to specific performance of this Agreement without the posting of a bond.

3.10 **Entire Agreement.** This Agreement sets forth the entire understanding of the parties hereto with respect to the subject matter hereof. There are no agreements, representations, warranties, covenants or understandings with respect to the subject matter hereof. This Agreement supersedes all other prior agreements and understandings between the parties with respect to such subject matter.

3.11 **Severability.** If any provision of this Agreement, or the application of such provision to any party or person or circumstance or in any jurisdiction, shall be held to be

invalid or unenforceable to any extent, (i) the remainder of this Agreement shall not be affected thereby, and each other provision hereof shall be valid and enforceable to the fullest extent permitted by law, (ii) as to such party, person or circumstance or in such jurisdiction such provision shall be reformed to be valid and enforceable to the fullest extent permitted by law, and (iii) the application of such provision to other parties, persons or circumstances or in other jurisdictions shall not be affected thereby.

3.12 Headings and Captions. The headings, subheadings and captions contained in this Agreement are included for convenience of reference only, and in no way define, limit or describe the scope of this Agreement or the intent of any provision hereof.

3.13 Counterparts. This Agreement and any amendment hereto may be signed in any number of separate counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one Agreement (or amendment, as applicable).

*[Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

**COMPANY:**

THE CARLYLE GROUP INC.

By: \_\_\_\_\_  
Name:  
Title:

**STOCKHOLDER FOUNDER:**

Name: \_\_\_\_\_

I, Kewsong Lee, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 of The Carlyle Group L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2019

/s/ Kewsong Lee

Kewsong Lee

Co-Chief Executive Officer

Carlyle Group Management L.L.C.

*(Co-Principal Executive Officer)*

I, Glenn A. Youngkin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 of The Carlyle Group L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2019

/s/ Glenn A. Youngkin

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Glenn A. Youngkin

Co-Chief Executive Officer

Carlyle Group Management L.L.C.

*(Co-Principal Executive Officer)*

I, Curtis L. Buser, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 of The Carlyle Group L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2019

/s/ Curtis L. Buser

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Curtis L. Buser

Chief Financial Officer

Carlyle Group Management L.L.C.

*(Principal Financial Officer)*

**Certification of the Co-Chief Executive Officer  
Pursuant to 18 U.S.C. Section 1350,  
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of The Carlyle Group L.P. (the "Company") on Form 10-Q for the quarter ended June 30, 2019 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kewsong Lee, Co-Chief Executive Officer of Carlyle Group Management L.L.C., the general partner of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kewsong Lee

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Kewsong Lee  
Co-Chief Executive Officer  
Carlyle Group Management L.L.C.

Date: July 31, 2019

\* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

**Certification of the Co-Chief Executive Officer  
Pursuant to 18 U.S.C. Section 1350,  
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of The Carlyle Group L.P. (the "Company") on Form 10-Q for the quarter ended June 30, 2019 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Glenn A. Youngkin, Co-Chief Executive Officer of Carlyle Group Management L.L.C., the general partner of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Glenn A. Youngkin

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Glenn A. Youngkin

Co-Chief Executive Officer

Carlyle Group Management L.L.C.

Date: July 31, 2019

\* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

**Certification of the Chief Financial Officer  
Pursuant to 18 U.S.C. Section 1350,  
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of The Carlyle Group L.P. (the "Company") on Form 10-Q for the quarter ended June 30, 2019 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Curtis L. Buser, Chief Financial Officer of Carlyle Group Management L.L.C., the general partner of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Curtis L. Buser

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Curtis L. Buser  
Chief Financial Officer  
Carlyle Group Management L.L.C.

Date: July 31, 2019

\* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.